AUSTRALIA FAIR

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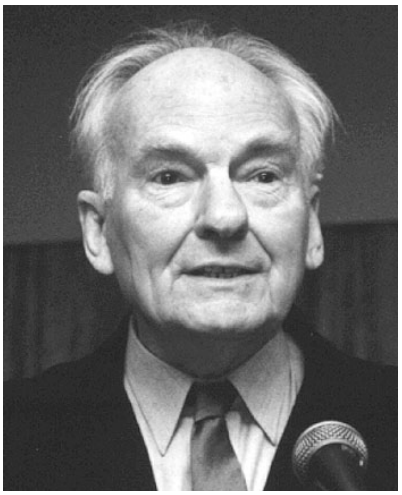

One use of a lecture in such intelligent company would be to sketch a social-democratic future in which Australians become even richer, freer, more equal, more cooperative, fonder of one another and happier than most of us already are.

I could do that, but I know what the realists among you, like our present political leaders, would think of such an elderly, ignorant, impractical, nostalgic waste of time. So this lecture is not about what we should do. It's about ways of arguing about what to do. Some big questions will be decided – by choice or default – as we respond to our changing global situation. How can we debate them honestly, cooperatively, usefully, whatever our disagreements?

Exemplars

My three themes are best introduced 'on the hoof', in the lives and work of four friends.

First, we here are the chattering classes. We can publish idyllic visions without any danger of influence or practical test. Why bother with our fantasies?

That was famously untrue of the academic who suggested, back in 1936, that practical men 'are usually the slaves of some defunct economist' or 'distilling their frenzy from some academic scribbler of a few years back'. For a change from Keynes, consider a shorter publication, two years later, from a young unknown. In 1938 the British Prime Minister was busy appeasing Hitler and celebrating the achievement as 'Peace in Our Time'. Michael Young, son of an Australian soldier and an Irish mother, was 23. He was a law student, an economics graduate of the London School of Economics, and (until 1941) a member of the Communist Party. A London magazine asked him for a contribution. It took him 20 hours to specify in 2000 words the manpower regulations which Britain would need in order to win the forthcoming war with Germany. During that war he served on the manpower control board. As the war ended the British Labour Party hired him as head of research. He was secretary of its policy committee through the six years of the Attlee government, which did more than any other to develop the institutional forms and practicalities of a fully employed social democracy.

Young's second contribution to this lecture comes from his *Rise of the Meritocracy,* published in 1958. It says in one paragraph what I am about to say at twenty times the length. It also supplies a missing half of the argument. When you've sat through mine I'll read you his.

My second theme is about history. Forward thinkers will know that anyone who either expects to learn anything useful from history or regrets any of its present directions must be one of those twittering, nostalgic, backward-looking, tree-hugging Luddite reactionaries who yearn to return to the 1960s. My mediaeval history tutor, Richard Southern, looked a bit further back than that. His best-known book explored how Europe was unified and enriched, through the eleventh and twelfth centuries, by an elite whose most inventive, entrepreneurial members were sworn for life to poverty, chastity and obedience. Tracing a lot of their inspiration directly and indirectly to one tenth-century teacher, Southern echoes Keynes: 'the significant utterances are often those of men withdrawn from the world and speaking to a very few.'

If you ask Southern what use history is, he begins by replacing your question. Every human is brought up at some particular time and place, in the culture and institutions of that time and place. If they don't know anything about the rest of the world, how can they guess the relations between what is and what could be? Does their society show them all the things that humans can think and do? Or is it merely one variant of a wide range of intellectual and social and institutional possibilities? If it's that, is it one of the better or one of the worse ways for people to live together? And how fixed or changeable are those ways – what capacities for collective choice and change and invention do human societies have?

Southern would have our scholars explore as wide a range of human social experience as they can – near and far, rich and poor, past and present – including processes of change for better and worse, and successful and unsuccessful attempts at deliberate conservation. That will not accumulate a catalogue of policies and institutions that can work anywhere in any circumstances. But among other things it should show how complex the forces at work can be, and how much you may need to understand about any two societies to judge – for example – whether a policy or institution that works, or once worked, in one of them could now work as well, or better, or worse, or not at all, in the other. More than any other branch of social science, historians and political scientists have concentrated, through three millennia now, on the diversity and complexity of human social organisation, and of its processes of change.

You can see, by now, the nasty purpose of this second theme. All with-it, forward-looking people are telling us that the world is in the grip of exceptionally fast, complex, novel and uncertain processes of change. The past is therefore irrelevant. The simpler, more universal, more scientific

principles of neoclassical economics, which sufficiently explain all past, present and future economic progress wherever government has allowed the hidden hand of self-interest to do its benign work, are our appropriate guides at such a time. It's specially regrettable that enrolments in history and politics are as high as ever while enrolments in economics are declining.

