

COVER STORY | BY ALAN ATTWOOD



*the*  
**IDEAS**

**DESPITE A FINANCIAL CRISIS AND WOBBLY MARKETS, THE VERY RICH HAVE GOT EVEN RICHER. THE POOR, MEANWHILE, HAVE GOT POORER. THE GULF BETWEEN THEM IS BROADER THAN EVER – AND THIS HAS IMPLICATIONS FOR ALL OF US. IN AUSTRALIA, WHILE ONE-FIFTH OF SOCIETY HAVE CLAIMED ALMOST TWO-THIRDS OF THE CAKE, ANOTHER FIFTH MUST FIGHT OVER THE CRUMBS.**

THE FUNNIEST PUBLICATION in Australia is not the work of the Chaser boys or Chris Lilley or Judith Lucy or, indeed, any of the country's legion of comedians and satirists. It is *Wish*, the glossy, large-format magazine ("The Best of Everything") that slithers out of the *Australian* newspaper on the first Friday of every month.

For anyone gloomy about times being tough it makes immensely reassuring reading. There they are: slick ads for designer ties and fine furniture and expensive wine and jewellery and prestige cars and watches (most of which are called *timepieces* or *instruments*, so there's no confusion with anything with a plastic strap). You can sit, squashed in on your peak-hour train or bus, looking at pictures of shiny happy people and reading about somebody else's freebie flight to Paris to stay at a hotel so swish it's designated not as four- or five-star, but rather as a 'palace'.

*Wish* is funny because it takes itself so seriously. The models, draped over car bonnets or artistically posed with the Eiffel Tower softly out of focus in the background, look so pissed off. (And thin: they should be tucking into the expensive meals the writers rave about.) It's niche publishing, targeting ads for a life of luxury. It's also harmless voyeurism: like Nick Carraway in F Scott Fitzgerald's *The Great Gatsby*, we can be seduced by the twinkling lights and the sound of music and laughter drifting from the mansion across the water. Skimming the glossy pages of *Wish* while waiting for the 5.23 train, which has been delayed again, you can fall into a reverie, tossing up between the sorbet and the soufflé on the palace restaurant's dessert menu.

*Wish* is aimed both at those living the high life and all those – a much higher number – who think they'd rather like to. The gap between those two groups is becoming broader all the time: the very rich are getting richer while the poor are getting poorer. Despite stockmarket turmoil and global financial crises a select few are doing very nicely indeed, while, at the bottom of the ladder, many more people are struggling.

But hasn't it ever been thus? In Matthew's Gospel, Jesus says: "For ye have the poor always with you." This is true, but the Great Divide between rich and poor is becoming increasingly pronounced, and has serious implications for society. It can be argued that the gulf between haves and have-nots has been a factor in violent unrest this year

in countries as different as Egypt and England. So far, Australia has experienced neither rioting nor revolution, but official figures make it clear that more and more have less and less in the so-called 'Lucky Country'.

Australian Bureau of Statistics (ABS) figures on household income released in August show how a few own a lot. The wealthiest 20% of households in 2009–10 accounted for 62% of total household worth, while the poorest 20% of households accounted for just 1%. Putting this another way, while one-fifth of society have claimed almost two-thirds of the cake, another fifth must share a very slim slice. For those on Struggle Street, there was some good news: between 2005–06 and 2009–10, their average net worth increased by 16.8%, from \$27,400 to \$32,000. But over the same period, the average net worth of the wealthiest 20% increased by much more (29.4%), from \$1.7 million to \$2.2 million.

If you take a longer view, the results are even more dramatic. Using ABS figures again, between 1994–05 and 2007–08 there was a 48% increase in average real incomes of low-income people. This sounds encouraging, but over the same period the average income of high-income people increased by 70%. The Great Divide is getting harder to span all the time.

This situation is not unique to Australia. Last November, in a *New York Times* article headed 'Fast Track to Inequality', columnist Bob Herbert described how US Government policies had actually favoured the very rich. "From tax laws to deregulation to corporate governance...government action was deliberately shaped to allow those who were already very wealthy to amass an ever-increasing share of the nation's economic benefits," Herbert wrote. The story is familiar: the rich got richer.

