Comment

How to rebuild our social democracy

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Australia has a precious window to avoid the worst of the social malaise and democratic decline seen in Britain and the United States. After decades of slicing, dicing and privatising the tools of our social democracy, this moment calls for rebuilding the economic and social conditions of a reimagined welfare state.

In the historically protectionist and more volatile environment that US President Donald Trump has ushered in, voters have entrusted Prime Minister Anthony Albanese to protect our social democracy. In the years since its 2022 election victory, facing rising global inflation, Labor has implemented a modest cost-of-living agenda. It has reduced the cost of medicines, energy and petrol, and made some repairs to Australia's limping redistributive welfare state – the most recent instalment being reform to negative gearing and capital gains taxation. This was important, following the expansion of bulk-billing in Medicare, funding for schools and TAFE, affordable housing supply, and a much-needed uplift of the Gillard–Rudd workplace relations framework.

The government's pro-social program is aimed at rebuilding trust in government and confidence in the "fair go". But it is still operating within the confines of a broken post-Prices and Incomes Accord framework premised on the notion that unleashing the "animal spirits" of competition and privatising large swathes of the economy while decentralising industrial relations would boost productivity.

This model has exhausted avenues to productivity and long-term investment. The compact with workers has been broken, with the value of real wages still at 2010 levels and the social wage eroded through privatised health and education, funding cuts and rising out-of-pocket costs for essentials.

Financial and political conditions are deteriorating. The latest quarterly ANUpoll shows more than one in three Australians now find it difficult or very difficult to meet household expenses with their current income. More people are dissatisfied than satisfied with the direction of the country, for the first time since the poll started in 2008. Satisfaction with democracy remains stable, at 66 per cent, but for how long, with "burn it all down" as the sentiment driving an insurgent One Nation?

Facing higher costs and interest rates, workers know that their government acknowledges their pain. But short-term price subsidies and arms-length condolences work for only a limited time before people expect a fuller response. While Australians confront threats to their economic security in rising inflation, inequality and profiteering, even ambitious initiatives to improve public programs, such as Labor is doing with Medicare, may not resonate with the electorate. They treat the symptom and not the cause.

If government doesn't show any appetite to address imbalances in income, wealth and power before they crystallise, weighing on living standards, the political language and symbolism of "progress" can become a lightning rod for backlash.

Although Labor's commitment to healthcare and education is undeniable, the public services can't be repaired while propping up private systems honed in the Howard era. The impacts are not abstract; they are experienced as indignities in everyday life. The better-off get a chance at healthier, happier lives, less friction with bureaucracy and more agency, while everyone else gets overcrowded crumbling classrooms, emergency care only, waiting lists, safety nets, and the means-testing quagmire.

Private health and education expand their remit by diverting taxpayer funds away from quality public provision, weakening the political salience of public goods. Worst of all, the underserved fund the inequality that subjugates them. Donations to private schools to build Hogwarts castles and Olympic-sized swimming pools are tax-deductible, while no dedicated federal funding stream exists for public school infrastructure. This leaves an accumulated capital expenditure gap of $38 billion between private and public schools over the past decade, something the Australian Education Union is campaigning to rectify.

Australia's public health and education systems serve as minimum safety nets rather than high-quality universal systems. This is the outcome of welfare-state erosion since the neoliberal turn of the 1980s. Then, social security payments began transforming from citizen entitlement and right to a policed, undignified, conditional form of charity under the Howard government's system of mutual obligations. From the 1990s, then prime minister Paul Keating began the process of shifting awards from industry-leading benchmarks on pay and conditions, to minimum pay floors, with a diminishing portion of workers able to secure better pay in enterprise bargaining agreements.

The slicing and dicing of institutions designed to protect the incomes and living standards of all, and the creation of new systems designed only for some, has driven increased income dispersion. Under such conditions, the welfare state ceases being an effective redistributor and equaliser and becomes part of a rigged economy that exacerbates inequality and drives division.

In its first term, Labor focused on resuscitating minimum wage-setting institutions and enterprise bargaining – the remnants of Australia's internationally unique 20th century "wage earners' welfare state". These wage-setting instruments continue to protect millions of workers from poverty, but the global ramp-up in corporate power and other inflation drivers is outpacing them. Australians are worried about the runaway prices of essential services. This is a deeper structural problem that cannot be resolved by our industrial relations system.