That's the end of the fun. My third preface is as serious as the two scholars from whom I learned it.

Peter Phillips survived the desert war, Italian and German military imprisonment and then concentration camps. His first postwar teaching was in the University of Witwatersrand where he risked his job by writing for *Drum* and actively opposing apartheid.

Returning to Australia with those cast-iron anti-fascist and anti-racist qualifications Phillips wrote books called *The Tragedy of South Africa*, which was not published, and *The Tragedy of Nazi Germany* which was. Both urged us not to see those regimes as driven simply by evil intent. We should acknowledge our common humanity with them, in a double sense. Imperial Britain and White Australia were not sinless in their treatment of Jews and blacks. And we share some of our highest ideals with the Nazi and white South African movements: courage, comradeship and Christian faith with the South Africans; and with the Germans, courage, comradeship, patriotism and some bitter experience of the great depression with up to a third of the capitalist countries' workers unemployed. You and I, Phillips insisted, might have done no different in the circumstances in which those South African and German people found themselves. His main purpose was not to excuse the hateful movements. It was to insist that self-righteous liberals who ignore the elements of guts and good intent in their enemies' natures are ill-equipped for the necessary business of beating them. Front-line soldiers learn not to make such mistakes.

Israel Getzler survived that war as a German Jew in forced labour in Stalinist Siberia. All his writing since has been about the Russian revolution and the warring intentions that drove and then degraded it. His first book is still the best biography of Martov, leader of the Menshevik faction which tried to sustain the democratic socialist intentions of the Russian Communist Party before and briefly after 1917. He went on to uncover the processes by which Lenin, who liked and protected Martov, nevertheless ended the representative elements of the revolutionary government and established effective dictatorship over the party as well as the nation.

In wartime Siberia the guards had not been much freer or better fed than the human flotsam they guarded. As with Phillips, it comes naturally to Getzler to explore the hearts and minds – the mixed purposes, compulsions, constraints and competence or lack of it – of the people on both sides of the conflicts he studies. As with Phillips it would be a dangerous mistake to conclude that he

must be indifferent to the outcomes, or impartial between the contending purposes, or writing his books to earn tenure or promotion.

It's in that spirit that I would like to talk about some of the hard choices that we face as we respond to our changing global situation.

Questions

Most of the questions have components of three kinds. There are judgments of what it may be technically possible to do, as for example to change the fuels we use or the uses we make of our land or water. There are political judgments, of the chances of particular beliefs prevailing, policies succeeding, conflicts being won by some or other of the contenders. And there are moral or value judgments. You don't need reminding of those familiar complexities, but it's right to keep them in mind in exploring a few of the big questions that our policy-makers face. For example, these questions:

Suppose it turns out to be true, as some writers and researchers suggest, that in the course of the twentieth century the rich countries crossed a threshold – a level of income per head above which more is not likely to increase health or happiness. On what principles should we decide what to do with growth above that level: what to do with more than enough?

Suppose on the other hand the gloomier greens are right, and to survive at all we must both consume less and produce it by less pollutant, more laborious methods. How should we distribute the more work and the less output?

Two other questions about relations between producers and consumers are already with us.

As scientific progress requires us to learn for longer before we start work and enables us to live longer after we stop, each of us needs to transfer a higher proportion of income from our earning to our non-earning years. It follows that year by year the dwindling numbers producing the goods must hand over a rising share of them to the rising numbers of unproductive consumers. What might be the best and fairest way to transfer rights to output over time from everyone's earning years to their non-earning years, and day by day from the workers to the non-workers?

Next question: what should we do about some perverse effects of women's rights on women's roles, for example on many women's hours of work, and on some children's chances?

Whatever the answers to those questions – democratic answers, we may hope – how might we put the answers into practice? That prompts three questions about ways and means:

Is the Third Way best? An efficient market economy, with government providing any necessary redistribution and welfare?

If not, could a new Australian Settlement try, once more, to get our productive system itself to distribute wealth, income, space and services well enough to leave comparatively little for independent public welfare to do?

If that were worth trying, should it be by taxing and regulating and protecting and aiding the private sector, and thus motivating it to do most of the necessary work?

Or would it be better to distribute the tasks to appropriate sectors of our mixed economy, with private enterprise, public enterprise, independent non-profit institutions, and households, each doing what they do better than the others can?

Those questions are my table of contents.

