

Submission to the National Commission of Audit	
Organisation (if applicable)	
Title	Mr
First name	David
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<p>I attach a letter I sent to Amanda Vanstone almost 10 years ago. My ideas remain essentially similar but progress in IT has, if anything, made my suggestion of linking the tax and benefit systems more feasible. The ideas may seem somewhat naive to an economist but I am an ecologist and adopt a holistic approach to life.</p> <p>Essentially, I feel that the RESOURCES of a country should be used to benefit all. However, before this can happen WEALTH must be created by converting RESOURCES to PRODUCTS. This requires investment either of ideas, labour or financial resources, which are not confined to Government sources. The suppliers of these necessary contribution to wealth should be adequately recompensed.</p> <p>Socialist regimes tend to support the idea that it is the role of governments to decide on development of resources and allocation of wealth without regard to the right of investors (either of wealth, ideas or labour) to obtain a return. Present tax and benefit schemes appear to be biased towards this view.</p> <p>I believe that the tax regime should allow such reward for successful development as will encourage the investment. The direct revenue that may be foregone by applying charges for access to undeveloped resources could be more than compensated for by taxation of the incomes of employees and of profits.</p> <p>David H. Eccles,</p>	

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Social Security Payments.

My political opinions are essentially liberal, and I believe that, as far as possible, a person should rely on his own resources, rather than on the State, for his needs.

I am now an age pensioner, but have worked in Africa, The UK and Australia as a biologist, and have been unemployed in the UK and Australia (though not on the dole in the latter). From my experience I have formed some opinions which may, at first sight, be thought to be the antithesis of Coalition philosophy. However, I believe that, if implemented, they would provide incentives for people to take responsibility for their own welfare, however small their contribution, while providing a safety net for those unable to work, or with special needs.

The following statements are, I suggest, incontestable:

- **In a modern society, everybody should be entitled to a basic standard of living.** In peasant societies this is achieved through agricultural self-sufficiency and the safety net of the extended family, but this is no longer possible in a basically urban industrial society.
- **Full employment for all is impossible.** Increasing automation and efficiency of production leads to a reduction in the need for labour and a relative (and actual) increase in the service industries, and in part-time work.
- **Unemployment benefits are a disincentive to accepting temporary or part-time work.** In many cases a worker is little better off in a low-paid or part-time job than on the dole.
 1. After a short term job there is a delay before again getting unemployment pay, and it is quite possible that the individual may be worse off than had he stayed unemployed.
 2. Effectively the most highly taxed earnings are those of the pensioners because of the loss of benefits. Through loss of benefits the net emoluments for accepting a job may be as little as 10% of the gross pay. (In the UK in 1982, had I been selected for a job as a part time manager for 25 hours/week at 3 pounds/hour I would have had only about 4 pounds/ week more than the unemployment benefits (74 pounds) that I would have forgone. My net return on my labour would have been about 16 pence per hour).

A fair system should recognise these facts, and should provide a fair return for any work. It would recognise that:

- **Many employers do not need full-time workers for all tasks.**
- **Many workers would welcome the ability to benefit from part-time work.** As an example, parents would like to be home when their children are out of school, but would like part-time work during school hours.
- **Administration of the Social Security system is enormously expensive.** Much of the present expenditure is devoted to assessment of benefits, and the detection and recovery of spurious claims. This administrative cost is completely unproductive, and Social Security would provide better value if its responsibilities were restricted to assessing and meeting the needs of those unable, rather than unwilling, to work to their full capacity.

I believe that the time has come to consider whether the concept of UNEMPLOYMENT benefits should be scrapped. This may sound revolutionary and oppressive of the workers but I believe that it would, with appropriate safeguards, be liberating and empowering.

Society already accepts the concept that the handicapped, the elderly and children should be helped by taxpayer-funded benefits. This is age discrimination, which is inappropriate in an advanced economy where gross production is sufficient to maintain everyone at an acceptable level.

The present system is divisive. The unemployed rely on the State and, if they accept low-paid or part-time jobs, stand to lose so much in benefits that they are paying effectively a higher tax rate than the wealthiest few. The employed, on the other hand, often feel that a substantial part of their taxes is used to support “bludgers”. Such polarisation does not foster a sense of common interest, and cannot be good for society. Its greatest beneficiaries (and the greatest obstacle to change in the system) may be the army of civil servants who administer the system.

