

Sharing the Wealth: Tax Justice in the Slow Growth Era

University of Melbourne

Introductory Research Workshop

Friday 20 May, 8.30am to 5pm (All times in Australian Eastern Standard Time, AEST)

Room 920, Level 9, Melbourne Law School, 185 Pelham Street, Carlton and

8:30 am	Arrival		
8:45 am	Session 1: Setting the Scene and a US Perspective (Chair: Dan Halliday)		
8:50am	1.	Miranda Stewart	Sharing the Wealth in a Slow Growth Era
9:10 am	2.	Liam Murphy (<i>Zoom</i>)	Why Tax Wealth?
9:30 am	Q&A		
9:40 am	3.	Miranda Fleischer (<i>Zoom</i>)	Basic Income: Lessons from the pandemic
10:00 am	Q&A and facilitated discussion on all papers and issues raised		
10:30 am	Morning Tea		
11:00 am	Session 2: Economics and Tax Policy for Wealth (Chair: Miranda Stewart)		
11.00 am	4.	Gavin Wood and Rachel ViforJ	Housing Wealth Inequality in the Long Run
11:20 am	Q&A		
11:30 am	5.	Stephen Whelan and Melek Bayram-Cigdem	Transfers, Homeownership and Wealth Profiles Over the Lifecycle
11:50 pm	Q&A		
12:00 pm	6.	Kristen Sobeck	Tax Policy for Savings
12:20 pm	Q&A and facilitated discussion on all papers and issues raised		
1:00 pm	Lunch (Faculty Common Room, Level 9)		
1:45 pm	Session 3: Taxes on Wealth and Their Effects (Chair: Dan Halliday)		
1:45 pm	7.	Rebecca Chin and Lawson Ashburner	Wealth transfers and their economic effects
2:05 pm	Q&A		
2:15 pm	8.	Karen Strojek	Inheritance Taxes in Australia: old injustices, new reforms
2:35 pm	Q&A and facilitated discussion on all papers and issues raised		
3:05 pm	Afternoon Tea		
3:20 pm	Session 4: Frameworks for justice and equality (Chair: Miranda Stewart)		
3:20 pm	9.	Patrick Emerton and Kathryn James	The Australian Constitution as a Framework for Securing Economic Justice
3:40 pm	Q&A		
3:50 pm	10.	Daniel Halliday	The impact of inheritance on inequality
4:10 pm	Q&A and facilitated discussion on zoom and IRL		
4:45 pm	Close of workshop by Dan and Miranda		

This workshop is funded by the Australian Research Council, ARC DP210100924.

<https://law.unimelb.edu.au/centres/tax-group/research/research-projects/sharing-the-wealth-tax-and-justice-in-the-slow-growth-era> .

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Sharing the Wealth: Themes and Issues

This project aims to address fundamental problems of injustice in taxation emerging in the transition to a slow growth economy in Australia, the United States and globally. The project applies interdisciplinary and collaborative approaches by leading scholars in Australia and the United States to generate new knowledge that aims to update frameworks for justice in taxation, refreshing outdated 20th century ethical and legal approaches. The project responds to contemporary conditions of slowing economic growth, wage stagnation, wealth inequality, population aging, declining fertility and longevity. The project will develop tax reform proposals to benefit policy makers and enrich public debate on tax justice for 21st century economic and fiscal conditions.

In this project, we take seriously the case for reorienting the tax system from an approach that worked well during the 20th century but may be becoming increasingly strained by current and expected economic conditions. The income tax remains the mainstay of the Australian fiscal system but stagnating wage growth reduces its revenue potential. Tax policy can stimulate the economy, 'growing the pie' for redistribution, but strategies such as lowering tax rates on wages without resetting the base pose serious risk to revenue if a slower or limited growth economy is the new normal. A larger wealth stock in the retired generation raises the potential of alternative tax bases to the income tax, including direct wealth taxes and consumption taxes.