First, what to do with more than enough ?

Suppose that we are producing enough, if it were suitably distributed, to contribute as much as material goods and services can contribute to our happiness. That's one good reason for needing no more economic growth. Environmental prudence may be another. As productivity continues to improve, we can take the gains in more leisure, fairer distribution and better environmental care rather than in more output. Suppose that research, and broad strands of our own culture, point to three material conditions of Australian happiness.

One *is* the amount of material income and what it will buy, by individual and collective spending.

One is the relation between people's income and their aspirations. Plenty of people manage to be happy enough with a cheap house and car, an average sort of job, good schools and health services, and a month's holiday a year. So do similar proportions of people with bigger and better versions of the same things, and holidays at greater distances from home. Measured with a good deal of uncertainty from polls, average happiness seems to rise a little, at a dwindling rate, through the ranks of middle Australia, then no further for the rich. That doesn't necessarily mean that people don't want more income – just that wanting a bit more and getting or not getting it seems to cause much the same feelings at forty thousand a year as at a hundred thousand. And even if you omit the poorest quarter of the people, the national average happiness seems to have been diminishing as average income doubled through the last quarter of a century.

Rising income need not necessarily be blamed for that, there were other causes. A more interesting question is why the difference between the average income and the highest income seems to make so little difference to the chances of good and happy life. It may be an effect of egalitarian Australian attitudes to one another, and an amiable disrespect for the better-off rather than any strong fear or hatred or envy of them.

Suppose that we did cross that threshold half a century ago and rising income is no longer increasing total happiness. What *should* we do with more than enough? Who should get what shares of it?

First answer: We should obviously extend the blessing to the quarter or third of us who still live below the threshold, short of the material conditions for happy life. To achieve that we should obviously restore full employment, and some at least of the Industrial Commission's capacity to see that the minimum wage is enough, and that everyone entitled to it gets it. We could also moderate and perhaps reverse the rising inequality of the happy majority. As the inequalities get steeper, and vivid advertising persuades us that food and clothes and cars and sex are all more delicious the more expensive they come, we may be in danger of losing our cheerful lack of envy or respect for our betters.

There's a middle-of-the-road variant of that Leftish response. Having more than enough should enable us to reconcile two profound values that until now have been at war with one another. If we abolish poverty, which we clearly can, then for the first time in history it can be with good conscience, without regret or misgiving, that our remaining inequalities can reward degrees of skill and performance, give competitive spirits their chief joy in life, and leave us freer in all sorts of ways than any controlled distribution of income and services could do.

When our poorest have enough to be happy if they're personally capable of it, the rich can have the rest. *That's* what we should do with more than enough.

With those pure-hearted prospects, compare a third well-reasoned answer to the question. Like other utopian visions, those two perhaps over-estimate the human capacity to live without sin. They are not very realistic about virtue either. Certainly it's a sin to tolerate avoidable poverty, and a virtue to work productively and share one's output. But if the well-off avoid sin by guaranteeing everyone a good living regardless of whether they work and how they behave, that may well finance more sin than it prevents. And if its costs cut the rewards of the most skilful and productive people, that may discourage some of their *good* behaviour. All our religious and civil institutions recognise the good and evil elements of our nature, and aim to strengthen the one against the other.

In virtuous efforts to reduce poverty, it is important to separate two questions. One asks *how many* people are unemployed, and why. The other asks *which* people are unemployed, and why. Impartial investigators find a small proportion of people disabled by drink or drugs or sloth or criminal habits. They find some people out of work for no fault at all of their own – there are no jobs for them in reach of their houses, or no houses they can afford in reach of the jobs they could do, or technical changes have just now outmoded their skills. But many more than half of the unemployed are competent workers who were simply beaten by better ones for the available jobs. (Or they were if the

employers knew their business.) So the losers have incentives to improve their capacities, and the winners have incentives to keep their jobs by working as well as they can. Not many of either are driven *solely* by fear or hunger or sloth, or *solely* by the satisfactions of good work well done in friendly company. But they could not be expected to work as well or willingly without incentives of both kinds.

So our six or seven per cent of official unemployment, or twelve or fifteen per cent of actual unemployment, may be higher than they need be and we should work to reduce them – but in this view of the problem, not to zero. Some competition is a useful addition to the other rewards of good work. Good policy can moderate its severity. To the necessary numbers of unemployed we do provide income, welfare services and training opportunities. For the employed workers we regulate wages, hours, holidays, conditions of employment and the health and safety of their workplaces. We thus discipline their employers. There is room for respectful disagreement about the balances of advantage between the employers, the employed and the unemployed, and about the balances of public aid and restraint that are enjoyed or suffered by each of them. But the institutions of the developed economies reflect long experience of our dual natures: our good and evil, generous and selfish, cooperative and competitive propensities. Well-governed markets can harness some of the worse propensities to the service of the better. Ill-governed markets can do the opposite. Government likewise can be anywhere from nearly faultless most of the time in Norway to terrible at other times and places. But in any economy, the darker side of our nature needs some discipline, and the more it can get from the market and the less it consequently needs from government, the freer life can be for most of us.

