

ADVANCE AUSTRALIA FAIR? (IN)EQUALITY, PROSPERITY AND SUSTAINABILITY IN SHAPING AUSTRALIA'S FUTURE

*They lie, the men who tell us for reasons of their own
That want is here a stranger, and that misery's unknown;*

...

*I wonder would the apathy of wealthy men endure
Were all their windows level with the faces of the Poor?¹*

Henry Lawson, "Faces in the Street"

Throughout 2015, California is expected to swelter through one of the severest droughts in that state's history.² In an effort to shore up water reserves, Governor Jerry Brown enjoined Californians to reduce their consumption by 25 per cent. Instead, in the glitzy suburb of Rancho Santa Fe – habitually featured on Forbes' list of the most expensive zip codes in America³ – water use *increased* by 9 per cent. As one Rancho resident explained it, "we're not all equal when it comes to water," and if you pay significant property taxes you have a right to verdant lawns no matter the environmental cost.⁴ These kinds of absurdly comical pronouncements about inequality emerge from the United States so frequently they barely even warrant surprise anymore. Perhaps though they only seem so amusing because we view them at a distance, assured that this kind of behaviour would never be replicated in Australia. Yet, over the past 30 years, just as our economic prosperity has been unparalleled, inequality has steadily been rising in Australia, following the trajectory of the United States. The implications of inequality for sustainable development are alarming. The most commonly cited definition of sustainability originates from the Brundtland Report, and centres on the requirement of meeting present and future generations' needs with respect to social advancement, economic prosperity and environmental protection.⁵ Inequality unites the three because it spoils them all. With respect to social advancement, if a group becomes so wealthy that it is able to detach itself from any relationship with

¹ Henry Lawson, "Faces in the Street," in *Henry Lawson Poems* (Sydney: Angus & Robertson, 2009), 8-10.

² Government of California, "California Drought," *CA.gov*, accessed August 15, 2015, <http://ca.gov/drought/>.

³ Erin Carlyle, "Full List: America's 500 Most Expensive Zip Codes in 2014," *Forbes*, October 23, 2014, accessed August 15, 2015, <http://www.forbes.com/sites/erincarlyle/2014/10/22/full-list-americas-500-most-expensive-zip-codes-in-2014/>.

⁴ Rob Kuznia, "Rich Californians balk at limits: 'We're not all equal when it comes to water,'" *Washington Post*, July 13, 2015, accessed August 15, 2015, http://www.washingtonpost.com/national/rich-californians-youll-have-to-pry-the-hoses-from-our-cold-dead-hands/2015/06/13/fac6f998-0e39-11e5-9726-49d6fa26a8c6_story.html.

⁵ *Our Common Future* (New York: World Commission on Environment and Development, 1987), accessed August 15, 2015, <http://www.un-documents.net/our-common-future.pdf>.

public goods, such as education, those goods deteriorate and inequality becomes entrenched. Likewise, the self-interested pursuit of prodigious amounts of wealth, such as occurs with the mining industry in Western Australia, skews good economic practice, eventually leaving everyone poorer. Finally, when inequality is extreme it intensifies competitive consumption aimed at maintaining status, a compulsive habit that is harmful to environment. Into the future, if sustainability is to be a realistic goal, we require a new philosophy of equality and fairness which entails a reversal of the trends in consumerism and economic individualism – which, at its most deleterious, encourages some to consider even a basic necessity like water subject to competition – and towards a more cooperative society.

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That Australia has experienced continuous economic growth since 1981 is a statistic proudly repeated by almost every Treasury official.⁶ Less frequently advertised is the fact that this prosperity has been increasingly unequally shared over the same period. One of the most common measures of income inequality is the Gini coefficient which has a value of zero when there is perfect equality in household disposable income (that is, income plus government payments, less taxation) and a value of one for complete inequality (that is, one person controls all income).⁷ The Gini coefficient for Australia increased from around 0.27 in 1981-82, to about 0.32 in 2011-12.⁸ Statistics on wealth inequality in Australia are harder to come by because records on this subject have traditionally not been kept. However, economist Andrew Leigh estimates that richest fifth (20%) of the population owned 54% of all household net wealth (that is, the value of assets less liabilities) in the mid-1960s, but 62% of wealth in 2011.⁹ Meanwhile the poorest fifth of households accounted for just 1% of all wealth in 2011.¹⁰ Similarly, while the share of total wealth of the top one per cent was 7% in 1978 it had risen to 11%

⁶ Martin Parkinson, “Reflections on Australia’s Era of Economic Reform,” (address presented to the European Business Council of Australia, Sydney, NSW, December 5, 2014).

