John Button Oration, Melbourne Writers Festival, 10 September 2022

Shireen Morris

A New Radical Centre

I acknowledge the Wurundjeri people of the Kulin Nation and pay respect to their elders past and present. I thank James Button, the Button family and the Melbourne School of Government for this honour. I acknowledge Henry and Marcia Pinskier, foundation donors to the Radical Centre Reform Lab at Macquarie University Law School, whose support enables our Lab to continue work towards a First Nations voice referendum. I pay tribute to the late Senator John Button, a true believer in the Labor mission of social justice for all Australians.

Today I want to talk about radical centre economic reform. Specifically, I want to share my thinking about the radical centre, as applied to the challenge of unemployment. A policy for true full employment is in the interests of both sides of politics. It was bipartisan policy in the post-war era. Though these days usually framed as a leftwing idea, the right is in fact more alive to the ills of welfare dependency and the need for welfare-to-work reform. In this speech, I argue that achieving true full employment should be the focus of radical centre collaboration and innovation across divides. I argue now is the time to shift the paradigm from a safety net of guaranteed welfare, to the opportunity of guaranteed work.

Record low unemployment

Last month, Treasurer Jim Chalmers observed that, despite record low unemployment, there are pockets of high unemployment and disadvantage across Australia. Current opportunities don't mean much if they're not ‘spreading to places like Logan, or Lismore, or Launceston’, he said,[1] nor (I would add) to many remote Indigenous communities where welfare dependency remains intergenerational. Official unemployment figures don’t convey a true picture of those who are underemployed or who face barriers to workforce participation. Last month, 892,000 Australians received JobSeeker or Youth Allowance – almost double the number of people officially counted as unemployed – and most were long-term unemployed.[2] Chalmers is right that many Australians are still being left behind.

Contrast these observations with current approaches to monetary policy. The RBA has been raising interest rates to fight inflation, in line with economic orthodoxy. This will slow growth and likely force unemployment to rise. In July, the Treasurer forecasted that by mid-2024 official unemployment could be back up to 4%.[3] Some say it will be 5% by the end of 2024.[4] RBA Governor Phillip Lowe confirmed this week that ‘some increase in the unemployment rate is expected’ as growth slows in response to rate rises.[5]

Orthodox economists say this is fine, because a ‘natural rate of unemployment’ is needed to control inflation. Now, I am a constitutional lawyer and reform advocate – I’m not an economist. Neither was the man in whose honour I speak today. But like him, I believe this subject is not the sole province of economists. These are matters of public policy. And I think the conventional approach that keeps a cohort of Australians unemployed to control inflation is a tragedy.

---

[1] Jim Chalmers, ‘Jobs summit goal to build pathway of opportunity’, *The Australian,* 29 August 2022.
[2] Chambers and Commins, ‘Hidden jobless: Welfare payments defy record low unemployment’, *The Australian*, 23 August 2022.
[3] Patrick Commins, ‘Jim Chalmers warns of another year of falling real wages as inflation heads to 8pc’, *The Australian,* 29 July 2022.
[4] Eric Johnston, ‘When interest rates rise, women have the most to lose’, *The Australian,* 2 August 2022.
[5] Phillip Lowe, ‘Statement by Philip Lowe, Governor: Monetary Policy Decision’, 6 September 2022.

Unemployment is not just a number. This is not some econometric exercise devoid of human consequences. These are real people being consigned to poverty in the name of wages discipline and inflation control. Yet it is routine to hear policy-makers talk about our fellow citizens as if they don't matter.

They matter. And the accepted trade-off between inflation and unemployment must be challenged. There is a dishonest contradiction at the heart of the current approach. On one hand, governments proclaim to pursue Jobs, Jobs, Jobs. Get people off welfare and into work. On the other hand, they keep a group of Australians condemned to the joblessness they pretend to ameliorate.

Why must a cohort of Australians be kept unemployed to manage inflation, when there are more productive alternatives? And why must the RBA independently manage this balance, rather than we the people through our elected representatives? The Commonwealth has constitutional, fiscal and monetary power – and therefore moral and political responsibility – to do everything it can to end involuntary unemployment and underemployment. True full employment *and* stable prices should be the centrepiece of a new, a radical centre Accord.

The Radical Centre

Let me define what I mean by the radical centre. Noel Pearson says it is 'the intense resolution of the tensions between opposing principles ... that produces the synthesis of optimum policy.'[6] This requires open-mindedness to opposing views and collaboration across divides – a willingness to flip dominant narratives and view problems from unorthodox perspectives to

[6] Noel Pearson, 'White guilt, victimhood and the quest for the radical centre', *Griffith Review,* 2007: https://www.griffithreview.com/articles/white-guilt-victimhood-and-the-quest-for-a-radical-centre/.

elucidate new ideas. The radical centre takes the best insights from across the political spectrum and synthesises them into innovative reform. It combines high ideals with hard pragmatism: as JFK said, it is 'idealism without illusions'.