I happen to think that the balance of freedom, equity and discipline in Australia could be better with well-governed full employment than it can be with any avoidable unemployment. But that's on a partly practical, partly moral judgment of the balances of cost and benefit to be expected of enough of today's Australian people in those alternative conditions. Different values and different estimates of the practical possibilities may well prompt other judgments, without the debaters necessarily doubting each other's intelligence or good intent.

What to do with less than enough ?

In the likelier case that environmental danger does create desperate conflicts of interest between generations, the ethical questions get a grisly new dimension. Suppose we need to work more laboriously for lower pay, and consume less. That intensifies competition for goods, health, education, leisure, and nicer rather than nastier jobs. Up to now, most ways of gentling that competition by fairer sharing between richer and poorer could be virtuous. But from now on, there can always be friendly bargains among the living at the

expense of the unborn. We already sample a similar possibility, and our moral imperfections, as we reduce our tax conflicts by cutting foreign aid to people much poorer than our poorest.

Income for young and old ?

Scientific and technological progress is calling for longer years of education. It is allowing us longer lives and longer retirement. A majority of Australian workers used to leave school at 15 or 16 and survive retirement for 5 or 7 years. Fifty years' earnings had to support twenty years as dependants. Now the average is nearer forty or forty five earning years to finance thirty five or forty dependant years. Double the old proportion of income needs to be transferred from the earning to the non-earning years, by some means or other. Even if better health defers retirement by as many years as better technology extends our education, I'm told that the doctors are soon going to keep us alive much longer after we're too decrepit to work. So those in work must both spend less of their incomes, and produce for more non-workers, than before.

What new policies, if any, do those changes call for?

Should we transfer the necessary income by public student loans and public superannuation? Or private student loans and private superannuation? Voluntary or compulsory superannuation? Or by household support of students and aged kin? Or by all four, perhaps with some free choice between them, with or without means tests for some of the public contributions?

In practice those questions are complicated by others. Our rising educational and health costs call either for higher taxation, or for worse economic performance and steeper inequality. Into that dilemma, higher superannuation brings a further cut from many earners' take-home pay. It may be more popular than other taxes because people can suppose that it's their own old age, not other people's health and education, that they're paying for. But the leaders of our government and opposition have promised that regardless of the need for taxation, it will absolutely not be increased or made more progressive. Those promises make sure that our rising numbers of aged poor will die younger in worse nursing homes than the rest of us by bigger margins than they already do. And they make sure that more school education will have to be worse, especially for poorer children, and more tertiary education will have to be worse, and less accessible to poorer students. Neither party even talks about full employment any more.

Labor went to the people in 1983 with a progressive social democratic manifesto written by John Langmore and Ralph Willis. They won with the biggest landslide in their history. They then removed Willis from the Treasury, drove Langmore out of parliament, and broke most of the progressive promises. Independent polls which have since asked the electors if they would pay more tax for better health, education and superannuation have continued

to show YES majorities of 60 or more per cent. They don't accord with the leaders' continuing treatment of the citizens as short-sighted, small-minded, easily fooled, and hip-pocket selfish. But however nasty, the bipartisan strategy has to be noticed as one response to our rising productivity.

We can also notice that Labor went to the people on 10 November with its meanest, most unequalising, most cowardly program ever, and lost with its lowest primary vote for fifty years.

Mum, dad and the kids

The next big question is as hard to ask as to answer in any impartial way. Women have voted for more than a century. Why has their pursuit of economic equality had such mixed effects? Succeeded for some, but doubled the stress and working hours of too many others? Improved the upbringing of some children but worsened the upbringing of others, and the quality of some of the people we bring up?

Should we worry, first, about some conflicting policy implications of Right and Left (or rich and poor) feminism? The vision of a fair half share of the top jobs and pay and influence in business, politics, press and the professions promises true gender equity at last, and probably also some better government, public and private management, art and intellect all round. But compare the mass of women who are expected to fulfil the same ideal of independence and equality by plucking chickens or cleaning richer women's houses for eight hours a day as well as doing most of the unpaid housework they already do, while coping as their grandmothers rarely had to do with kids who have spent all day fenced into over-crowded and under-staffed child-care. That can be a cruel use both of more than enough productivity and of hard-won women's rights. A majority of the women who do it say they would rather not do it, or have their children suffer it. So what might be done about it?