⁷ Michael Fletcher and Ben Guttman, “Income Inequality in Australia,” *Economic Roundup 2* (2013), accessed August 15, 2015, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2013/Economic-Roundup-Issue-2/Economic-Roundup/Income-inequality-in-Australia>.

⁸ Fletcher and Guttman, “Income Inequality in Australia,” *Economic Roundup*; Peter Whiteford, “Income and wealth inequality: how is Australia faring?,” *The Conversation*, March 5, 2014, accessed August 15, 2015, <http://theconversation.com/income-and-wealth-inequality-how-is-australia-faring-23483>.

⁹ Andrew Leigh, “Introduction,” in *Battlers & Billionaires: The Story of Inequality in Australia* (Collingwood: Redback, 2013), 5-6.

¹⁰ Whiteford, “Income and wealth inequality,” *The Conversation*.

by 2010.¹¹ Particularly effectual in fomenting this growing divide has been the tumbling top marginal rate of tax on personal incomes, falling from 60% in 1981 to 45% in 2015.¹² The general trend, therefore, has been toward greater inequality.

Rehearsing these figures is a necessary precursor to understanding their alarming repercussions for sustainability. In the United States, for example, where an entrenched practice of tax cuts for wealthy¹³ has meant that social security and spending on public services is less prevalent, the Gini coefficient in 2011 stood at 0.48, up from 0.4 in 1980; a coefficient of 0.5 or higher is generally considered critical for inequality.¹⁴ Over the same interval, the United States has also increasingly become synonymous with the wealthy developing inefficient private workarounds for dilapidated public goods. As journalist Nicholas Kristof notes, when the electricity grid fails, Americans who can afford to simply purchase (highly polluting) backup generators. If public schools don't meet educational expectations, they enrol their children in private schooling. When crime is on the rise, rich Americans move into gated communities and hire security guards.¹⁵ The problem, Kristof argues, is that in the end everyone bears the costs of inequality: one way to do it is to invest resources remedially, improving public goods like electricity supply and ensuring access to good schooling for disadvantaged youth. The other is to pay for disproportionately expensive prisons and private security guards. In fact, in cities with high income disparity such as New York and Los Angeles, more than 1 per cent of all employees work in private security.¹⁶ This kind of wasteful duplication is, at best, poor economics and, at worst, as with the uptake of personal generators, environmentally unsustainable.

¹¹ Andrew Leigh, "The 1980s to Today – The Great Divergence," in *Battlers & Billionaires: The Story of Inequality in Australia* (Collingwood: Redback, 2013), 55.

¹² OECD, "Country Note: Australia," in *Divided We Stand: Why Inequality Keeps Rising* (Paris: OECD Publishing, 2011).

¹³ In 1980, the US top marginal rate of tax was 70%, down to 39.6% in 2015. Tax Foundation, "U.S. Federal Individual Income Tax Rates History, 1862-2013," October 17, 2013, accessed August 17, 2015, <http://taxfoundation.org/article/us-federal-individual-income-tax-rates-history-1913-2013-nominal-and-inflation-adjusted-brackets>; Kelly Erb, "IRS Announces 2015 Tax Brackets," *Forbes*, October 31, 2014, accessed August 17, 2015, <http://www.forbes.com/sites/kellyphillips/2014/10/30/irs-announces-2015-tax-brackets-standard-deduction-amounts-and-more/>.

¹⁴ Joseph Stiglitz, "America's 1 Percent Problem," in *The Price of Inequality: How Today's Divided Society Endangers Our Future* (New York: W. W. Norton & Company, 2013), 28-9.

¹⁵ Nicholas Kristof, "A Failed Experiment," *The New York Times*, November 21, 2012, accessed August 17, 2015, http://www.nytimes.com/2012/11/22/opinion/kristof-a-failed-experiment.html?_r=0 originally cited in Leigh, "Introduction," 7-8.

¹⁶ Kristof, "A Failed Experiment," *The New York Times*.