The radical centre can be achieved through negotiation, as I learned working with Pearson to realise the idea of a constitutionally guaranteed Indigenous advisory body through collaboration with our then ideological enemies: constitutional conservatives. In 2014, we reconciled our competing concerns to uphold the Constitution and meaningfully recognise Indigenous peoples, by empowering them with a fairer say in their affairs. A First Nations voice guaranteed by the Constitution, as advocated by the Uluru Statement, is a radical centre idea that grows across left and right.[7] Even Malcolm Turnbull in the end could not resist the modest profundity of a constitutional voice, which he and Barnaby Joyce now admit was never a 'third chamber'. The voice will soon be put to referendum. It deserves bipartisan endorsement.

Overcoming Tribalism

Radical centre collaboration is uncommon these days. We don't often engage outside our tribes. The propensity is instantaneous outrage, rather than deeper engagement with driving concerns. We mute, block or cancel our opponents, with little dialogue across divides. The culture wars thrive, amplified by the algorithms and animosities of the digital age, underscored by the silence of moderates who increasingly tune out.

Political parties obsess about which flags they'll stand in front of, performing for their tribes. The Liberals with their wall-to-wall Australian flags, remove the Indigenous flags to rile up the left, who oblige with outrage and recriminations.

[7] See more Shireen Morris, *Radical Heart: Three Stories Makes Us One* (MUP 2018).

The Greens remove the Australian flag – a middle finger to middle Australia – and right on cue patriotic veterans line up to demand apologies. Was there ever a better performance of the inanity of the contemporary culture wars? Here we stand: the pandemic still claiming lives, the cost of living hurting, wages going backwards while the RBA tells workers to curtail their wage aspirations lest the rulers of our economy be forced to 'increase the unemployment rate', repeated floods ravage our country as climate change continues unabated, yet some politicians play musical flags for the cameras as though politics is Shakespearean farce. No wonder there is lack of ambitious reform.

I was ensconced in a COVID fog writing this speech, remembering those flags. I recalled Titania's haunting monologue in A Midsummer Night's Dream, which I performed in my younger days as an actor in Melbourne's botanic gardens. The fairy queen warned of

> contagious fogs which, falling in the land, Have every pelting river made so proud That they have overborne their continents…Therefore the moon, the governess of floods, Pale in her anger washes all the air, That rheumatic diseases do abound; And thorough this distemperature we see The seasons alter… The spring, the summer, The childing autumn, angry winter, change Their wonted liveries, and the mazed world, By their increase now knows not which is which.

'And this same progeny of evils,' says Titania, 'comes from our debate, from our dissension. We are their parents and original.'

Inequality, like climate change, is human-made. Injustice, as they say, is anthropogenic. We are its parents and original. Not fixing inequality is a political choice. The superficial culture wars on the one hand and a political class becoming turgid in orthodox economic agreement on the other are a recipe for reform inertia. Yet there is opportunity under this government to forge ambitious reform to uplift the most disadvantaged, which must not be squandered.

Labor's greatest achievements are forged in the radical centre, where ideas and constituencies coalesce. And Labor understands that we need all the flags to be a united Australia.

The Old Accord

Paul Keating has described himself in retrospect as a radical centre reformer. Keating with Hawke led Australia's economic liberalisation: floating the dollar, deregulating markets, kicking off a period of sustained prosperity for the country. The Old Accord negotiated a 'radical centre' in economic policy,[8] combining wage restraint with a world-class 'social wage' and forging consensus across left and right.

Many have observed, however, the disproportionate costs borne by workers for this progress.[9] The 'vast wealth' since created has not been equally shared.[10] Liberalisation and globalisation created winners and losers. Before the pandemic, growth was too weak and unemployment too high. And unemployment figures don't tell the full story: you count as employed if you work just 1 hour a week.[11] Underemployment and job insecurity have increased over decades. Real wages stagnated and are now falling. In contrast to the prosperous post-war era, the golden era of the middle class, the middle class is in long decline.

---

[8] Adrian Pabst, *Story of Our Country* (Connor Court, 2019) 27-28.
[9] Noel Pearson, 'The Light on the Hill – Ben Chifley Memorial Lecture', 18 August 2000.
[10] Paul Karp, 'Neoliberalism 'has run its course', says ACTU boss Sally McManus', *The Guardian*, 29 March 2017.
[11] https://www.rba.gov.au/education/resources/explainers/unemployment-its-measurement-and-types.html

Arguably the biggest losers are young people, who've faced elevated long-term unemployment after the GFC.[12] Home ownership for young low-income earners has fallen dramatically since the 80s.[13] And the regression of Australian educational achievement is alarming: fewer students can read now well enough to have a productive career and a full life. The economy is no longer delivering for Australians, because we are failing to leave the next generation better off than the one before.