Australia makes little use of wealth and asset taxes, relying on poorly designed land value taxation that exempts the lion's share of the base (home ownership), lumpy and unfair duties on housing transfers and highly concessional income tax on savings income and gains especially superannuation and the home. Despite the introduction of the Goods and Services Tax (GST) in 1999, revenue generated from consumption has fallen short of expectations, due largely to extensive exemptions, while energy and polluting consumption is inadequately taxed.

The project will explore philosophical foundations and longstanding theoretical and ethical difficulties with the taxation of wealth. We aim to consider whether redesign of elements of tax and expenditure systems, including consumption and environmental taxation and the provision of public goods may be effective in responding to the philosophical demands of tax justice. Therefore, some of the questions to be addressed in this project include:

- What ought to be the primary tax base in an era of slow economic and wage growth; and is the income tax the ideal base?
- What is the role of universal or widespread public goods or income support provision in ensuring a fair distribution of economic income and opportunity and which tax base is most just in financing this?
- Are there risks of relying heavily on the income tax from an economic, justice and pragmatic fiscal perspective? If the case for relying on the income tax is becoming weaker, how should the tax base be reformed and by what degree?
- Is a wealth or wealth transfer tax appropriate?
- To what extent should a revised tax burden fall on the older generation who lived through periods of prosperity and who (consequently) possess more wealth than the young?

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Speaker Bios

Lawson Ashburner *Senior Research Economist, Productivity Commission*

Lawson Ashburner is a Senior Research Economist at the Productivity Commission. He has worked on projects relating to the financial system, mental health, taxation, telecommunications, vocational education and training, and wealth transfers. He holds a Bachelor of Economics (Honours) and a Bachelor of Arts from the University of Queensland. The Productivity Commissioner released Commission research paper, *Wealth Transfers and their Economic Effects* on 7 December 2021. The report seeks to fill a gap in the research literature by creating a fact base on wealth transfer behaviour in Australia. Lawson will be co-presenting with Rebecca on **'Wealth transfers and their economic effects'**.

Rebecca Chin *Research Manager, Productivity Commission*

Rebecca Chin is an acting Research Manager at the Productivity Commission. She has worked on research and modelling across a range of projects and inquiries including on wealth transfers, transport regulation, education, and regional adaptive capacity. She holds a Bachelor of Commerce (Honours in Economics) and Master of Economics from the University of Melbourne. The Productivity Commissioner released Commission research paper, *Wealth Transfers and their Economic Effects* on 7 December 2021. The report seeks to fill a gap in the research literature by creating a fact base on wealth transfer behaviour in Australia. Rebecca will be co-presenting with Lawson Ashburner on **'Wealth transfers and their economic effects'**.

Melek Cigdem *Research Fellow, Centre for Urban Research, RMIT University*

Dr Melek Cigdem is a Research Fellow within the Centre for Urban Research, with expertise in housing economics and statistical modelling of housing markets, households and firms. Melek is currently a Project Leader on two AHURI-funded projects relating to housing assistance programmes, demographic change and economic participation. She is also a Chief Investigator on three ongoing AHURI-funded research projects relating to intergenerational wealth transfers, housing affordability and homelessness. Melek will be co-presenting with Stephen Whelan on **'Transfers, Homeownership and Wealth Profiles Over the Lifecycle'**.

Patrick Emerton *Associate Professor of Law, Deakin University*

Associate Professor Emerton is a legal and political theorist who researches in fields including constitutional law and theory, just war theory, human rights theory, property and justice, statutory interpretation, and anti-terrorism law. Patrick will be co-presenting with Kathryn James on **'The Australian Constitution as a Framework for Securing Economic Justice'**.