It is perhaps too simplistic to suggest that the solution is merely to restore taxation to 1980 levels. However, the theory of ‘trickle-down economics’ generally used to justify tax cuts – whereby giving more money to the top supposedly leads to more growth benefitting everyone, either because the rich are job creators or will consume more – has come under sustained criticism for its inefficacy.¹⁷ These tax cuts effectively operate to redistribute income and wealth *away* from the lower and middle classes toward the top, where they simply accrue.¹⁸ More disquieting still, is the burgeoning ability of the rich to dissociate themselves from questions of the common good. Benjamin Disraeli trenchantly critiqued this accessory to wealth in his novel *Sybil* (1845), in which he articulated the social condition of Victorian England: “...the Privileged and the People formed Two Nations, governed by different laws, influenced by different manners, with not thoughts or sympathies in common; with an innate inability of mutual comprehension.”¹⁹ It would be an exaggeration to claim that Australia is in this position quite yet, although Robert Frank does make disturbingly similar claims about the United States in his book *Richistan* (2007),²⁰ providing us with a clear trajectory if inequality maintains its unrelenting rise. If we therefore take sustainability, at base, to refer simply to the maintenance of the cohesive society in which we are used to living, there are serious threats looming.

One of the most critical issues for the preservation of a relatively equal society is the way in which inequality in income distribution can spill over into important arenas of decision making.²¹ Income and entitlements (including the vexed matter of travel allowances) for Commonwealth

¹⁷ Joseph Stiglitz, “America’s 1 Percent Problem,” 8-9.

¹⁸ Joseph Stiglitz, “America’s 1 Percent Problem,” 8-9.

¹⁹ Benjamin Disraeli, *Sybil, or The Two Nations* (Oxford: Oxford University Press, 2008), 245 originally cited in Leigh, “Introduction,” 7.

²⁰ “Today’s rich had formed their own virtual country. They were, in fact, wealthier than most nations [the top 1 per cent earning \$1.35 trillion a year by 2004]. ... And with their huge [wealth], they had built a self-contained world unto themselves, complete with their own health-care system (concierge doctors), travel network (Net Jets, destination clubs), separate economy (double-digit income gains and double-digit inflation), and language (“Who’s your household manager?”). They didn’t just hire gardening crews; they hired “personal arborists” [my interpolated note: providing us with a healthy pedigree for the Rancho Santa Fe residents who insist on verdant lawns even in the midst of a drought]. The rich weren’t just getting richer; they were becoming financial foreigners, creating their own country within a country, their own society within a society, and their economy within an economy. They were creating Richistan.” Robert Frank, “Introduction: The Birth of a Nation,” in *Richistan* (New York: Three Rivers Press, 2007), 3-4 originally cited in Paul Krugman, *The Conscience of a Liberal: Reclaiming America from the Right* (London: Penguin, 2009), 246.

²¹ Leigh, “The 1980s to Today – The Great Divergence,” 50.

politicians and judges, among other public servants, is set by the Remuneration Tribunal.²² In coming to a determination respecting parliamentary salaries the Tribunal has regard to ‘comparable’ occupations.²³ The justification for this is that it helps to make a life in public service more attractive to talented persons who could otherwise command considerably higher incomes in the private sector. Irrespective of ability, what this has meant in practice is that as the incomes of the rich have accelerated over the past 30 years, so too have the incomes of politicians and judges. In *Battlers & Billionaires*, Andrew Leigh calculates that for the interval between World War II and the early 1980s, salaries of federal politicians and High Court Justices grew at a slower pace than the average wage. Since the 1980s, however, income for federal politicians and High Court Justices has exponentially escalated away from the average wage: politicians’ pay multiplied from twice to three times average wages, while that of High Court Justices has risen from five to seven times average wages.²⁴ Diverging incomes pose a serious risk to representative government because they increasingly inoculate the political and judicial echelons from the experiences of the average elector; in Disraeli’s terms, they come to be ‘mutually incomprehensible’ to one another.

More broadly, the problem with drawing politicians from the same elite group of workers as those entering into the private sector is what Joseph Stiglitz has described as “cognitive capture” in *The Price of Inequality*. The phenomenon of cognitive capture refers to the mutual affinity or mindset often shared between politicians and those whom they are responsible for regulating because they largely originate from the same pool.²⁵ An example of this is Prime Minister Tony Abbott’s observation that “coal is good for humanity” because it is the foundation of prosperity.²⁶ In one sense,

²² The Remuneration Tribunal is an independent statutory authority established under the *Remuneration Tribunal Act 1973* (Cth). In 2012, its function in setting parliamentary remuneration changed from an advisory one under the executive authority of the Prime Minister and Minister for Finance, to a determinative one. Similar schemes exist in the states and territories. See, for example, *Parliamentary Remuneration Act 1989* (NSW) originally cited in Leigh, “The 1980s to Today – The Great Divergence,” 50.