This is not the occasion to survey the writing on the subject. I can only acknowledge the deepest of many debts. Elizabeth Wolgast and Carol Bacchi write about the similarities and differences between the sexes and the effects they might desirably have on their earning and family relations. Bettina Cass and Belinda Probert write about women's experience in Australia, and how public policy could improve it and consequently everyone else's lives too. Anne Manne and Julie Smith write about mothers' relations with young children that are not satisfactorily replaceable by other kin or carers. And some angry men attack what some of their own kind are doing to parents of both sexes.

Even business leaders have begun to worry about childhood. They are finding that it is bad for business. *Fortune* magazine lately reported that big American corporations, led by Coca Cola and BellSouth, now prefer to hire young men and women without wives, husbands or children. But for those who insist on marrying, another US survey has found higher average incomes and more

promotions for male managers whose wives stay home to attend to all that domestic stuff and don't earn. Don Edgar, long-time director of the Australian Institute of Family Studies, finds that the new leaner management tends to overload many more people than the managers themselves:

> White-collar workers have no penalty rates to cover overtime, and employers find it easier to work them harder than to put on more people to do the work. What this leaves is a workforce both exhausted and overstressed. Change is so rapid that insecurity rules, fear is rampant, bosses can get away with demands that would have been impossible to get away with just a few years ago.
>
> The demands of this new economy wreak havoc on family routines that are the bulwark of childhood.

Edgar is not the first male to worry about it. Way back in 1958 Francis Kelly, an officer of the Commonwealth Public Service Board, wrote to Henry Bland, head of the Department of Labour and National Service, about

> the idea that women should continue to work after marriage. It seems to me that at this stage of the long struggle for their emancipation, women are voluntarily resuming their chains. With the widespread acceptance of the employment of married women in industry, they are meekly accepting the yoke of lifelong servitude with dual employment in the home and factory and long and tiring hours of work. The men are not standing silently by, but are actively aiding and abetting this development. This poses questions which might well be thought about now rather than be left to some Wilberforce or Clarkson of the next century who would devote himself to the abolition of slavery – this time not of negroes but of married women.
>
> I excuse this rhetorical digression on the ground that it invites attention on the fact that the Equal Pay question raises social and moral issues which in the ultimate may be revealed as of much greater significance than the purely economic considerations affecting industry.

[Pat Stretton drew my attention to that bit of Irish prescience.]

Many women and men complain that three jobs are too many for two parents. Believers in gender equality may still differ about which of the three, or which parts of all three, they should do without or leave to other people, paid or unpaid. As many women as men also think that women are better than men with children, as at a good many other tasks. Questions of equality and independence certainly arise, but differently for different people at different stages of life and in different circumstances. Many people are freer earning income of their own. Some are freer sharing income – a lot of arts and crafts and first novels, and some effective work for good causes, as well as freely-chosen full-time parenting, have depended on sharing income. Part-timing can equalise the shares of independence, but rules out much advancement in

most occupations. And couples vary in the shares of earning and parenting that they like to do.

What would it take, beyond what is already built into our institutions, to open as many acceptable options as possible to as many parents as possible? Leaving aside the many initiatives that already exist and simply want extending and improving – like secure part-time work, family-friendly working hours and conditions, paid parental leave, family allowances – two so-far untried projects deserve some thought.

Nationalise kids, and out-source them ?

Minding other people's children and teaching them what they need to learn as they grow is paid work. So, perhaps, should bringing up your own children be. It could perhaps be self-employment, by contract on appropriate terms with a public agency at arms length from government. Making it so would be a double task: getting democratic government to finance it, and getting people to accept and respect it as paid work like any other. Financing has political problems. Because it's public money, childless taxpayers might ask why they should subsidise other people's brats. Answers: Plenty of safe, enjoyable and profitable qualities of society depend on how its people are brought up, and folk who don't bring any up owe a good deal to those who do. They will also need a productive population to feed and service them in old age no matter how much money they've saved, and there's no good reason why they should get that human capital for nothing.

