From the Kitchen

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What should we, as a society, as taxpayers, be paying for? What should we be subsidising? Who should we bail out?

It is possible to divide our society into three major sectors: private individuals, corporations, and government. Society is the creature of its individuals and arguable should exist to serve those individuals. The individuals also constitute the corporations and elect the governments.

Corporations were created to allow individuals to jointly engage in commerce, manufacture and trade and to minimise the risks to those individuals inherent in their joint enterprise. This risk reduction was a gift from society – individuals and other corporations doing business with a failing corporation could lose their money if that corporation went bankrupt. In this sense, corporations were subsidised by the rest of society.

The modern notion of the free market holds that the marketplace, if not interfered with, will sort out success and failure on the basis of supply and demand, of offering goods and services that others want and are willing to pay sufficient money for. ‘Sufficient money’ means enough for the service or goods provider to cover costs and make some profit.

It is understood, in the scheme of things, that any corporation that cannot make sufficient money for its goods or services will fail and, if it owes money to others when it fails, the individuals who constitute that corporation walk away without penalty (provided there has been no fraud or other illegal activity involved). The losses are borne by the society.

It is clear from this that society – the taxpayers – subsidises corporations indirectly. Taxpayers also subsidise many corporations directly, through grants to assist in developing new ventures, through building infrastructure needed to get products to market, and by direct financial assistance when a whole industry may be in trouble – for example, the car industry in Australia.

There are also valuable subsidies to corporations that may not be immediately obvious but are nonetheless valuable to them and are a burden on taxpayers. These include contracts for construction and management of roads, with the corporation earning tolls; under such contracts, the taxpayer, through the government, may be obligated to pay the corporation a ‘top-up’ if tolls collected fall below a certain monthly amount. The taxpayer underwrites the corporation’s profitability and the corporation takes little or no risk.

When banks were in danger of collapsing in 2008, governments around the world bailed out many of them. When it comes to making unconscionably large profits, the banks claim they are profit-making businesses ‘like any other’. But they are anything but; they have exclusive licenses granted by governments and very few individuals or businesses could operate without them – they have a captive market.

In Australia we are paying more than twice the amount we should to have electricity delivered to our houses. A government regulator allowed distribution companies to build more infrastructure then needed and to borrow to do so. The electricity customers – taxpayers – are now paying to service those borrowings at around 10% p.a. when the actual cost of those borrowings to the distribution companies is closer to 2% p.a. This is a rort, or a direct taxpayer subsidy in other clothing.

Mining and fossil fuel extractors are also heavily subsidised, directly and indirectly, by the taxpayers. They receive tax concessions, reductions on fuel excise and have infrastructure, such as rail lines and ports, built for them at taxpayer expense. In Australia, governments have consistently maintained that electricity generation from renewable sources is too expensive to compete with fossil-fuel-generated electricity. If the fossil fuel industry were not subsidised, it would possibly not be able to compete with (unsubsidised) renewables. These governments repeatedly say that in an open market, renewables will have to become profitable without taxpayer assistance. But this does not apply to the fossil fuel industry.

When the GFF (Global Financial Fiasco) was brought down on us in 2008 by the greed of financial institutions, Australia fared better than all other OECD countries because the then federal government poured taxpayer money into a number of bold infrastructure projects and gave cash 'bonuses' to most taxpayers. This stimulated investment and spending and led to unemployment being kept below 6%. This was good use of taxpayers' money and it showed there are times when taxpayers – society, citizens – can do well to underwrite large enterprises to benefit all of us in the long run.

- sculpture of four pigs in Rundle Mall, Adelaide, by Sydney-based sculptor Marguerite Derricourt