²³ Leigh, “The 1980s to Today – The Great Divergence,” 50.

²⁴ Leigh, “The 1980s to Today – The Great Divergence,” 50.

²⁵ Joseph Stiglitz, “Rent Seeking and the Making of an Unequal Society,” in *The Price of Inequality: How Today’s Divided Society Endangers Our Future* (New York: W. W. Norton & Company, 2013), 59-60.

²⁶ “Coal ‘good for humanity’, Prime Minister Tony Abbott says at \$3.9b Queensland mine opening,” *ABC*, October 13, 2014, accessed August 18, 2015, <http://www.abc.net.au/news/2014-10-13/coal-is-good-for-humanity-pm-tony-abbott-says/5810244>.

the Prime Minister's statement has a self-evident truth to it: mineral resource exports have been the main driver behind Australia's aforementioned record continuous economic growth since 1981. Expectedly, however, environmentally conscious commentators argued that the Prime Minister's rosy portrait of coal failed to take into account its unsustainable contribution to climate change.²⁷ Significant as the question of climate change undoubtedly is to the future of mining, the Prime Minister's assertion respecting the utility of coal can also be challenged using a different set of sustainability metrics. Mark Andrich, Jorg Imberger and Ronald Oxburgh have done some illuminating work investigating the impact that a myopic focus on iron ore has had on the general health of the Western Australian economy in their essay "Raising Utility and Lowering Risk through Adaptive Sustainability." First, because optimising profit from resources requires maximising the extraction rate, mining labour is always in high demand. This, however, distorts the salary scales in the state in favour of the mining industry and makes it difficult to foster other forms of economic activity.²⁸ The authors note, for example, that the number of patents filed by Western Australians on a per capita basis fell by 16% between 1995 and 2007.²⁹ In turn, this lack of economic diversification creates a vulnerable dependency on the resources industry and makes the economy less resilient to external shocks,³⁰ such as falling commodity prices and decelerating demand from China; major problems for the Western Australian government in 2015.³¹ Despite strong economic growth, therefore, mismanagement of years of mining fuelled prosperity has resulted in the enervation of intellectual activity and a highly susceptible economy.³² In other words, dangerously unsustainable practices, the further promotion of

²⁷ Oliver Milman, "Tony Abbott wrong on coal being 'good for humanity', Oxfam report finds," *The Guardian*, July 29, 2015, accessed August 18, 2015, <http://www.theguardian.com/environment/2015/jul/29/tony-abbott-wrong-on-coal-being-good-for-humanity-oxfam-report-shows>.

²⁸ Mark A. Andrich, Jorg Imberger, and E. Ronald Oxburgh. "Raising Utility and Lowering Risk through Adaptive Sustainability: Society and Wealth Inequity in Western Australia," *Journal of Sustainable Development* 3, no. 3 (2010): 19.

²⁹ Andrich, Imberger, and Oxburgh, "Raising Utility and Lowering Risk through Adaptive Sustainability," 21.

³⁰ Andrich, Imberger, and Oxburgh, "Raising Utility and Lowering Risk through Adaptive Sustainability," 22.

³¹ Ray Sparvell, "GST stoush: all you need to know about the WA government's argument," *WA Today*, April 13, 2015, accessed August 18, 2015, <http://www.watoday.com.au/wa-news/gst-stoush-all-you-need-to-know-about-the-wa-governments-argument-20150413-1mk1ke.html>. Andrew O'Connor, "Former treasury chief warns West Australians to expect tough state budget," *ABC*, April 23, 2015, accessed August 18, 2015, <http://www.abc.net.au/news/2015-04-23/west-australians-told-to-expect-tough-state-budget/6415490>.

³² Andrich, Imberger, and Oxburgh, "Raising Utility and Lowering Risk through Adaptive Sustainability," 22.

which could not reasonably be categorised as ‘good’ except insofar as it conforms to institutional thinking on the traditional drivers of Australian prosperity.