Compatible occupations

There's a research opportunity that has been about for years, so far without any takers. Someone should survey the occupations in our economy to find how many of them could be resumed after time away from them, with or without some re-training, and with or without chances to rise high in them. Research might also distinguish between the actual functional requirements of the work, and other considerations like age, sex or length of service which can lead employers to discriminate against people returning to work after years away from it. It wouldn't be surprising to find that: –

- 15 or 20 per cent of occupations can't be re-entered after a decade away, but in some of them the skills might be maintained by part-time work;
- about 30 per cent can be resumed with a year or so of retraining;
- about 30 per cent can be resumed with little or no retraining; and
- 15 or 20 per cent may often be done better by people with other life experience, including raising children, than by people whose whole adult experience has been in the occupation. If other things are equal between two 40-year-old people-managers, social workers, teachers, family court lawyers and judges, clergy, economists, advertisers and their artists and writers, the one who has brought up children or shared an income, or both,

> may well do better than the one who has not – though of course there will be individual exceptions.

Such research might have a number of uses. People hoping to bring up children might choose their occupations, and sometimes perhaps their partners, with the re-entry possibilities as well as all the other considerations in mind. Some people do that already, but better information could help them. When policy-makers know more about any unnecessary, non-functional barriers to parents returning to employment, they may be able to smooth their paths by legal or other means. And the forward thinkers who are now warning everyone under forty to expect to retrain for a new occupation every five or seven years might welcome new allies in persuading politicians to give the retraining institutions the funds they need.

Dissent

The people who suggest these innovations expect that they could improve both gender equity and children's chances. Dissent from that optimistic view comes in three familiar forms.

Some conservative people, some for religious reasons, believe in permanent divisions of labour. Some of both sexes believe that's right at home between men who earn and women who keep house. Some men think it's also right at work, between men who own and manage, and childless women who do the nursing and pluck the chickens.

Some experienced sceptics observe how men have cheated women of the good things in most occupations and institutions up to now, and suspect that they will never let mothers back to work on equal terms, with equal chances of rising high. Ambitious women who want to rise high, and be equal with men or independent of them, will always have to stick to their jobs right through.

Some strict feminists have wanted no divisions of labour between the sexes except the minimum biological ones, and even those may have gone a decade or two from now. Women who intend to have children should not have to shun any of the high-paying occupations. Nor should they need to stop earning to bring their children up. If our paid child-care is not yet good enough, *that* is what should be reformed.

Any male dissent from that last belief is suspect. So here is some from a distinguished feminist philosopher:

> In the absence of a compelling reason against them, it seems reasonable to suppose that sex roles in some form or other are tolerable. What is needed is not their abolition or their amalgamation to a single androgynous role, but adjustments within them. In many respects adjustment *is* needed to make the roles more similar. [Many present differences are falsely based, unjust, and must go.] But to say that grown women are generally somewhat easier with children than men, somewhat more expressive of feelings, more understanding of others'

> feelings, more demonstrative, and somewhat less competitive, is not clearly false. Nor are the consequences for sex roles clearly negligible. Some differences between the sexes, their nature, temperament, and roles, may actually be a nice thing. [Elizabeth Wolgast, *Equality and the Rights of Women*, pp 124-5].

Parents' and children's experience are obviously affected also by policies conceived for other purposes: policies about taxation, employment, housing, health, education, urban and neighborhood planning, the censorship or not of the new channels of communication. The more that parents' and children's interests figure in the determination of those policies, the better.

Ways and means

Whatever our collective decisions about those big questions, how should we try to put them into practice? By the Third Way, with business attending to the economy and government attending to the losers? Or by one or another version of a new Australian Settlement?

The Third Way

Critics of the Third Way should concede that it was worth trying. Market relations can be the cheapest, freest, most efficient way to allocate and use available resources to produce the array of goods and services that the people most want. The private sector needs some government for its own purposes, and some public infrastructure. But although the experiment may have been misjudged in degree or in detail, it was not stupid in principle to see how much of our economic business *could* be done in that free, economical and self-adjusting way by the private sector. Many business and political leaders and most of our economists advised that for the best economic performance, profit-seeking enterprise should not be required to perform a lot of social tasks as well. It need not distribute income ideally, or supply everyone regardless of income with affordable education or health services, and so on. Government should provide whatever welfare incomes and services the people decided they wanted and could collectively afford. Those should be distributed on principles of justice and compassion determined by democratic process.

Thus the society as a whole would be richest and fairest with business and government each doing what they do best. Contrast the familiar inefficiencies and injustices when government tries to extract all sorts of unprofitable services from business, and business responds by trying to extract all sorts of improper favours from government. With obvious exceptions for technical reasons, the two should operate as independently of each other as possible. And the transition to the Third Way could even pay for itself, if the capital returns from privatisation were used to cut public debt and the taxpayers' burden of debt-service. There were also of course some short-term self-

interests on both sides of the deal, but if that can help to get good policies accepted it can be all to the good.