Herbert continued: "The incomes of the very highest earners in the United States, a small group of individuals hauling in more than \$50 million annually (sometimes much more), increased fivefold from 2008 to 2009, even as the nation was being rocked by the worst economic downturn since the Great Depression...investors and executives at the nation's 38 largest companies earned a stunning total of \$140 million – a record. The investment firm Goldman Sachs paid bonuses to its employees that averaged nearly \$600,000 per person, its best year since it was founded in 1869." Meanwhile, unemployment in the US stands at around 9%, compared with Australia's 5.3%.



A table prepared by the Organisation for Economic Cooperation and Development (OECD), published last May, shows that the household income for the poorest 10% of people in the UK increased by an average of just under 1% per year between the mid-1980s and late 2000s. For the richest 10% the average annual increase was 2.1%. The figures for the US in the same table were 0.5% and 1.9%; for the Czech Republic, 1.8% and 3%; in Japan, the wealth of the wealthiest increased only slightly (by 0.3%) while the poor actually got poorer (slipping back an average of 0.5%).

But in that OECD table, no other country comes close to matching the 4.5% average annual increase in household income enjoyed by the wealthiest 10% in Australia. It is no wonder, then, that a research paper prepared for trade unions for the coming tax summit found widespread unease with the distribution of wealth and concluded: "Australians apparently favour a significantly more equal distribution...than actually does exist."

Some Australians are doing very nicely indeed. Last February, the Asian edition of *Forbes* magazine anointed Gina Rinehart, WA-based mining magnate and heiress, as the first woman to top its list of Australia's wealthiest people. *Forbes* also noted the remarkable rise in the wealth of the wealthiest, despite the 2009 GFC, reporting the net worth of Australia's richest 40 people had risen by 40%, to \$68.4 billion, over the previous year. And, oh yes, by its calculations the number of billionaires in Australia

had risen over the same period from 13 to 20. So it's not surprising that advertisers in *Wish* perceive an audience for sapphire-crystal-glass-face watches and first-class afares. Or that sales of French champagne in Australia rose 15% last year, despite a general slump in consumer spending.

Meanwhile, however, a Salvation Army report last year suggested that two million Australians (one in 10 of population) live in poverty. And in August this year, Sarah Bignell, a housing outreach worker in Melbourne, wrote a poignant letter to the *Age* newspaper describing her experience with a client, an ill man approaching 60. He was, she wrote, "spending his last days lying on a dirty bed in a tiny, gloomy, cockroach-infested room. There was no alternative housing, no humane solution. In a wealthy country like ours, this is a disgrace. As a community, we need to wake up and smell the shame. We need to make our government understand the huge cost to our communities and our humanity when we do nothing to eradicate homelessness."

EXCESS – CONSPICUOUS CONSUMPTION – can be as obvious and ostentatious as poverty and hardship tend to be invisible. For glimpses of the lifestyle of the rich and (sometimes) famous you can skim *Wish* or go mansion-spotting in the streets of Point Piper in Sydney, Toorak in Melbourne or Peppermint Grove in Perth, all of which feature on the Australian Taxation Office's list of the wealthiest suburbs.

## WARREN BUFFETT'S SECRETARY SHOULDN'T PAY A HIGHER TAX RATE THAN WARREN BUFFETT.

Barack Obama



It's appropriate that the tax office has such lists (it can also identify the nation's poorest suburbs), as tax is the most obvious way of bridging the chasm between rich and poor. This is why, battling soaring national debt, US President Barack Obama has recently embarked on a campaign to increase the amount of tax paid by the rich. It seems like such an obvious thing to do, yet the move has already attracted bitter opposition, not least from Republicans, who argue that such tax rises represent an assault on those who create wealth and jobs. Obama's move, likely to be reprised in next year's presidential election campaign, seeks to tap into mounting discontent about the gulf between America's rich and poor, summarised by the message on a placard held by a demonstrator at a recent rally: *The wealthiest 400 Americans own more than the poorest 60% (that's over 180,000,000 people). Who do your politicians REALLY care about?*

The answer, sad but true, is that politicians in both Australia and the US have traditionally been reluctant to put wealthy people offside – and not only because of their capacity to be donors. As was starkly demonstrated by the opposition drummed up to the mining super profits tax proposed by the previous federal government in Australia, the wealthy have the means to shape public opinion if they believe their interests are threatened.