In 2017, Keating made a startling declaration. The creator of Australia's liberal economy declared that classical liberal economics had 'run itself into a dead end' and required 'urgent renovation'. Keating acknowledged that the 80s reforms could not serve Australia forever: 'just as we changed the policy then, we should be changing the policy now,' he argued.[14] What was the response from social democrats to this bombshell? Crickets. The Hawke-Keating economic orthodoxy was so ingrained, it seems, it now could not be questioned – not even when Keating himself urged reform.

My interpretation is that the radical centre forged through the Accord – now almost 40 years old – has lapsed. If there was a thesis from one side and an antithesis on the other, the radical centre sought the truth in both positions to find the synthesis of optimum policy. But that synthesis over time becomes the thesis. It hardens into orthodoxy. And so it is with the Old Accord. The liberal economy has become bipartisan neoliberal orthodoxy. It has become stale and needs renovation.

What will be the new radical centre synthesis to set us up for the future? To answer this, we must articulate some challenges to the dominant orthodoxy.

---

[12] Tom Dusevic, 'Young are in danger of being left behind', *The Australian*, 25 July 2022.
[13] Michael Bleby, 'Taxing the family home would fill a $64b gap: OECD', *AFR,* 21 July 2022.
[14] Troy Bramston, 'Era of Liberal economics is over: Keating seeks nation-building', *The Australian*, 6 May 2017.

Only then will we enliven the creative tension conducive to a new synthesis – a new Accord. The following unorthodox ideas should be considered.

Inequality is a choice

The first is an observation, that inequality is a choice of the state. It is not an inevitable result of the free market, but a political choice.

Modern Monetary Theory (MMT) and its predecessor theories understand the law as creating and commanding modern economies and monetary systems.[15] George Friedrich Knapp explained in 1924, money is a 'creature of law.'[16] Though transformed over time by technology, money creation is an ancient constitutional prerogative, exclusive to the Crown. In the old days, refusal to accept the King's currency could be punished by branding a hot coin into the dissident's forehead.[17] Later, elected governments used legislated taxes to enforce demand for state money.[18]

Monetary sovereignty, a key facet of nation-state sovereignty, is entwined with parliamentary sovereignty. The nation-state using its constitutional powers creates money and demand for money,[19] instigating and powering the economy and managing – or declining to manage – resulting inequalities. So understood, legally constructed money is not scarce; if it is, that is a political choice.[20] As Rohan Grey explains, 'it makes no more sense to talk about a

---

[15] Rohan Grey and Raúl Carrillo, 'A Memo from MMT's Legal Department', *New Economic Perspectives*, 15 July 2017: https://neweconomicperspectives.org/2017/07/memo-mmts-legal-department.html
[16] George Friedrich Knapp, *The State Theory of Money* (1924).
[17] Mitchell et al, *Macroeconomics* (Red Globe Press, 2019) 135.
[18] Ibid, 137.
[19] John Maynard Keynes, *A Treatise on Money* (Harcourt, Brace and Company, 1930).
[20] Rohan Grey, 'Administering Money: Coinage, Debt Crises, and the Future of Fiscal Policy' (2020-2021) 109(2) *Kentucky Law Journal* 229, 258-259.

‘scarcity’ of … dollars than it does to talk about a scarcity of the human imagination.’[21]

The scarcity of imagination inhibiting Australian economic reform must be overcome. Lawmakers should find moral and political courage in this fact: the Commonwealth has monetary sovereignty. Monetary sovereignty describes currency-issuing governments like Australia, that do not peg their dollar to foreign currencies or a gold standard,[22] and therefore have no inherent domestic spending constraints. As William Mitchell explains, they ‘can purchase whatever goods and services are for sale in their own currency’.[23]

The benefits of a floating dollar were espoused by the former chair of the US Federal Reserve Bank, Beardsley Ruml.[24] In 1946, Ruml explained that floating the US dollar conferred upon the national government ‘final freedom from the money market’, whereby they no longer needed taxes ‘to get the wherewithal to meet their expenses’.[25] Whereas local, state and territory governments need tax revenue to fund spending, a currency-issuing federal government does not.[26] Taxation is better understood as a tool to give money value, incentivise private behaviour or fight inflation,[27] rather than the source of money.[28]

---

[21] Rohan Grey, ‘Money Isn’t Scarce – It’s Infinite’ (2019) 37(1) *Law and Inequality* 132.
[22] Mitchell et al, *Macroeconomics* (Red Globe Press, 2019) 323.
[23] Ibid, 318.
[24] Beardsley Ruml, ‘Taxes for Revenue are Obsolete’ (1946) VIII(1) *American Affairs* 35.
[25] Beardsley Ruml, ‘Tax Policies for Prosperity’ (1946) 1(1) *The Journal of Finance,* 267-268; see also Mitchell et al, *Macroeconomics* (Red Globe Press, 2019) 324.
[26] Mitchell et al, *Macroeconomics* (Red Globe Press, 2019) 323.
[27] Stephanie Kelton, *The Deficit Myth: Modern Monetary Theory and How to Build a Better Economy* (John Murray Press, 2020) 45.
[28] Noel Pearson, *Mission* (Black Inc, 2021) 47.

