The priority reform areas for the tax and transfer system need to be driven by goals of **economic efficiency**, **social justice** and **ecological sustainability**.

Economic efficiency requires discouraging the speculative activities in financial markets that have created such economic havoc in recent years, and steering investment into more socially productive activities. Social justice requires reorienting the tax system so that it focuses more on accumulated wealth and creates more equitable outcomes. Ecological sustainability requires the tax system to discourage exploitative use of natural resources, steering the economy towards a more harmonious relationship to the physical environment. A reformed tax and transfer system could contribute substantially and simultaneously towards these three interdependent goals.

First, comprehensive **land taxation** should have a more central role in the overall structure of tax revenue generation. Land is a natural endowment but its private ownership and use as a vehicle for capital accumulation has become a major source of unearned incomes, wealth inequalities, speculation and economic efficiency. The problem of housing unaffordability for many Australians is, at root, a problem of land prices. Current tax arrangements, including exemption of owner-occupied properties from capital gains and land taxes and the existing negative gearing arrangements create incentives to investment in land property in pursuit of capital gain without productive effort, driving prices up. Much of the fruits of economic progress, particularly in the larger urban areas, is privately appropriated in this way. Redress of this bias through the establishment of comprehensive national land taxation is necessary for economic efficiency, social justice and ecological sustainability.

Second, resources rental taxation is necessary for the same three reasons. Extracting what is under the ground can be a straightforward way to get rich without creating new productive economic capacity, indeed reducing natural capital in the longer term. The growth of private mining-based wealth has been prodigious in recent years as a result of rapidly rising commodity prices. This reorientation of the economy has had adverse macroeconomic and distributional effects, notwithstanding the short-term boost to wages and profits in the mining sector. The resulting rise in the currency exchange rate has disadvantaged other industries in manufacturing and service sectors, with the result that the overall current account deficit is not rendered any less problematic. The Federal government’s initiatives in trying to capture some part of the minerals-based wealth have turned out to be extraordinarily modest relative to the total wealth created. The proposal for a more comprehensive resource rental tax needs to be revisited in these conditions, notwithstanding the evident power of the corporate interests involved. By extension of the reasoning, a similar principle could be extended to those seeking private and exclusive access to other resources, such as revenues deriving from natural assets that have high tourist values and bandwidth that telecommunications companies need for their profit-generating activities. The taxation system should ensure that the wealth generated by all such activities is partly captured for public purposes.

Third, **estate duties** could play an important role in reducing the inter-generational transfers of wealth that currently accentuate social inequalities. Australia is unusual in having no tax on inherited wealth. We used to have inheritance taxes until the 1970's; and many other countries regard them as perfectly normal. It is a situation that warrants careful re-consideration here in Australia. If the tax-free threshold were set quite high at, say, $2 million it would currently affect only about 5% of Australian households, but it would be signal that we, as a society, want to gear tax liabilities more directly to ability to pay and to make the principle of a 'level playing field' apply at least to some extent to inter-generational equity. Were the revenues from an estate tax to go into a sovereign wealth fund – together with some proportion of the investable funds from superannuation – that could provide a means of giving **all** Australians in future generations better infrastructure and public services to improve the quality of their lives, individually and collectively. While it is not likely that any Australian government will embrace this policy in the near future, it could properly be made one of the terms of reference to an official government inquiry into the growing inequality in the distribution of wealth and the appropriate policy responses.

Fourth, **taxation of international financial transactions** could be an important step towards creating more economic stability. Speculative capital flows, sometimes of a remarkably short-term character, have proliferated in markets for foreign exchange, futures and other derivatives during the last two decades. This indeed is casino capitalism, the pursuit of profits without production, producing regressive redistribution of wealth and generating recurrent instability. One of the many political economic lessons arising from the recent, and in some other countries ongoing, Global Financial Crisis is that the 'efficient markets' hypothesis has no firm foundation in reality. Speculative markets proliferate without regard to economic stability and efficiency unless there are appropriate regulatory and taxation structures in place. It is some four decades since the distinguished US economist James Tobin proposed a tax on international financial transactions for this purpose, and there has been growing support for it among a wide range of observers of, even participants in, financial markets. A strong international campaign has been developed for what has come to be known as 'the Robin Hood tax' because its effects would be conducive to progressive income redistribution on a global scale. For further details see www.jubileeaustralia.org/page/work/ft-tax. It warrants serious attention in proposals for tax reform and signals the need to extend international cooperation in creating conditions for more economic stability, equality and balanced development.

Overall, we need to recognise that economic internationalization makes more necessary a taxation system that is **wealth-based** and particularly targets sources of wealth that, like land, are immobile and therefore difficult to conceal or, like international financial transactions, growing so rapidly that they otherwise undercut the capacity of national governments to manage their economies and provide for the broader needs of society. Creating tax revenues through these means is an integral part of financing infrastructure and public services. Without these revenues the tendency towards 'private affluence and public squalor' that the great Canadian political economist J.K. Galbraith identified as integral to modern capitalism will surely intensify. Concerns with using our resources more efficiently, equitably and sustainability require strong focus on these reforms. It is to be hoped that the Tax Forum will be a first step towards achieving these goals.