The throughline for rising economic insecurity, anxiety and distrust is private actors making claims on workers' incomes as they try to access the basics of life – from energy to culture. This is the culmination of privatisation, user-pays "markets" for government-funded services and inaction against the concentration of corporate power. The result is that Australians are bitterly exposed to high and rising prices. Over the two decades to now, the items in the Consumer Price Index basket running hottest have been gas, at 5.9 per cent average annualised inflation, electricity (5.7 per cent), water and sewerage (4.6 per cent), housing (3.9 per cent), private hospitals (5.5 per cent), private schools (5.2 per cent) and preschool/childcare (3.9 per cent). All were once delivered or made affordable by government.

The leash was let out on private organisations to own, deliver and set prices for the stuff Australians can't live without. The beneficiaries of this agenda include multinational fossil fuel and private equity companies and their shareholders, as well as the state-backed entities of the US, Canada, Britain, China and Singapore that own significant parts of our essential services, critical infrastructure and utilities such as water and electricity. Foreign state capital owning Australian assets is a perverse outcome of privatisation. If other governments can own our resources, why can't ours?

Wealthier, higher-income individuals and powerful corporations move easily through this landscape. This inequity offends Australians' egalitarian principles, fomenting distrust and a rejection of the status quo. Telling people they still live in a country of equal opportunity feels like a cover for an economy rigged against them.

The key to social progress in Australia during the 20th century was the state extending novel economic and social protections to its citizens. It did so against a backdrop of war and global economic crisis. This historic mission must be reconceived as a long-term vision that reconciles uncomfortable truths and rejects the neoliberal consensus.

Australia needs to break with the model of social betterment that focuses on regulating wages rather than delivering through the welfare state, as much of Europe does. With so many workers unable to bargain effectively with employers, social gain through workplace agreement is a partial and uneven method for improving living standards. Expanding public programs with a wider general tax base is critical. We are already on this journey with new initiatives such as parental leave pay, but progress is stymied by the lack of a uniting vision about who pays for public programs and by what means.

The post-Accord framework unleashed the ills of privatisation, wage stagnation and outsized corporate power, changing the economic and institutional fundamentals underpinning Australia's welfare state. The resulting social dissolution has flipped the old political framework of a "fair go" and opportunity for all into a political risk. Saving our precious social democratic tradition requires the government to step in, take the reins and act forcefully against unscrupulous private actors.

Building upon its disinflationary interventions in electricity and petrol prices, the federal government should adopt a more comprehensive program to reduce prices and protect citizens against profiteering. The recent focus on the supermarket giants was a start, and there are plenty of historic examples to inspire further action, from Chifley's postwar price controls on food and rents to Whitlam-era tribunals requiring large companies with a high turnover to justify price increases. Rather than relying on interest rate hikes to protect people from destabilising inflation, a modern program could take inspiration from fiscal interventions by countries such as Mexico and Spain, with targeted price controls, subsidies and strategic tax adjustments.

In the long run, structural price stability is best achieved through public provision of essentials. The federal government should, using its lower borrowing costs and bargaining power in supply chains, prioritise direct public delivery in priority areas including home construction, renewable energy generation, and early childhood education and care (ECEC). Price stability means investing in our universal healthcare and education systems, weaning private parallel systems off the public teat and redirecting those funds to Medicare, public schools and TAFE, including integrating ECEC into the state's public education "stack".

Australia's progressive income tax system cannot tackle record-high wealth inequality and the destabilising effects of concentrated wealth and power – it was never designed to. While capital gains and rents are going to be taxed more fairly, recent reforms leave the masses of wealth built up through decades of tax concessions untouched. With the wealthiest 20 per cent – about two million households – now owning 146 times the wealth of the poorest 20 per cent, and trillions to be inherited within the next two decades, we must have an honest conversation about ambitious, creative ways of taxing unearnt wealth.

None of this can be done tomorrow – meaningful action takes time, patience and determination. In the meantime, it's a gift to federal Labor that Australians level most of their blame and frustration at global corporations. A modest program to tax windfall profits amassed by banks, supermarkets and gas companies would be popular and create a solid stepping stone for an early redistributive agenda. Such a program would buy time for more ambitious action. ●