A government with monetary sovereignty can't run out of money,[29] and can't default on debts in its own currency.[30] The true limit to government's spending capacity is the availability of real resources in which the money can be invested. If there are not enough resources (labour or goods) to absorb expenditure, then competition for resources will drive inflation. Inflation is the constraint on a sovereign government's spending, not its capacity to pay.[31]

So understood, government spending need not match revenue. Citizens have been coached to applaud government surpluses as responsible economic management and decry deficits as irresponsible, but this understands only half the picture. In fact, a government surplus always equals a private deficit.[32] The government obtains a surplus when it taxes citizens and businesses more than it spends into the private economy. Public and private moneys are therefore 'interlocking balance sheets', where one side's assets are the other's liabilities.[33] Keating in 2019 urged abandonment of the political obsession with maintaining government surpluses at the expense of growth, because he said '[t]he budget of the Commonwealth is not like the budget of a corner shop that ... must be able to close the door on Friday night and be in surplus'.[34] As MMT economist Stephanie Kelton puts it: a balanced government budget is irrelevant; what matters is a balanced and healthy whole economy.[35]

---

[29] Rohan Grey, 'Administering Money: Coinage, Debt Crises, and the Future of Fiscal Policy' (2020-2021) 109(2) *Kentucky Law Journal* 229, 259-260.

[30] Neil H. Buchanan & Michael C. Dorf, 'How to Choose the Least Unconstitutional Option: Lessons for the President (and Others) From the Debt Ceiling Standoff' (2012) 112(6) *Columbia Law Review* 1175, 1193.

[31] Noel Pearson, *Mission* (Black Inc, 2021) 47.

[32] Stephanie Kelton, *The Deficit Myth: Modern Monetary Theory and How to Build a Better Economy* (John Murray Press, 2020) 194.

[33] Katharina Pistor, 'From Territorial to Monetary Sovereignty' (2017) 18 *Theoretical Inquiries in Law* 491, 496.

[34] Shane Wright, 'Economy 'idling at the traffic lights', needs real spending: Keating', *Sydney Morning Herald*, 29 October 2019.

[35] Stephanie Kelton, *The Deficit Myth: Modern Monetary Theory and How to Build a Better Economy* (John Murray Press, 2020) 223.

Understanding Australian monetary sovereignty creates space for policy possibilities, because the Commonwealth can afford to employ the unemployed and house the homeless, if only we could forge political consensus. The Commonwealth's economic power is constrained not by lack of money, but by ideology.

Ironically, Australia obtained monetary sovereignty when the dollar was floated in 1983, in the epoch of the nation's transition to free market economics. Successive governments have constrained their power to achieve a just society in submission to neoliberal principles.

Central bank

Consider the central bank's evolving role in our constitutional and economic system. A distrust of democratic institutions along with moves towards small government help explain the Commonwealth's outsourcing of monetary policy to the RBA.[36]

The RBA's ideological underpinnings were framed by the Liberal government's backlash against Labor's failed attempt to nationalise banking in 1947. The Menzies government said its 1959 RBA Bill would counteract Labor's attempted 'socialization of banking' by backing 'free enterprise' and inducing 'co-operation between the central bank and the private banks'.[37] Labor interjected that the central bank 'belongs to the people',[38] highlighting 'a direct contradiction' between the aims of a banking structure that 'ought to be applied for the welfare of the people of Australia' and the aims of private

[36] In 1824, British political economist David Ricardo argued in his 'Plan for the Establishment of a National Bank', that government can 'not be safely entrusted with the power of issuing paper money' because 'it would most certainly abuse it'.

[37] Ibid, as described by the Liberal government, per Mr Joske. Historic Hansard, *Reserve Bank Bill 1959*, Second Reading: http://historichansard.net/hofreps/1959/19590311_reps_23_hor22/#subdebate-30-0.

[38] Ibid, per Mr (Dan) Curtin.

banks. Labor warned that the government's legislation would 'shackle the power of the Parliament' over monetary policy.[39] In the end, however, 49 private bank directors – 17 of whom were not ordinarily resident in Australia – apparently persuaded a majority of parliamentarians to begin relinquishing parliamentary control of monetary policy to the new RBA.[40] The power of money over politics.