In this article we contend that, contrary to mainstream understanding, the Australian Constitution provides a meaningful and defensible framework for ensuring economic justice. The theoretical framework for this claim draws on Rawls's account of legitimate law-making and on recent work on constitutional directive principles. We identify the income justice and taxing powers of the Commonwealth Parliament within the Australian Constitution as central pillars of this framework of economic justice. We then identify the distinct ways in which these powers generate demands within constitutional public reason, which must be satisfied if Australia's framework of law and government is to be legitimate. We also consider the way in which constitutional interpretation in

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the course of adjudication relates to these demands, by examining the High Court's interpretation of the Commonwealth parliament's taxation power, and constitutional arguments as to its limits. We identify the reasons why legitimate taxation laws may need to operate retrospectively, and defend the constitutionality of such laws against suggestions that they may contravene the constitutional protection of private property found in s 51(xxxi).

Miranda Fleischer *Professor of Law, University of San Diego*

Miranda Fleischer's areas of expertise are Federal Estate and Gift Tax, Non-Profit Law, Tax, Federal Taxation. Miranda joined the USD School of Law faculty in 2013. She has also taught as a tenured or tenure-track professor at the University of Colorado Law School and the University of Illinois College of Law, and as an acting assistant professor at NYU Law School (where she served as assistant editor of the *Tax Law Review*). Before entering academia, Fleischer practiced as an estate planner at Shaw Pittman LLP and as a litigator at the Institute for Justice, a Washington, D.C.-based public interest group, which piqued her interest in charitable giving. Miranda will be presenting on **'Basic Income: Lessons from the pandemic'**

Daniel Halliday *Associate Professor, Philosophy, University of Melbourne*

Daniel Halliday works mainly on topics at the intersection of political philosophy and economics, with a special focus on labour markets, education, taxation, and inequality. In addition to various academic articles on these topics, he is the author of *The Inheritance of Wealth: Justice, Equality, and the Right to Bequeath*, published by Oxford University Press (2018), and is co-author (with John Thrasher) of *The Ethics of Capitalism*, also by Oxford University Press (2020). He holds a PhD in Philosophy from Stanford University, after which he took up his current post, teaching philosophy at the University of Melbourne. Daniel will be presenting on **'The impact of inheritance on inequality'**.

Kathryn James *Senior Lecturer, University of Melbourne*

Dr Kathryn James is a Discovery Early Career Research fellow from December 2019 to December 2024 for a project that examines - Whether Australia Can and Should Reform the GST (DE190100346). Kathryn's expertise is in the value added tax (VAT) or goods and services tax (GST) and her research is focused on the interplay between tax law and policy and questions of distributive justice. Her book, *The Rise of the Value-Added Tax* (Cambridge University Press, 2015), provided the first comprehensive account of the rise of the VAT and was informed by various disciplinary perspectives including politics, history, economics and the law. Kathryn will be co-presenting with Patrick Emerton on **'The Australian Constitution as a Framework for Securing Economic Justice'**.

Liam Murphy *Herbert Peterfreund Professor of Law and Professor of Philosophy, New York University*

Liam Murphy works in legal, moral, and political philosophy and the application of these inquiries to law, legal institutions, and legal theory. Subjects of his publications range from abstract questions of moral philosophy (for example, the book *Moral Demands in Nonideal Theory*, 2000) to concrete issues of legal and economic policy (such as the book *The Myth of Ownership: Taxes and Justice*, 2002, co-authored with Thomas Nagel). A central theme in all Murphy's work is that legal, moral, and political theory cannot be pursued independently of one another; they are, in fact, different dimensions of a single subject. Liam will be presenting on **'Why Tax Wealth?'**

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Kristen Sobeck *Senior Research Officer, Australian National University*

Kristen Sobeck is a Senior Research Officer at the Tax and Transfer Policy Institute (TTPI), Crawford School of Public Policy. Kristen studied economics and French at Smith College and has a Masters degree in Economics from the University of Geneva. Prior to joining TTPI, she worked as an economist at the International Labour Organization (ILO) from its headquarters in Geneva and country office in Argentina. Kristen will be presenting the TTPI Research Report (with Robert Breunig and Peter Varela) on **'Tax Policy for Savings'**.