This model of resource management stands in stark contrast to the development of the Norwegian sovereign wealth fund around their boom in North Sea oil exports. The sovereign wealth fund’s role is to ensure that a portion of profits generated by resource exports is set aside for the welfare of future generations and to assist in economic diversification by using the accrued funds to invest broadly.³³ In fact, it was Norway’s former Prime Minister, Gro Brundtland, who developed the commonly cited modern definition of sustainability which revolves around intergenerational equity in matters of economic prosperity, environmental protection and social advancement.³⁴ As Andrich *et al.* demonstrate, the effect of this sovereign wealth fund has been to strengthen the Norwegian economy relative to the Australian: its practice of diversification stabilised the currency during the period of volatility induced by Global Financial Crisis. While the Australian dollar depreciated against the US dollar in late 2008, the Norwegian krone, considered a much safer investment, appreciated. Further, in comparison to the 16% slump in Western Australia, the number of patents filed by Norwegians per capita between 1995 and 2007 increased by 100%.³⁵ A more prudential and equal distribution of the resource wealth in Norway has meant that the economy has not lost its variegated functionality to the same degree as it has in Western Australia.

The Gillard government’s ill-fated pursuit of the Mineral Resource Rent Tax (MRRT) was an attempt to reap some the benefits of Norway’s more judicious thinking. The MRRT was designed to capture 30% of profits from mineral resource extraction exceeding a threshold of \$75 million dollars.³⁶ It was staunchly opposed by high profile mining magnates Gina Rinehart and Andrew Forrest,

³³ Andrich, Imberger, and Oxburgh, “Raising Utility and Lowering Risk through Adaptive Sustainability,” 21.

³⁴ Andrich, Imberger, and Oxburgh, “Raising Utility and Lowering Risk through Adaptive Sustainability,” 15, 21.

³⁵ Andrich, Imberger, and Oxburgh, “Raising Utility and Lowering Risk through Adaptive Sustainability,” 21.

³⁶ The MRRT replaced the Resource Super Profits Tax (RSPT) which was designed to replace the royalties system across Australia via refund scheme. It would have imposed a 40% tax rate on profits in extractive industries. The RSPT was a proposal of the Rudd government and was abandoned after Julia Gillard came to power in 2010; Scott Kompo-Harms and Kali Sanyal, “The Mineral Resources Rent Tax – selected concepts and issues,” *Parliamentary Library*, November 24, 2011, accessed August 18, 2015, http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BN/2011-2012/MRRT.

frequenters of Australia's rich list, on the dubious economic ground that it would discourage resource investment in Australia.³⁷ Given that tax windfalls ended up being minimal, a fact Andrew Forrest at least seemed to be alert to,³⁸ a more reasonable explanation of the refractory attitude adopted by these interested stakeholders is rent-seeking activity. The term 'rent' of course refers to returns earned from ownership of land, but it has been expanded to include extraction of natural resources from that land. Rent-seeking activity seeks to maximise profits from a land owning venture by depressing everyone else's share, rather than by innovatively generating wealth;³⁹ in this case, the Australian people, through the Treasury, are left short-changed. The attitude of rent-seeking is encapsulated by Gina Rinehart's suggestion that Australians need to work harder to compete with West Africans who will accept remuneration of \$2 a day; as if the obvious solution were not to *raise* the West African worker's wage, but to *lower* the Australian's.⁴⁰ Self-interest of this magnitude is unsustainable at every level: in the rapacious desire to extract polluting fossil fuels, in the manipulation of good governance and in the distortion of viable economic practices such as those adopted in Norway.

As it turns out, the aggrandising tendencies of rent-seekers, exacerbating income inequality, have further insidious repercussions for sustainable development. The key distinction here is between 'absolute income' and 'relative income.' The central notion behind the relative income effect is that a person's well-being is not necessarily determined by his or her ability to provide for the necessities of life (absolute income), but in what one's purchasing power says about his or her status in society

³⁷ Phil Mercer, "Can Australia's new mining tax achieve its objective?," *BBC News*, November 23, 2011, accessed August 20, 2015, <http://www.bbc.com/news/business-15850019>; "Gina Rinehart says MRRT scrapping "isn't about making Gina richer," *The Sydney Morning Herald*, July 29, 2014, accessed August 20, 2015, <http://www.smh.com.au/national/gina-rinehart-says-mrrt-scrapping-isnt-about-making-gina-richer-20140729-zy1zf.html>.