Still, the RBA was initially 'independent by law but subservient in practice'.[41] Monetary policy was still run by the Treasury, however practice began to change in the 70s,[42] as the goal of true full employment was abandoned[43] and the financial landscape deregulated.[44] The RBA's growing independence was 'seeded by Keating' then 'achieved by Howard and Costello'.[45] A 1996 agreement between Costello and the RBA bolstered its independence and confirmed the bank's prioritisation of inflation-targeting over full employment.[46] As RBA independence hardened, governments became increasingly lethargic on economic reform. Mitchell et al argue that 'governments now see fiscal policy as a passive policy tool and tend to run unduly restrictive fiscal policy stances so as not to contradict the monetary policy stance' set by the central bank.[47]

---

[39] Ibid, per Mr Bryant.

[40] For the delegation of monetary sovereignty to the Federal Reserve Bank in the US, see Rohan Grey, 'Administering Money: Coinage, Debt Crises, and the Future of Fiscal Policy' (2020-2021) 109(2) *Kentucky Law Journal* 229, 242-243.

[41] Paul Kelly, *The March of the Patriots* (MUP, 2009) 319.

[42] In 1977, Opposition Leader Gough Whitlam argued the Fraser government had abandoned the bipartisan commitment to full employment and was 'deliberately maintaining high unemployment' as 'conscious policy' to control inflation. E. G. Whitlam, Media Release, 9 May 1977: https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2FHPR10021054%22;src1=sm1. However, others argue this shift occurred under Whitlam.

[43] Gareth Hutchens, 'Why Australia isn't aiming for 'full employment' anymore', *ABC News,* 1 November 2020.

[44] RBA, 'A Brief History': https://www.rba.gov.au/about-rba/history/.

[45] Paul Kelly, *The March of the Patriots* (MUP, 2009) 318.

[46] Ibid, 108.

[47] Mitchell et al, *Macroeconomics* (Red Globe Press, 2019) 315.

The net effect is that the unelected RBA oversees the balance between stable prices and full employment – not the elected government. And the RBA has been getting the balance wrong. Its primary focus on inflation rather than full employment contradicts its legislative charter which provides that it must pursue stable currency, full employment, and economic prosperity for the Australian people.[48] Yet there is no real full employment target.[49] While unemployment is now low, this is a partial side effect of emergency pandemic policies: stimulatory spending, previous low interest rates, perhaps extra staff hires to compensate for sickness,[50] and of course border closures.

The ineffectiveness of the RBA's normal policy was evident in its 2021 admission that inflation was below target for several years and unemployment was 'still too high',[51] and in current business-as-usual predictions that unemployment will soon go back up. Along with diminished worker bargaining power, keeping a cohort of Australians unemployed helps stifle wages growth. According to Ross Garnaut, between 2013 and 2020 we had a period of income stagnation unprecedented since the Great Depression.[52] Meanwhile profit shares have soared.

Pixley et al have argued that central bank 'accountability to the public sphere' has been replaced over time by 'implicit subordination to commercial financial

---

[48] *Reserve Bank Act 1959* (Cth), s 10.

[49] As Ross Garnaut told the Job Summit, 'Full Employment disappeared from the Bank's discussion of monetary policy through the decade of persistent unemployment that preceded the pandemic recession.' Ross Garnaut, Speech to Jobs Summit, September 2022: chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://cdn.theconversation.com/static_files/files/2279/Ross_Garnaut_JOBS_AND_SKILL_DINNER_SPEECH_1_September_2022.pdf.

[50] Peter Martin, 'Why unemployment is set to stay below 5% for years to come', *The Conversation,* 17 August 2022.

[51] RBA, 'Annual Report, 2021'.

[52] Gareth Hutchens, 'Unemployment is falling quickly, so why are so many people still struggling?' *ABC*, 10 April 2022.

institutions'.[53] The influence of corporate money over economic orthodoxy and public policy could partly explain why lawmakers don't intervene when the RBA has erred, despite constitutional power to override RBA policy or adjust the guiding legislation. There is an ingrained hands-off approach. But how important is this so-called independence really?

US economist Eric Leeper told an RBA conference this year that central bank independence is a political convenience, created by politicians to enable 'blame-shifting'. It is 'a gift from elected officials to themselves', he said, providing a 'whipping boy when the economy turns sour'.[54] Perhaps politicians have come to value the whipping boys at the central bank. But Australians just want a healthy economy, good jobs and prosperous futures for our kids. And we want our politicians accountable for economic outcomes. Parliament and government possess monetary sovereignty and should bear primary responsibility for national economic management.