But there are mavericks even within the ranks of the rich. Obama is trying to sell a proposal to levy a new minimum tax rate on those earning more than \$1 million per year by calling it the 'Buffett Rule', a nod to billionaire tycoon Warren Buffett, whose annual income was recently estimated to be \$39 million. In August, Buffett composed a now-controversial article, 'Stop Coddling the Super-Rich', for the Opinion page of the *New York Times*. In it, he outlined the "extraordinary tax breaks...showered upon us by legislators in Washington who feel compelled to protect us, much as if we were spotted owls or some other endangered species".

He continued: "Last year my federal tax bill – the income tax I paid, as well as payroll taxes paid by me and on my behalf – was \$6,938,744. That sounds like a lot of money. But what I paid was only 17.4% of my taxable income – and that's actually a lower percentage than was paid by any of the other 20 people in our office. Their tax burdens ranged from 33% to 41% and averaged 36%." Last month, Obama said: "Warren Buffett's secretary shouldn't pay a higher tax rate than Warren Buffett."

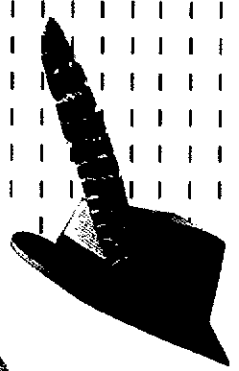
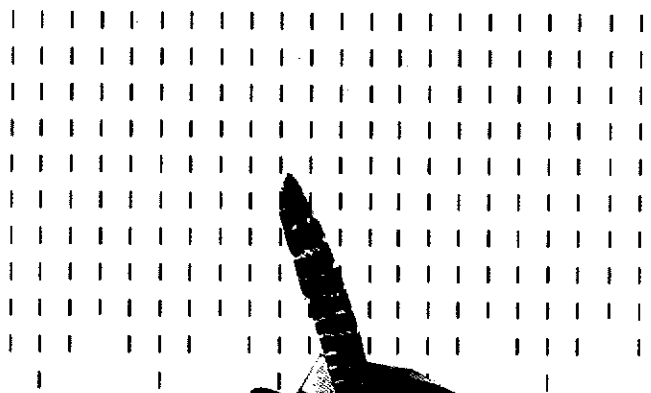
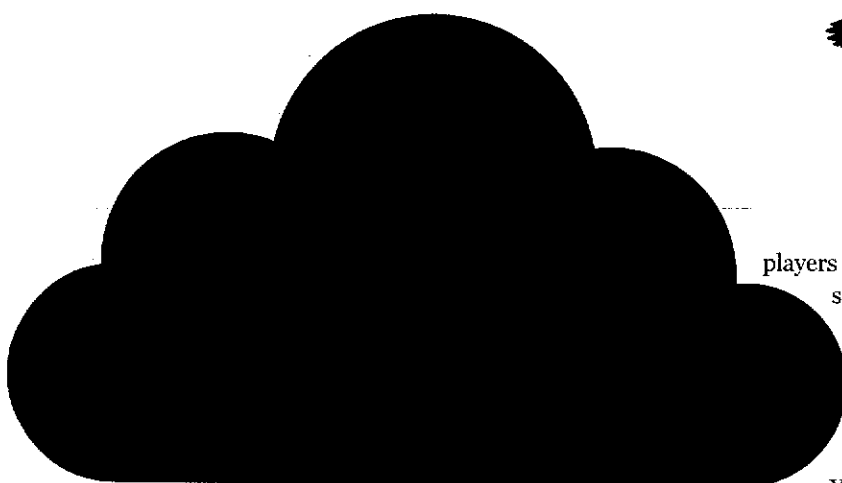
In the same article, Buffett also pointed out that although the aggregate income of the 400 wealthiest Americans had soared from \$16.9 billion in 1992 to \$90.9 billion in 2008, their tax rate had actually *fallen* in that time from 29.2% to 21.5% – meaning the very rich were paying even less. (In Australia, the highest tax rate is 30.3% of \$180,000, plus 45 cents in every dollar in excess of that amount.)

