

# Labor's attack on Malcolm Turnbull's wealth should have focussed on fairness

21 October 2015

[It took a Liberal Prime Minister to remind Labor of its claimed basic principles, writes Ian McAuley.](#)

As Mathew Kenneally and Michelle Grattan point out, Labor made a mess of its attack on Turnbull for having investments registered in the Cayman Islands.

Had Labor confined itself to Turnbull's use of a known tax haven, its attack may have worked, but it was so ineptly handled that it was easy for Turnbull to re-frame it as an assault on his personal wealth. Labor was left looking like a party so desperate for ideas that it had to fall back on the politics of envy.

Wounded by Turnbull's deft response, and by the confirmation of poor opinion polling, Labor will find it hard to deal with the real issue they should focus on – the unfairness and therefore the distorted incentives in our economic arrangements.

Research in behavioural economics finds that inequality, in itself, is not of great concern to people. But people are concerned, very concerned, with fairness. The way in which some do better than others counts.

We don't object to those who, through their energy and entrepreneurship, have made a large contribution to society and have taken a share of the benefits.

Even though Microsoft has not always been the best corporate citizen, few people complain about Bill Gates's wealth – somewhere in excess of \$100 billion in Australian terms, or about 500 times Turnbull's comparatively modest accumulation.

Turnbull, as one of the original investors in the Internet (taking a high-risk stake in the ISP Ozemail in 1994) is seen as an entrepreneur who struck it lucky.

In response to Tony Burke's questioning, he didn't claim that his prosperity was all due to his virtue as a hard worker. "Lucy and I have been very fortunate... there is a lot of luck in life", he said in explaining his circumstances.

That statement distances him from Joe Hockey, whose economic philosophy was a Calvinist belief that wealth is associated with virtue in a world populated by "lifters and leaners". The rich are rich because they are worthy people who provide jobs for us lesser mortals, and therefore should be encouraged to get even more rich.

We don't begrudge those who have a go and win, so long as the rules of the game are fair. And, of course, many of us live in hope that we will be the one with the lucky break. Statistically that belief is generally an illusion, but it keeps in check any tendency to storm the Winter Palace or to march on Turnbull's Point Piper house.

Innate ability is out of our hands, and we may be upset that nature or god is tough in writing our genetic code, but we know that for now, at least, we cannot do much about it, other than providing a generous safety net for those who are less fortunate.

And who knows? We may need that safety net ourselves one day – which is why we like government programs such as Medicare and national disability insurance. As The Harvard philosopher John Rawls pointed out, there are areas of our lives where we incline to free enterprise and areas where we incline to socialism.

When it comes to inherited financial wealth we tend to be judgmental, however. Even the most avowed socialists would find it hard to match the savagery of Hogarth's *Rake's Progress* and Hiliare Belloc's *Cautionary Tales for Children* in condemnations of the idle rich living off inherited wealth.

From the days when the Australian patriot Daniel Deniehy accused WC Wentworth of trying to re-create Britain's class system in Australia – a "Bunyip aristocracy" – we have liked to think of ourselves as a meritocracy, with high social mobility rather than as a society with entrenched intergenerational privilege.

Our strongest disapproval is reserved for those whose prosperity has come about by unfair means, through legal or illegal measures. Executives in public companies who, with the connivance of board members, reward themselves with seven digit salaries regardless of the company's performance; speculators who use political

donations to have land re-zoned to their benefit; inside traders on the financial market; and union officials who use their official credit cards to finance a high life all earn our wrath.

Less noticed are the groups who, through their political clout, gain unearned privileges for their members. Many are in the sacred "small business" sector, including retail pharmacists and owners of taxi plates. Many are individuals, including "self funded" retirees with millions in their accounts and housing speculators benefiting from "negative gearing".

They never accumulate the billions of the super-rich on the BRW Rich List, a heterogeneous collection of entrepreneurs, inheritors and rent-seekers, but collectively they amass a large amount of money they haven't earned, at the expense of others who have not enjoyed such privileges.

It's this lower level of inequality that is so economically damaging, because it feeds a perception, generally correct, that there is hardly any connection between contribution and reward.

At one end of the wealth spectrum is the rich rent-seeker, lobbying to keep his or her own privileged position, and using every available lark to minimize taxation; at the other is the welfare cheat. Both are united in a belief that in a society where unfairness is endemic, working hard to do anything useful is a mug's game.

That's where a Labor Party, worthy of its name, should be focussing – on developing policies that align contribution and reward, and making sure entrenched privilege does not block social mobility (on mobility they have a good story in the Gonski reforms, but they seem reluctant to run it).

When Turnbull, in his reply to Burke, referred to cleaners and taxi drivers who have worked harder than he has but who don't have much money, it seemed as if he was prompting Labor to get back to its principles.

They shouldn't need a Liberal Party prime minister to remind them of that.