Government's outsourcing of monetary policy to the RBA is a structural shirking of sovereign responsibility.[55] The Constitution gives Parliament power with respect to money creation and policy, and Executive action should comply with empowering legislation. The RBA's government-sanctioned failure to properly execute its legislated mandate in relation to full employment is repugnant to parliamentary supremacy. Yet the Commonwealth has supreme power both to correct the RBA's misdirection, and to use fiscal policy to more directly pursue economic justice. It should use it.

---

[53] Pixley et al, 'Central bank independence: A social economic and democratic critique' (2013) 24(1) *The Economic and Labour Relations Review* 32–50.

[54] chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.rba.gov.au/publications/confs/2022/pdf/rba-conference-2022-leeper-presentation.pdf

[55] Some experts say central bank independence might not last. See Alan Kohler, 'Alan Kohler: Labor must abandon the Stage 3 tax cuts. Big government must be funded', *The New Daily,* 4 August 2022.

Fighting inflation

Let me turn now to current inflation. The RBA has been raising rates to curtail spending and slow growth, which will likely increase unemployment, thus further undercutting wages growth to control inflation. This roundabout route is pursued notwithstanding that current inflation is mainly supply driven.[56] What can the RBA do to fix supply issues caused by the pandemic, floods and the Ukraine war? Not much. The RBA has also told workers to temper pay rise requests to prevent a wage-price spiral. Yet real wages have taken the biggest real cut on record: wages are not driving inflation. Despite this, Lowe warned in June that if wages rise too much, then that would inhibit achievement of the inflation target, and perhaps 'unemployment … would need to rise,' he said.[57] Bizarrely, as Alan Kohler explains, most economists support 'steep increases in interest rates to get unemployment up to restrain (non-existent) real wages growth' to control inflation.[58]

What a powerful stick the high priests wield! As if losing pay due to stagnant wages and rising prices is not enough punishment, some workers must lose their livelihoods for the greater good, to fix inflation they did not cause. Notice how the RBA doesn't explain how lower wages will lead to lower prices (because low wages and higher prices might just further increase corporate profits)? And notice how the worst off must always cop it?[59] McCrann wrote

[56] Yeva Nersisyan and l. Randall Wray, 'IS IT TIME FOR RATE HIKES? THE FED CANNOT ENGINEER A SOFT LANDING BUT RISKS STAGFLATION BY TRYING', Levy Economics Institute, 2022.

[57] Full quote: "But, if wage increases become common in the 4 and 5 per cent range, it's going to be harder to return inflation to 2½ per cent and then we'd be in a world where the economy would have to slow more and perhaps the unemployment rate would need to rise." Phillip Lowe, Transcript of Question & Answer Session, Inflation and Monetary Policy, Speech to American Chamber of Commerce in Australia (AMCHAM) Sydney – 21 June 2022.

[58] Alan Kohler, 'Where do the RBA and economists now stand on wages growth?', *The New Daily,* 22 August 2022.

[59] As Barbara Ehreneich wrote after going under cover as an unskilled worker to explore the dark side of US prosperity 1998, the working poor 'endure privation so that inflation will be low and stock prices high.' Barbara Ehreneich, *Nickel and Dimed: On (Not) Getting by in America* (2002, Owl Books).

recently that the whole point of RBA rates policy ‘is precisely to hurt (some) people, for the greater, more sustainable good.’[60] He put the ‘some’ in brackets, I guess because it’s code for poor people.

To identify a major additional cause of rising prices, we should consider the pricing power of corporations. Firms with pricing power may take advantage of supply problems, rate rises and hype about inflation to raise prices and maintain or increase profits – making the most of higher price expectations.[61] A similar dynamic is apparent with rents, as landlords pass on interest rate pressures to tenants – and then some. In some areas, rent increases are more than triple inflation,[62] exacerbating cost of living stress for those who can least afford it.

Richard Denniss of the Australia Institute argues this is a ‘price-profit’ spiral, not a wage-price spiral: ‘As prices surge … and wages fall, the share of GDP going to profits is at record highs,’ he wrote, yet workers are being asked to tighten their belts.[63] Denniss along with Former Treasury Secretary Ken Henry propose windfall profits taxes to control power prices.[64]

There are other ideas. One, big corporations could agree – or be required to – moderate their prices (which means reducing their handsome profits), rather than making the most vulnerable solely pay for price stability.[65] That would hurt fewer people than raising rates and increasing unemployment.

---

[60] Terry McCrann, ‘It’s the RBA, not its inflation target, that must change’ *The Australian* 20 July 2022.
[61] Emily Stewart, ‘Coles profits edge up, but inflation hurts both consumers and earnings growth’, *ABC,* 25 August 2022.
[62] James Kirby, ‘Housing rent – the inflation busting investment of the year’, *The Australian,* 18 August 2022.
[63] Richard Denniss, ‘Huge profits are driving inflation – not low-paid workers’ *The New Daily,* 24 June 2022.
[64] Rachel Pappazonni and Gareth Hutchens, ‘Gas export tax would help to fix Australia's energy crisis, says Dr Ken Henry’ *ABC,* 21 June 2022.
[65] Michael Buckland, ‘Why isn’t wage restraint chorus calling for dividend restraint?’, *AFR,* 21 July 2022.