Miranda Stewart *Professor of Law, University of Melbourne*

Miranda Stewart is Director of the Tax Group and is a Fellow at the Tax and Transfer Policy Institute at the Crawford School of Public Policy, The Australian National University. Miranda was the inaugural Director of the Institute from 2014 to 2017. Miranda has more than 25 years research, practical and leadership experience in tax law and policy in academia, government and the private sector. Miranda will be presenting on **'Sharing the Wealth in a Slow Growth Era'**.

Karen Strojek *PhD candidate, Department of Politics and Philosophy, La Trobe University.*

Karen Strojek researches in Federalism and Intergovernmental Relations, Political Theory and Public Policy. Her current project is 'The politics and taxation of inherited wealth in Australia'. Karen will be presenting on **'Inheritance taxes in Australia: old injustices, new reforms'**.

Contemporary advocates for inheritance taxation generally view it as a partial remedy for worsening economic inequality. Inheritance taxes were levied in Australia, at federal and state levels, from 1914 until the early 1980s. While their abolition represented a hindrance to redistribution through progressive taxation, the tax design incorporated injustices that were intolerable to some social groups. While the tax laws were in effect, the value of any debts owed by deceased persons were deducted from the value of their estates prior to the calculation of the tax. However, heirs to a deceased estate could not make any claims against the deceased person's assets for their unpaid (or underpaid) labour which had contributed to the value of those assets. I will argue, based on historical research, that this represented an injustice to two groups of heirs. The first were workers in family businesses - typically, the income-poor sons of asset-rich, income-poor farmers - who worked for low pay or no pay on the understanding that they would be compensated through inheritance. The second were surviving spouses, most of whom were women, whose forgone income in the performance of home duties resulted in disproportionate tax-compliance burdens when they inherited marital property. While it is impossible to determine their numbers, research confirms that their grievances garnered strong political sympathy and contributed to the demise of the taxes. This paper will propose that, should an estate or bequest tax be reintroduced in Australia, legislation should allow for unpaid labour claims against the value of deceased estates, prior to the calculation of inheritance tax obligations.

Rachel ViforJ *ARC Future Fellow and Professor of Economics, Curtin University*

Rachel Ong ViforJ is an Australian Research Council (ARC) Future Fellow and Professor at the School of Accounting, Economics and Finance. Rachel's research interests include the role of housing in Australia's ageing population, intergenerational housing concerns, housing pathways, housing affordability dynamics, and the links between housing and non-shelter outcomes. She is currently

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undertaking research in three major areas – intergenerational housing wealth inequality, the edges of home ownership, and the links between housing and wellbeing. Rachel will be co-presenting with Gavin Wood on **'Housing Wealth Inequality in the Long Run'**.

Stephen Whelan *Associate Professor, Economics, University of Sydney*

Stephen Whelan received his PhD from the University of British Columbia in 2003. His PhD thesis examined the use of social welfare programs in Canada and their impact on labour market outcomes. Stephen's main areas of interest are social policy and their impact on labour market outcomes. Presently, Stephen is examining the effect of housing assistance measures on labour market behaviour in Australia with the support of a grant from the Australian Housing and Urban Research Institute. Stephen will be co-presenting with Melek Cigdem on **'Transfers, Homeownership and Wealth Profiles Over the Lifecycle'**.

Gavin Wood *Emeritus Professor, Housing and Urban Research, RMIT University*

Gavin Wood was previously Director of the RMIT Research Centre of the Australian Housing and Urban Research Institute (AHURI) and held positions at Murdoch University, Western Australia and the University of Glasgow, Scotland. Gavin's main research interests are in public policy and urban studies, housing finance and labour economics. He has published widely and is currently on the International Editorial Advisory Board of Urban Studies. Gavin has consulted to a number of organisations including: the Organisation of Economic Cooperation and Development (OECD), the New Zealand Department of Labour, the Office of Fair Trading (WA), the Northern Ireland Housing Executive and the Australian Commonwealth Government's National Housing Strategy. Gavin will be co-presenting with Rachel ViforJ on **'Housing Wealth Inequality in the Long Run'**.