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## IPA RESEARCH: INEQUALITY LOW AND DECREASING

Free market think tank the Institute of Public Affairs has today released a new landmark report, *Understanding Inequality in Australia*, authored by IPA research fellows Daniel Wild and Andrew Bushnell, which analysis the extent of income inequality in Australia.

“Claims that income inequality is high and increasing in Australia are wrong. Income inequality is lower today than 15 years ago and is around the OECD average,” said Mr Wild.

The report argues that the measures used by those who claim income inequality is rising are highly inappropriate. Specifically, while the share of income received by the 1 per cent of income earners has increased over recent years, this is a pre-tax measure of income and does not account for the effect of tax and transfers.

The most reliable data – the Gini coefficient, which accounts for taxes and transfers – shows that income inequality has been broadly unchanged over the past two decades and has, if anything, decreased slightly.

“The best available evidence suggests the claim that there is rampant inequality in Australia is false, yet it is being used by some as a smokescreen to raise taxes and burden businesses with more red tape.”

“Measures to reduce income inequality – such as higher taxes – typically reduce economic growth, job opportunities, and make everyone in society worse off.”

“Income inequality is an abstract measure which is removed from people’s lives. What really matters are the opportunities that people have to live a good life,” said Mr. Wild.

The report finds that there are certain institutions and ways of life people need access to in order to live fulfilling lives. Being raised in a stable and loving family, getting married and staying married, pursuing a career, receiving a good education, and avoiding crime, drugs, and alcohol dependency, are all associated with life success.

“Strangely, such basic knowledge, available to humans for millennia, seems to have been erased in our modern times,” said Mr. Wild.

“Government policy plays an important role: reducing taxes will encourage job creation and reward work effort, reducing red tape will empower Australians to take control of their own lives, and school

vouchers will increase parental choice and education standards," said Mr Wild.

However, the report finds that the culture matters more. The hollowing out of key mediating institutions which provided a source of direction, meaning, and order, such as family, religion, and communities, has left many Australians without access to the body of wisdom about how to live a good life accumulated through the ages. Re-invigorating civil society, and a culture of responsibility, hard work, and togetherness, will be necessary if more Australians are to access the opportunities this country has to offer.

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