Two, the Commonwealth could more actively fight inflation via fiscal policy, which would make us less reliant on rate rises as the sole tool to fight inflation. We should therefore look beyond a narrow review of RBA internal operations, to examine the bank's structural role in our system and the corresponding underutilisation of fiscal policy to address economic problems. Any review should acknowledge that the formative logic of the RBA was always to more directly serve capital, rather than the Australian people, on the belief (perhaps) that profits would trickle down to wages to create a fair society. Growing inequality proves that false. Only the government can fix this through bold reform.

Three, therefore, the Commonwealth should target an even split of national productivity gains, shared fairly between labour and capital. If profits rise due to increased productivity, then wages should rise in tandem. That should be our national goal, and reform should flow from this objective.

Four, true full employment *and* stable prices should be the headline priority. These currently oppositional principles must be more fairly synthesised. The ACTU is right that a revised agreement between Treasury and the RBA should counterbalance inflation targeting with a full employment target. And rather than performative independence, the RBA should support the sovereign government to achieve its true full employment agenda.

True full employment

True full employment means every Australian who wants a job, can get a job. Zero waste of Australian potential. Post-war governments were committed to full employment,[66] but the concept 'lost all meaning' when economists

[66] See e.g. the 1945 White Paper on Full Employment: http://www.billmitchell.org/White_Paper_1945/index.html.

subscribed to a 'natural rate of unemployment',[67] which pursues stable prices by maintaining unemployment.[68]

Not all economists think this is necessary.[69] Mitchell proposes that 'a better alternative to an unemployment buffer stock to achieve price stability is to utilise an employment buffer stock, as long as price stability is not compromised.'[70] A federal job guarantee would make government an 'employer of last resort' providing basic wage 'buffer jobs' for unemployed workers – a flexible, permanent complement to private employment.[71] A jobs safety net, rather than just a welfare safety net.

It is therefore not necessary to cause or maintain unemployment to fight inflation. Inflation could instead be managed with a minimum wage job guarantee.[72] Experts argue this would provide a better inflation control than maintaining a cohort of unemployed Australians. First, because the jobs would be anchored at a minimum wage rather than indexed to prices, so would not be inflationary,[73] but could produce useful outputs to help address supply issues. Second, because jobs can make long-term unemployed people employable, which could expand the workforce, help address labour shortages and discipline wage rises through increased competition.[74] Third, because the pool of job guarantee workers would expand in recessions and contract in expansions, helping stabilise the economy.

---

[67] Bill Mitchell, 'A national disgrace – the abandonment of full employment', *Modern Monetary Theory,* 12 December 2012: http://bilbo.economicoutlook.net/blog/?p=21944.
[68] William Mitchell and Joan Muysken, *Full Employment Abandoned: Shifting Sands and Policy Failures* (Edward Elgar Publishing, 2008).
[69] Warwick Smith, 'Unemployment Report' (Per Capita, 2018) 32.
[70] Mitchell et al, *Macroeconomics* (Red Globe Press, 2019) 301.
[71] Ibid 301-302.
[72] Stephanie Kelton, *The Deficit Myth: Modern Monetary Theory and How to Build a Better Economy* (John Murray Press, 2020) 215.
[73] Tcherneva, Pavlina R. 2018. "Job Guarantee: Design, Jobs, and Implementation," Working Paper 902, Levy Economics Institute, Annandale-on-Hudson, NY
[74] William Mitchell, 'The Job Guarantee and Inflation Control' Working paper 2010, 18-19.

The accepted trade-off between unemployment and inflation is therefore a false dichotomy. It need not be 'either, or'. Instead, let's strive for a fairer synthesis of the dual goals of true full employment *and* price stability. Thinkers across the political spectrum should see merit in this arguably radical centre approach. The left historically champion welfare, while the right champions welfare reform and responsibility. But both sides should agree that jobs are so much more productive than welfare. This should galvanise the human rights left and the up-by-your-bootstraps right.

And imagine how a job guarantee could transform the lives of the over 892,000 people on JobSeeker or Youth Allowance, many of whom are long-term unemployed. Around half of those Australians have a partial but untapped capacity to work.[75] They need welfare-to-work reform, with work tailored to their circumstances.

A job guarantee could be federally funded and locally delivered to match local priorities. It could be targeted to people who need the work, where they need the work. It could be flexible to fill gaps of underemployment. And it could be paired with welfare reform – sensible sticks and carrots, supports and training – to ensure maximum uptake and benefit. Properly designed, a job guarantee could disrupt cycles of intergenerational disadvantage in places like Logan, Lismore and Launceston, and in Indigenous communities, entailing long-term benefits for society and the economy.