³⁸ In an interview, maintaining his opposition, Forrest said "Fortescue's modelling and independent research verifies that we will not be paying any substantial MRRT contributions." He claimed the real issue was that smaller operators would be unfairly disadvantaged by the tax, thereby granting his company, Fortescue Metals, an *advantage*. Forrest appears to have a habit of disingenuously dissimulating his own interests behind a façade of solicitous concern for others, as evidenced by his recent attempt to disguise a call for effective iron ore cartel pricing, to keep his company afloat, as necessary for Australia's continued prosperity. Stephen McDonnell, "Mining magnate Andrew Forrest calls for an iron ore production cap to force China to pay more," *ABC*, March 25, 2015, accessed August 20, 2015, <http://www.abc.net.au/news/2015-03-25/andrew-forrest-calls-for-an-iron-ore-production-cap/6345798>.

³⁹ Stiglitz, "Rent Seeking and the Making of an Unequal Society," 48-9.

⁴⁰ Peter Ryan, "Aussies must compete with \$2 a day workers: Rinehart," *ABC*, September 5, 2012, accessed August 20, 2015, <http://www.abc.net.au/news/2012-09-05/rinehart-says-aussie-workers-overpaid-unproductive/4243866>.

(relative income).⁴¹ This theory derives from Thorstein Veblen's *The Theory of the Leisure Class* (1899) in which he coined the term 'conspicuous consumption,' which refers to goods being chosen for their social value, that is the reputé an item brings its owner, rather than its usefulness.⁴² Greater inequality naturally leads to increased status competition. As John Stuart Mill quipped, "Men do not desire merely to be rich, but to be richer than other men."⁴³ This has very serious consequences for the poor in society. A study by Elizabeth Warren and Amelia Tyagi on the rising filings of bankruptcy in the United States, for example, revealed that growing debt was not the product of profligate or luxurious consumption, contrary to popular myths of the irresponsibility and self-immiseration of the poor. Instead, it was a result of escalating spending on housing, driven by a desire to get children into well performing school districts so as to give them the best chance to get ahead in an increasingly unequal society.⁴⁴ Similarly, Richard Wilkinson and Kate Pickett found that even for Americans living below the federal poverty line (an absolute measure of poverty rather than a relative one, such as half the average wage),⁴⁵ 80 per cent of them had air-conditioning, almost 75 per cent owned at least one vehicle and approximately 33 per cent had a computer, a dishwasher or a second car.⁴⁶ In other words, as Adam Smith incisively noted in *The Wealth of Nations* (1776), the concept of a 'necessity' in consumerist societies expands to include "not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people,

⁴¹ Elisabetta Magnani, "The Environmental Kuznets Curve, environmental protection policy and income distribution," *Ecological Economics* 32 (2000): 435; Richard Wilkinson and Kate Pickett, "Equality and Sustainability," in *The Spirit Level: Why Equality is Better for Everyone* (London: Penguin, 2010), 226-7; Joseph Stiglitz, "Why it Matters," in *The Price of Inequality: How Today's Divided Society Endangers Our Future* (New York: W. W. Norton & Company, 2013), 131.

⁴² Thorstein Veblen, "Conspicuous Consumption," in *The Theory of the Leisure Class* (Gutenberg, 2008), accessed August 21, 2015, <http://www.gutenberg.org/files/833/833-h/833-h.htm#link2HCH0004> originally cited in Wilkinson and Pickett, "Equality and Sustainability," 230.

⁴³ Quoted in Andrew Leigh, "Consequences of Inequality," in *Battlers & Billionaires: The Story of Inequality in Australia* (Collingwood: Redback, 2013), 95.

⁴⁴ The findings of Warren and Tyagi's study are cited in Paul Krugman, "Confronting Inequality," in *The Conscience of a Liberal: Reclaiming America from the Right* (London: Penguin, 2009), 247.

⁴⁵ The poverty line is indexed each year. In 2015, for one person household the poverty line is \$US 11,770. <http://aspe.hhs.gov/2015-poverty-guidelines#thresholds>

⁴⁶ Richard Wilkinson and Kate Pickett, "Poverty or Inequality?," in *The Spirit Level: Why Equality is Better for Everyone* (London: Penguin, 2010), 25.

even of the lowest order, to be without.”⁴⁷ Even with debilitating shortages of income, people feel compelled to prioritise expenditure which enhances their social value over essentials such as food.