One estimate is that Buffett's proposal regarding higher taxes for those who can afford them could generate as much as \$500 billion over a decade. But, predictably, there has been opposition – and not only from the Scrooge McDucks on Billionaire Row. Former media baron and convicted fraudster, Conrad Black, called Buffett a hypocrite whose solo act "as a slimmed-down Santa without beard, sleigh, or red uniform is wearing thin".

Charles Kadlec, a contributor to *Forbes*, argued that when the rich pay more tax they have less disposable income and reduce their consumption. This could mean a loss of sales to companies, leading to layoffs. Or they may simply give less to charity. Kadlec also pointed out that when a Democratic Congress hit the rich with a luxury tax on high-end items such as expensive boats and cars as well as jewellery in 1990, the ones hardest hit by a consequent drop in sales were workers who helped to make the boats, cars and pretty trinkets.

Still, repercussions from Buffett's manifesto spread across the Atlantic. In France, 16 billionaires offered to pay more tax to help the country out of its economic difficulties. Writing in the *Guardian*, Alexander Chancellor argued that Buffett's arguments were also relevant to the UK: "British billionaires tend to be too disconnected from the rest of society and generally out of sympathy with it. They are also loath to admit that luck has played any part in their achievement."

In England – where the Queen regularly features on lists of wealthiest Britons and the Royal Family has an annual income of around \$60 million – the Great Divide can be dramatic. It is obvious in articles extolling the virtues of a London residential complex, One Hyde Park, which early this year was trumpeted as being "set to become the world's most expensive address", with a penthouse going for around \$210 million. But by August it had already been upstaged by 'The Glebe' in Chelsea, where each residence will have a private pool, elevator and snooper-proof walls (a feature described by an agent as "very important to the super-rich"). In England, of course, big-name football



players can earn more in a week than a whole row of spectators will see in a year.

By and large, people are accepting of such excesses. The less well-off can still cheer from the sidelines at a Royal Wedding. Football fans care less about a player's pay than his ability to score, or save, goals.

Yet it was in England that violent riots flared up in August. And although Prime Minister David Cameron attributed unrest to criminality rather than any political motive, some commentators noted that perhaps such events should be expected in a country where the wealth of the richest 10% is now estimated to be 273 times that of the poorest. Tottenham, for example, where there was rioting, is said to have the highest unemployment in London.

AUSTRALIA, WHICH HAS rarely experienced such civic unrest, is still supposedly home to the concept of the fair go. And people don't like it when there is an affront to their sense of fairness – when, for example, BlueScope Steel announced in August that, as part of a group-restructuring exercise, around 1000 jobs were to be cut while the company's senior executives were being rewarded with bonuses totalling just over \$3 million. Independent Senator Nick Xenophon denounced it as "a dark day for corporate governance in Australia".

Fairness is supposedly at the heart of an equitable tax system: those who have more should pay the most. One problem is, however, the fact that the wealthiest can also afford imaginative accountants and lawyers. But taxing the rich is not the only way of bridging the Great Divide. Why don't they simply give it away?

Australia's answer to Buffett is another very wealthy man, Dick Smith. Over the past year he has been campaigning publicly to make rich Australians more philanthropic. In the lead-up to last Christmas, Smith wrote to the heads of Australia's major financial institutions, urging them to give away a fifth of their income. The response was unenthusiastic, leading Smith – who has an estimated net worth of \$50 million and claims to have given away "well more than 20%" of his income – to denounce Australia's wealthy as "appalling and greedy".