Now is the time to implement a job guarantee, because right now the pool of unemployed Australians is smaller. Now is the time to shift the paradigm from a safety net of guaranteed welfare, to the opportunity of guaranteed work.

[75] Commins and Chambers, 'Hidden jobless: Welfare payments defy record low unemployment', *The Australian,* 23 August 2022.

Charter of Budget Honesty

A final unorthodox idea relates to the dishonestly titled Charter of Budget Honesty, which shackles Australian monetary sovereignty in submission to neoliberal principles. Reform of the Charter should be part of the Treasurer's shift towards a wellbeing budget.

The 1998 Charter was enacted by the Howard government purportedly to prevent repeat of the Keating government's alleged economic dishonesty.[76] It intended to discipline federal budgets given worries about debt and deficit, to entrench (the Howard) Government's supposed commitment to 'responsible and accountable fiscal policy'.[77]

There are two problems with the Charter. First, the intent to entrench a past government's policy is troubling to me as a constitutional lawyer who values parliamentary supremacy. Parliamentarians often resist a federal charter of rights because it might bind future parliaments to inflexible principles.[78] This budget Charter binds future governments not to universal rights, but to neoliberalism. It curtails policy flexibility.

Second, the Charter enforces half-truths. It does not mention 'full employment' in its 'Principles of sound fiscal management'.[79] The sole focus is on government 'debt'[80] and 'national saving',[81] prohibiting the insight that a government surplus equals a private deficit.[82] Because the reality is that Howard's responsible fiscal management was paid for by private citizens. As

---

[76] John Howard, 'The Role of Government', Menzies Research Centre, 6 June 1995.
[77] Bills Digest 85 1996-97, Charter of Budget Honesty Bill 1996.
[78] See Julian Leeser and Ryan Haddrick (eds), *Don't Leave Us With The Bill: the Case Against an Australian Bill of Rights* (Menzies Research Centre, 2009).
[79] Charter, ss 2(1), 8.
[80] Charter, s 5(1)(a).
[81] Charter, s 5(1)(b)i.
[82] Stephanie Kelton, *The Deficit Myth: Modern Monetary Theory and How to Build a Better Economy* (John Murray Press, 2020) 14, 25, 155.

Steven Hail explains, 'During the … the Howard/Costello surpluses, the private sector ran the deficits and household debt skyrocketed.'[83] The Charter effectively outlaws this insight. It is legislated thought policing. That its fundamentals have not been revised in the decades since its implementation speaks to a bipartisan dereliction of reform responsibility.

A new approach to the budget should disclose to Australians the full economic picture. It should show how government surpluses correspond to private deficits, and how government deficits support private surplus. It should show the outcomes being funded by budgets, measuring broader indicators of prosperity – like employment, wages, home ownership, education and mental health. US hedge fund manager, Warren Mosler, argues that the correct size of a monetary sovereign's budget deficit is whatever size supports true full employment. If involuntary unemployment and underemployment exists, then the deficit is too small.[84]

This is what I mean by flipping the narrative. The Commonwealth should not straitjacket its monetary sovereignty based on half-truths, nor timid assessments of political ramifications should the full truth be openly discussed. Rather, leaders can change the narrative. Australians would accept government deficits that fund guaranteed jobs. We would see that as a worthwhile investment in Australian potential.

A new radical centre

Garnaut said last week that our economic policy needs to 'change more than we thought necessary, and more than we think possible.' I think we need

[83] Steven Hail, 'The ALP, modern monetary theory and an Australian Green New Deal', *Independent Australia,* 6 June 2019.
[84] Warren B. Mosler, 'Full employment AND price stability', 1997: http://moslereconomics.com/mandatory-readings/full-employment-and-price-stability/.

pragmatic idealism. Australians should seize this moment to negotiate a new radical centre Accord. Current discussions should integrate unconventional perspectives. No ideas should be off the table and no orthodoxy above critique.

Let us start by discussing principles that might unite our efforts. Like: every Australian should have the right to work, which is better than welfare. Corporations should accept their fair share of responsibility for our collective economic wellbeing, including for price stability. And productivity gains should be equally shared by capital and labour.

Let's debate these principles with passion, energised by the acknowledgement that inequality is human-made – just like climate change. We are its parents and original. Fixing inequality is a political choice. There is no shortage of money to address our challenges, for the Commonwealth enjoys monetary sovereignty. But we must find the will, imagination, the courage and the consensus.

I urge federal law-makers across left and right to understand their monetary sovereignty, reclaim it and wield it for fairness and prosperity. If this government can find its ambitious, reforming, radical centre roots, we can unite Australians and achieve this country's full potential.