This all directly plays into the issue of environmental sustainability. As Elisabetta Magnani persuasively argues in her essay “Environmental Protection Policy and Income Distribution,” a country’s level of commitment to environmental protection is determined by both the absolute and relative income effects. In the first place, an individual must have the capacity to pay for environmental amenities (absolute income effect).⁴⁸ Even when a person does have the necessary capability to pay, however, status competition is such a programmed incident of life that income inequality may nonetheless radically diminish an individual’s willingness to pay (the relative income effect). This is because income inequality reduces the median voter’s *relative* income, which shows up that voter’s consumption as less than the best.⁴⁹ In turn, this redirects the dissatisfied median voter’s preferences away from the adoption of the less polluting public goods (public transport, for example) to status conferring private goods (such as cars).⁵⁰ But this is a destructive zero-sum game: not everyone can improve their social station and a situation of perfect equality would be unpalatable because it would fail to reward effort and ingenuity. Instead, reducing the extremes of inequality that drive status competition would lead to more sustainable outcomes. In *The Spirit Level*, for example, Richard Wilkinson and Kate Pickett found that in global surveys of business leaders, those who operated in countries with greater levels of economic equality, demonstrated a stronger commitment to their governments’ abiding by international environmental agreements. Equality they theorise, fosters a sense of collective responsibility, rather than one of economic individualism which subordinates environmental welfare to the prime objective of profit.⁵¹ Excessive inequality is, therefore, not only corrosive of environmental wellbeing but of social cohesion.

⁴⁷ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Gutenberg, 2009), accessed August 22, 2015, <http://www.gutenberg.org/files/3300/3300-h/3300-h.htm> originally cited in Wilkinson and Pickett, “Poverty or Inequality?,” 25.

⁴⁸ Magnani, “The Environmental Kuznets Curve, environmental protection policy and income distribution,” 432.

⁴⁹ Magnani, “The Environmental Kuznets Curve, environmental protection policy and income distribution,” 432; Wilkinson and Pickett, “Equality and Sustainability,” 227-8.

⁵⁰ Magnani, “The Environmental Kuznets Curve, environmental protection policy and income distribution,” 432.

⁵¹ Wilkinson and Pickett, “Equality and Sustainability,” 233.

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One of John Rawls' most brilliant arguments in *A Theory of Justice* is his concept of the 'veil of ignorance.' Briefly, the notion of the veil of ignorance interrogates what kind of a society a person would devise were they ignorant of their personal identity and vested interests (for example, whether they are male or female, their race, social class, etc.) Under this veil of ignorance, Rawls posits that most people would adopt a fair society with some latitude for inequality, but only the condition that it would also benefit the least advantaged members of society.⁵² The Australian ethos of egalitarianism very nearly approaches this notion. Although widely considered rhetoric more than substance, it does have practical applications: the obloquy that dogged the announcement of the 2014 federal budget, for example, centred on concerns about the unfairness of its measures.⁵³ Yet, we appear to be obliviously rushing toward a position of deleterious economic inequality. Inequality rends societies along class lines, leaving the rich to their private workarounds and the impecunious to make do with unsatisfactory public services. In the reckless pursuit of accumulating wealth, rent-seeking behaviour dents economic vitality and leaves the economy inadequately equipped to deal with future challenges. Inequality driven status competition not only undermines social cohesion but promotes a vacuous practice of environmentally unsustainable consumption. On every measure of sustainability – social advancement, economic prosperity and environmental protection – extremes of inequality prove detrimental. Going forward, what is required is a repositioning of economic equality and egalitarianism, even if merely as an idea, a theory of justice, as the guiding policy of life in Australia.

⁵² John Rawls, "Justice as Fairness," in *A Theory of Justice* (Cambridge: The Belknap Press of Harvard University Press, 1999), 10-11. Amartya Sen, "Rawls and Beyond," in *The Idea of Justice* (Cambridge: Belknap Press of Harvard University Press, 2009), 54-5.

⁵³ Peter Ryan, "Business 2014: Perceptions of unfairness denting budget surplus plans, business support," *ABC*, August 7, 2014, accessed August 22, 2015, <http://www.abc.net.au/news/2014-08-07/budget-20143a-perceptions-of-unfairness-denting-surplus-plan/5654728>.

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