

MEDIA RELEASE

November 2024

INEQUALITY IN AUSTRALIA

'Australia has a reputation for egalitarianism. It is not deserved', said Dr Ken Henry AC in his wide-ranging address at a Royal Society of New South Wales event on 'Inequality in Australia'.

Dr Henry is a distinguished long-serving former Treasury Secretary under several governments who led the 'Henry Review' of Australia's Future Tax System and was co-author of the 'Australia in the Asian Century' white paper. His address on October 22 was to the inaugural event of the new Royal Society NSW lunchtime speaker series 'Provocations & Inspirations'.

'This is a nation based on mercantilist plunder', said Dr Henry, opening his address.

'Two hundred and fifty years after the publication of Adam Smith's *Wealth of Nations*, our leaders insist that the prosperity of citizens rests upon a trickling down of bounty from the export of raw materials. This simplistic narrative is told, and retold, by almost every newspaper editor in the country, over and over again, in the form of a Gregorian chant without end.

'Economists are uncomfortable with this story. But I wonder how many Australians understand how our celebration of mercantilist plunder has contributed to an erosion of the nation's manufacturing capability, undermined labour productivity growth, and depressed the living standards of workers. I wonder how many understand how this narrative has contributed to growing inequality in Australia, especially as between successive generations.'

Dr Henry criticised successive governments for the failure to introduce a tax on the exports of non-renewable natural resources, as other commodity exporting countries have done. This could have avoided much of the damage to Australian manufacturing by a 70 per cent appreciation of the real exchange rate at the height of the commodity boom, as well as adding to government revenues.

'The Australian Government still has an opportunity to levy a tax on our fossil fuel exports, reflecting their embodied carbon. If we don't do it, importing countries will, eventually. For example, the European Carbon Border Adjustment Mechanism (CBAM) has been designed to do so. A fossil fuels export tax levied at today's European carbon price would add about \$156 billion a year to government revenues.

'For an economist, it is beyond irony to witness today's leaders turn to jelly when confronted with a claim that attending to the environmental risks posed by a new mining proposal will destroy hundreds of jobs, knowing that those same leaders have done nothing to prevent the loss of hundreds of thousands of jobs in manufacturing over the past two decades. And it is simply obscene to see some of them now posturing as champions of a 'made in Australia', manufacturing, strategy.'

Looking to the future, Dr Henry still sees an opportunity for Australia to reassess its place in the world and act according to its national economic interests by responding to the challenges of climate change, species depletion and the clean energy transition.

'A focus on national endowments illuminates the need to ensure that Australians are endowed with the capabilities that will be relevant to success in the Asian century,' he said.

'Success will come from integration based on complementarity, not from a race to the bottom in wages, social foundations or environmental standards. In managing the risks of growing Australian inequality, there is a need for new foundational investments, including public investments: in our schools, universities and vocational training centres; in developing Asia-capable workplaces and institutions; and in encouraging adaptability.'

Dr Henry's full address can be found here on video and in transcript -

<https://www.royalsoc.org.au/inequality-in-australia-a-powerful-address-delivered-by-dr-ken-henry-ac/>