In May, he backed a proposal for a \$1 billion philanthropic foundation, to which Smith himself has offered to contribute \$5 million. In September, Smith declared himself fed up: "I am absolutely disgusted that

# I AM ABSOLUTELY DISGUSTED THAT MOST OF THE WEALTHY ARE SO UTTERLY SELFISH

Dick Smith



most of the wealthy are so utterly selfish." In the US, he argues, wealthy people donate an average of 15% of their income, while in Australia it is 1%. Smith has also claimed that 2000 Australians who declared more than \$1 million a year in income claimed no tax deductions for contributions to charity, suggesting they had donated nothing at all. To him, this is simply not on: "We've got to get it so it is an obligation if you're wealthy to become a philanthropist. Otherwise, we don't want you in this country – rack off!"

Smith is a polarising figure. Some of the rich he has threatened to "name and shame" protest that they prefer to keep their donations private. But his assertion that wealthy Australians are not great philanthropists is correct. In the US, there is a tradition of giving – all the way back to Andrew Carnegie, who argued "huge fortunes that flow in large part from society should in large part be returned to society". (Carnegie, an industrialist and business tycoon who died in 1919, was actually born in Scotland – and thus belies the caricature of the stingy Scot.)

In recent times, wealthy Americans such as Buffett and Microsoft co-founder Bill Gates have turned their attention to charity and good causes. The same thing has not really happened in Australia. Why this is so is a mystery to people as diverse as Australian of the Year Simon McKeon and former Liberal Party leader Malcolm Turnbull. McKeon has referred to "the elephant in the room: we really are not overly generous". Turnbull, meanwhile, suggested in a recent interview about philanthropy that what people had in their pockets mattered less than what they had in their hearts.

One attempt to change the culture of giving is a publication called the *Difference*, available in both print and online forms ([urthedifference.net.au](http://urthedifference.net.au)). It describes itself as "an annual Australian report card on the indicators of disadvantage, poverty and exclusion". When its first edition was released last March, print copies were sent to the heads of top companies. If nothing else, it makes it harder for decision-makers to argue that they didn't know about some of the problems in contemporary Australian society. If *Wish* promotes dreams, the *Difference* is closer to the way things actually are. It also promotes projects that would benefit from donations and perhaps narrow, even slightly, the divide between haves and have-nots.

What else could be done? How about stamping out poverty altogether? In Australia, 16–22 October has been designated as Anti-Poverty Week, while

17 October is the United Nations' International Anti-Poverty Day, with a focus on the causes and consequences of poverty. Meanwhile, a passionate group within the International Network of Street Papers (of which *The Big Issue* is a member) has started a Make Poverty Illegal campaign. At first it sounds like pie-in-the-sky stuff. Dream on, dreamers. Then again, a similar response greeted the first attempts to make slavery illegal. In the end, of course, it was.


YES, THE POOR have always been with us. What has changed – dramatically, disturbingly – is the extent of the Great Divide between rich and poor. The gap is getting broader, something that has disturbing implications for modern society.

To conclude, two stories.

The first comes from Austria, where, early last year, a tycoon named Karl Rabeder announced he was giving it all away – his lakeside villa, farmhouse in France, a collection of six gliders, every bit of furniture he owned. What he had learned, he declared, is that "money is counterproductive – it prevents happiness". He had realised "how horrible, soulless and without feeling the five-star lifestyle is". All his money would go to charities he established in Central and South America.

Memo Dick Smith: Rabeder said he did not judge those who opted to keep their wealth. "I do not have the right to give any other person advice," he said. "I was just listening to the voice of my heart and soul." When last heard of (a small item in the German press in July), Rabeder was reportedly living in "a tiny mountain hut".

The second story comes from Victoria, where, in August, awards were presented for the southern region of an 'Entrepreneur of the Year' contest. The social entrepreneur category recognised the work of a national organisation called Fitted for Work, the creation of two women, Marion Webster and Renata Singer. Among other services, Fitted for Work provides suitable clothing for disadvantaged women to wear to job interviews. Webster told a story about one woman who, after being loaned a smart navy suit, asked if she could wear it home. She explained: "I've always wanted to be one of those women who walks down to [the] station and goes home with the other workers."

Call it a very simple wish. 

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