I suggest that, under a truly liberal philosophy, the greatest good for the greatest number could be achieved by paying ALL citizens a basic pension, sufficient for a modest subsistence, from general revenue. This would be expensive, but I suggest that it would result in a general increase of economic activity which would make it more affordable. It would be taxable, and much of the funding could be recouped by an increase in the marginal tax rate. It would have the following advantages:

- **Remove the division between employed and unemployed** – It would largely remove the stigma of “bludger” from those who have not worked for a period, either from choice or by circumstances, and would ensure that all workers received the full benefit of their efforts.
- **Remove disincentives for pensioners (unemployed, disability or aged) to work.** There would be no loss of benefits for those employed. It would ensure that, for the fit, their standard of living would reflect their contribution to economic activity.
- **Encourage part-time work and job sharing.** With basic income available for each child, parents who wish to spend time with their families would be more able to do so.
- **Provide an incentive for additional economic activity** – all work would be appropriately rewarded.
- **Effect large savings in the Social Security administrative costs** – because of less need for staff to administer and police unemployment benefit. Payments could be automatic, essentially based on computerised records of births, deaths and residence permits.
- **Allow Social Services to concentrate their attention on those who, through disability, illness or age are partially or fully unable to work** – these are the people who most need assistance, and the Social Security system should concentrate on them.

I suggest that such a system would allow each individual to be rewarded appropriately for any work done. It would be fair, and would remove the polarization seen in the present system

It differs from the negative income tax ideas of Milton Friedman in that:

- the payments would not be related to income, and would be payable on a regular basis.
- It would be linked to records of birth and death, and of Medicare, so minimising the administrative costs.
- It would give freedom to individuals to earn as much as they could, while ensuring that they had a secure (but no necessarily too comfortable) safety net.
- The benefit should NOT be means-tested. This inevitably disadvantages those who are marginally above the limit, and requires a large and costly administrative input.
- The Opposition would say that my ideas smack of middle class welfare, but this is not entirely true. If tax rates remained progressive, the payment to the better off would be taxed at the top rate, while that to people with no earned income would incur no tax at all.

Although the costs of such an arrangement would be high, a considerable part of the expenditure could be raised by increasing taxes on business. This would not increase business costs if the taxes were balanced by a reduction in the basic wage because Government would meet the first part of every wage packet.

If linked to the tax system and the register of births and deaths and family court records, the payment could be indexed by age and, until the appropriate age, could be paid to the custodial parent (or even split when custody is shared). The administrative cost of this might well be less than the present cost of administering family benefit and adjusting taxes.

Current superannuation policies should be maintained or improved, to encourage people to save for their retirement. I believe that the matching payments by government for contributions from the lower paid are an excellent innovation (provided that they apply to any sums up to the \$1,000 cited and not only to a complete contribution of \$1,000). The slight ambiguity over this question has, unfortunately, given Labor the opportunity to say that few low paid can afford to put away \$1,000.

I believe that the latest budget has shown a trend towards my ideas, in that it seeks to increase the rewards for working, and to recognise the needs of families. It has, however, been criticised by the Opposition as offering nothing to the lowest earners. As an age pensioner, I must say that I agree with the truth of this, but I do not challenge its fairness, although I would welcome an opportunity to earn extra without the necessity of advising Centrelink when this happens.

(For some time after I started to receive the age pension, at age 67, I was earning consultancy fees for report reviewing. My fortnightly income varied, but I was told that I should report it to Centrelink on each occasion. The cost to me in fax or postal charges was small, but amounted to a tax of about 1-2% of that income, but the handling cost to Centrelink would have been much higher, possibly over \$10 (about 20% of the payment) on each occasion – an absolutely unproductive waste of resources.)

I suggest that if the Liberal government wishes to remove the division between workers and unemployed, to introduce a fairer system to ensure that the unemployed entering the work force receive the same incremental return for their labour as those already employed, and to reduce the wasteful policing functions of Centrelink, they could do worse than to investigate the feasibility, and the cost/benefit implications of such a policy. I believe that it would greatly increase the tax income of Government, which would partly offset the cost.