So why not?

The Left's anxieties about the Third Way are of two main kinds. It shifts more power and resources into the undemocratic, unequalising sector of our activities. And deregulation allows that sector to become a worse unequaliser as the capitalists' legal and bargaining powers are strengthened against the rest of the people in both halves of their lives as workers and consumers.

Those are moral objections to expected maldistributions of power and income and welfare. There are also technical doubts about the productive efficiency of the scheme. They are subjects of a score of recent books listed in an appendix. Here it will do to quote what may be the longest single sentence in any of them:

> We have shown that policies oriented to undifferentiated economic growth, policies which rely on monetary policy to reduce inflation, policies which presume that an increase in unemployment will help to control inflation, policies which allow structural and sectoral change to dismantle manufacturing capacities and manufacturing employment without consciously generating new industrial or value-added activity, policies which assume a direct connection between wage costs and unemployment and policies which allow inequalities to increase are all policies which abrogate or ignore the role that policy can play in directing shaping and improving national economic performances. [Paul Boreham, Geoff Dow and Martin Leet, *Room to Manoeuvre,* p 111].

If those critics are right, neither half of the Third Way looks too promising.

So should we dump it and create a new Australian Settlement instead? In the new global conditions it would need to differ in various ways from our old Settlement of white Australia, industrial conciliation and wage fixing, tariff protection of labour and manufacturing industry, and selective control of foreign ownership of Australian assets and of the passage of money and credit across our national boundary. But the purpose and principle could be the same, and more ambitious now that we're richer and more concerned than we used to be for gender, health and educational equalities. By old and new means we could again organise the productive system itself to serve many other social purposes in the course of producing goods and services, employing people and distributing income. That should leave comparatively little redistribution and welfare work for government to do.

If we opt for such a strategy, on which of two alternative principles should we design it?

Australian Settlement, Mark Two ?

Should we organise the private sector to do as much as possible of the work? To get the private sector to distribute its output and employment and rewards as well as possible, so as to minimise the need for public welfare, government could work on the incentives to which firms respond. Tax and regulate and aid and protect them in ways which motivate their executives to attend to the triple bottom line. Make it profitable for them to improve their environmental performance, as recommended in Hawken's *Natural Capitalism.* Regulate workplace health and safety as government already does. Enforce a high rate of contributory superannuation on all employers and employees. Shift all payroll tax off a basic 30 hour week of secure employment onto overtime and casual time. Have government pay dollar for dollar of employers' expenditure on paid parental leave and on child care at work. To minimise pollutant commuting, require firms above a certain size to give each employee the choice of a free bike, a free bus pass, or a car park with a high rent from the employee and a climate change tax on the employer. And ask the Academy of the Social Sciences if its most inventive members could think of workable incentives to get the nation's jobs located in good relation to its housing stock in town and country.

Mark Three ?

Alternatively, should a new Australian Settlement distribute economic functions to the ownership likely to do them best? It could require employers of all kinds to treat their workers and customers fairly and respect some environmental rules. But it could allow private enterprises most of the other freedoms they need in a competitive global economy. Don't handicap them with unnecessary regulation. Instead, reorganise the productive economy as a whole to serve good social-democratic purposes by distributing its tasks appropriately to its four sectors. Have private enterprises, public enterprises, independent non-profit and mutual enterprises, and households, each do what they can do better and more acceptably than the others can. That should leave even less redistribution and welfare for government to provide independently of the productive system. Counting all the society's productive work, paid and unpaid, that might see private enterprise doing 40 per cent of the work; public enterprises and services 10 or 15 per cent; independent non-profit and mutual enterprises 10 or 15 per cent; and households doing the 35 per cent or so that they do now, plus a bit more as reforms leave fewer of them poor, under-equipped and short of private space.

There would be some shocks. More than ninety per cent of the funds that cross our national boundary at present don't do it in order to finance trade or productive investment. They are gambling on (and helping to cause) changing asset values and rates of inflation, interest and exchange. They have run our exchange rate down to levels at which Australian exporters do better than they

would at fair real rates, but foreign buyers of Australian assets, including some whole industries, can easily outbid Australian bidders. Expatriated earnings then further weaken the exchange rate and the current account, and more employment may be moved offshore. The financial freedoms also add to the opportunities for tax evasion and executive plunder. Altogether the trouble defies either pure regulatory or pure ownership changes. It invites some new combination of the two. That might include a Tobin tax on exchanges, and strict new controls of private financial institutions, including quantitative controls of the volume of credit and stable rates of interest for many uses of it. At the same time a new array of public banks, insurers and superannuation institutions, public-interested and customer-friendly, might offer the private institutions some dangerously wholesome competition.

