



## Family Centred Economics

When referring to family it is with full knowledge of the complex and painful reality of human relationships. Genuinely socially progressive Christians have always understood that life was not just messy but broken and they were at the forefront of caring for the marginalized.

So too, family centered economics doesn't overlook single parents, abandoned children or the disadvantaged but it does seek to genuinely understand the root causes of their situation and restore the lost narrative for the virtues of family and the deep obligations we should naturally have toward one another.

A Brief History on the evolution of family politics and how societies views have arrived to where we are today...

The wrestling of who owns or what constitutes family isn't new. These ideas have been debated for millennia, especially during the age of the classical thinkers – Plato, Socrates and Aristotle.

Plato in particular argued that the child as a future citizen should have its welfare and education provided by the state. This he thought would avoid any family loyalty (nepotism) and amassing of private wealth.

Over two thousand years later this idea was revamped with the rise of the 20th century totalitarian societies (such as Communist Russia and Socialist Germany) where there was a new effort to mold and manipulate all private and family matters because they realized the threat they posed to government control. But it came at a staggering human cost.

By 1930, the official soviet party doctrine that “man and woman in monogamous marriage were a first class antagonism” left swarms of homeless children. And later, the 18 million Soviets sent to the Gulags created another wave of gaping family absence.

Ultimately, what history teaches is that family is never entirely a private matter, there's always a social impact. It's just a question of how much time elapses before society feels its effects.

A 1998 Australian Parliamentary Inquiry into the costs of marriage and relationship breakdown put the figure at \$9 billion per year and now it's nearly double that.

Today in western nations the issue of family fragmentation is once again being increasingly dealt with by what was referred to as the Welfare state or Paternalism. It seeks to provide everything to everybody under the benevolence of an “all-caring” government.

However, the problem then as it is now is that the State can never really be certain who is the most deserving. And so often under this scenario it's the loudest lobby groups that get the most attention, whether deserving or not.

Doesn't it seem puzzling that after so many decades of welfarism, the National Disability Insurance Scheme is still so far off? Isn't it ironic that the most desperate are left at the back of the queue? Or is it that we somehow feel more dependant and less free? As Chris Berg from the IPA writes, "welfare recipients who now have their purchases micromanaged by Centrelink are unlikely to feel very liberated..."

### **The heart of the matter**

Stronger and intact family connections are the remedy to the welfare state. Strengthening these bonds limits our reliance on government dependency and its interference in family matters.

The church doctrine of subsidiarity puts it perfectly – no function should be done by a large, complex governing order, when it can be accomplished by a smaller, simpler one.

Intact families reinstate the classic liberal idea of limited government, freedom and responsibility. Adam Smith famously wrote: "What is prudent in the conduct of every private family can scarce be folly in that of a great kingdom".

But sadly this wisdom is largely ignored and even seen as offensive in our entitlement culture, where personal debt-to-income is at record levels and spending and revenue raising dominate policy agendas.

### **AC Family Centered Economics – what might it look like...**

#### **Driving Principle must be: First do no harm to family and marriages**

The benefits of a society based on strong family structures are profound: safer and more cohesive communities, better educational outcomes, lower crime and stronger interpersonal relationships.

Tax reforms should simultaneously achieve two things: strengthen the economy and lighten unnecessary family burdens. Especially in view of declining Western birth rates, which means the traditional labour pool (15-67) is being replenished at a slower rate and why the 'Big Australia' rhetoric focuses on supplying this gap through higher immigration.

In the now probably hollow words of ex-PM Abbott, "the best way to help families is with "long-term tax relief, more business and job opportunities..."

## Specific areas of policy

Even before any tax strategies can be applied, if families are to be truly free they need the dignity and self-respect of work.

Interestingly, Roy Morgan Research is higher in its estimates than the official ABS statistics, combining underemployment and unemployment at 19.4 per cent.

With those figures in mind, it's hard to grasp how greater taxation, excessive employment laws and industrial regulations can incentivise businesses to increase work participation, innovate or take calculated risks.

Australia also needs to rethink the prevailing view that the minimum wage (Australia has the highest in the OECD countries) is actually helpful to individuals and especially to small businesses that employ most of the workforce. It effectively makes it illegal to negotiate for a lower wage even if that person is willing to do so. There is much evidence that high minimum wages raise the overall cost of living, effectively cancelling out any real benefits.

Along this vein, small to medium companies (see AC policy on Small Business) need to be freed up to compete and provide training for readily available work especially among youth, rather than merely rolling out more graduates with university degrees.

There was once a time where apprenticeships existed not only in traditional trades, but in developing industries such as IT firms, media and corporations through hands-on learning, experience and promotion based on merit.

However, once income is earned there should also be the freedom and responsibility for families to keep enough of those earnings to provide for contingencies and retirement. As economist, John Ballantyne wisely points out, consumption, not savings, should be taxed. Currently, after-tax dollars that are parked in a savings account and earn interest are taxed again at a later stage as income, an example of double tax dipping. Taxing savings erodes an already shrinking savings base because Australia is a costly place for families to live. While for now we're being temporarily anaesthetized with cheaper clothes, cars and trinkets—the cost of essentials: house, food, insurance, water and energy are disproportionately high. To paraphrase the hero of Liberal thinking, Robert Menzies, “the family home...determines the health of society.” For this reason costs associated with that primary sanctuary of family life should not outweigh its benefits.

- For example, focusing on housing duties (see AC Stamp Duties and Rates Policy), the high rate of stamp duties and council rates are penalizing homeowners for merely living in an area that has an expensive postcode, wanting to upsize or downsize, or simply making home improvements.

It should also be explored whether the housing shortage is being distorted by state governments and local councils withholding land, and excessive building codes and regulations driving up costs.

Other tax initiatives would include income splitting for single salary families, which make up about 20 percent of all families. The situation today is that a single income family on the same wage as a double income family pays more tax, because single income families can only access the tax-free threshold (TFT) once.

Single income splitting would allow these families more money to make choices around family life such as staying at home to raise a child. Australian Christians believe that parents should not be encouraged to outsource child raising, as parents are the best providers of their children's needs.

Even the at-times-not-so-traditional and the ABCs favourite Liberal, Malcolm Turnbull, acknowledged that promoting, "pro-natalist policies are of national interest because children are a social good not merely a personal, optional pleasure."

The other suggestion John Ballantyne offers is providing parental school vouchers and examining the merit of providing tax deductions to parents for school fees rather than completely funding schools directly, thereby making schools more accountable to parents rather than bureaucrats.

### **Summary**

Even in the most caring society there will always be people who need welfare throughout their lives, but the traditional and principle aim of government welfare should be assisting in the short-term while encouraging self-support in the long-term

Australia desperately needs to restore the balance. Sound classical economic policy and welfare society (not the welfare state or its heavy handed establishments such as the Family Law Court) must once again rise up into the place where traditional family and organisations such as volunteer groups, clubs, churches, charities and so on, are mixed with some targeted, well-designed government assistance.

It is family and community who are most intimately acquainted with the real, immediate needs of those nearest and therefore do a far better job of caring than any government could.

© Eleni Arapoglou (AC Policy Researcher) June Conference 2015

### **References:**

- <http://www.abc.net.au/religion/articles/2014/06/19/4028904.htm>
- <http://www.afr.com/business/small-business/startup/red-tape-and-taxes-drive-business-startups-down-36pc-20141208-122xev>
- <http://www.theaustralian.com.au/opinion/columnists/super-claims-not-only-a-joke-but-they-tax-the-mind/story-fn7078da-1227397465337>
- <http://pindanpost.com/2015/03/21/road-to-fiscal-disaster-through-welfare/>
- <http://www.abc.net.au/news/2014-12-23/berg-welfare-plans-an-assault-on-our-freedom/5984614>