The public and independent non-profit sectors should be required to work as efficiently as their multiple purposes allow. But those purposes could include more secure employment, more family-friendly employment, more affirmative action for handicapped workers, less unequal pay scales and much less executive plunder than the competitive private sector could afford.

That's the Australian Settlement I would fight for. But its politics look improbable. Even if it could get adopted it mightn't work. Its values are disputable. It is with full respect that I can imagine what Paul Kelly might think of it on all three fronts. But I can nevertheless imagine circumstances in which Australian leaders might emerge who would offer the people such a future, and a majority might vote for it, and it might work a lot better than our present regime does, for economic, social and environmental purposes.

All things considered

I can also imagine a fair bit of harm that, even at its best, that Mark Three strategy would enable various people to do to others or themselves. If you privately know your firm is on its way down and out, get government to buy it. Good firms will pick off the best of the young public managers by paying them twice what their public owners are allowed to pay them. (But some of the *very* best won't go.) In the lower ranks of the public services and enterprises, expect the usual mix of good, ordinary and lazy or oppressive bureaucracy. Expect nearly as many sadly fat young people as we have now, and some misuses of the good employment, disability and mental health services. And so on. Balance all those, and more, against well paid and fairly shared employment, an unusually helpful and efficient private sector, a productive instead of a gamblers' financial system, a little less inequality and a lot less poverty. And so on. Nobody's perfect.

For better debate about our collective problems it would be salutary if the debaters were more often judged by the perception and candour with which they describe the likely downsides of the policies they battle for. Other professions do it. Soldiers estimate the likely risks and casualties of alternative

operations. Advertisers estimate the balance of zing and revulsion that their more daring tactics may achieve. Department stores know that there is no way to give good quick helpful service to their customers without some of the customers nicking things; and there is no way to make such theft impossible without driving away a bigger money's worth of honest customers.

We ought to accept and live with the fact that there is no way to make sure that everyone who is entitled to a welfare benefit gets it, without some bludgers also getting it. And there is no way to make welfare fraud impossible without also failing to get the benefits to some of the people entitled to them. Narrowing either margin of error is likely to increase administrative costs, and frighten or humiliate some of the entitled people. You have to decide which harm is the most tolerable, and what balance of moral cost and benefit is best. That's partly a practical judgment of the ongoing and indirect effects of each alternative, partly a moral judgment of what you think matters most.

Two final examples illustrate the very wide spread of judgments we currently make in the public sector.

First, the onus of proof. At one extreme, criminal courts run on the time-honoured principle that it is better to acquit a hundred guilty people than to convict one innocent. In the middle of the road are the civil cases between citizen and citizen which are judged on a balance of probability. At the other extreme is our current practice of mutual responsibility. Less than half of the Australians without jobs who want jobs are officially counted as unemployed and entitled to public income. Of those who are officially entitled to income, tens of thousands of hard-up, homeless, harassed or variously disadvantaged people, including good workers who refuse to apply for jobs it is clear they will not get, and those alone with young children and lodging with kin or friends at changing addresses, or a long walk from the nearest Centrelink office, are fined, or disentitled altogether, for trifling and often unwitting discourtesies to the public officials. Judged by what both parties did and did not promise on 10 November 2001, a big majority of Australians have just voted for the big majority of our federal politicians who would rather impoverish and humiliate any number of our poorest people than let any unemployed citizen get away with applying for only nine jobs each fortnight, or failing to get one of her ten rejections in writing.

A final question about that same subject. A man with an unearned income lives in a grand house and entertains his friends with good food and fine wines. Another man with a smaller unearned income lives cheaply in reach of some surf and improves the evenings with good company and a little home-grown pot. Thus he leaves a job paying twice his income for someone who needs it more than he does. Would our Treasurer and our shadow Treasurer each explain, as thoughtfully as they can, the moral distinction between the policies of imputation and mutual responsibility which they both support?

Michael Young might help them with that task. You were promised his way of saying twice as much as I have said, at about a twentieth of the length. He's writing in the 1950s - but as if from the year 2033 - about how, back in the 1980s and 90s, a few elderly, backward-looking social democrats used to whinge about the pay and perks the new meritocracy was awarding itself.

> Granted, some of them would say, that the best astronomer should be made [Astronomer] Royal, why should he get a larger emolument than the bricklayer who built his observatory?
>
> ...The question could of course only be answered by another question, 'Right according to what principle?' One could say it was wrong to pay one man more than another because there should be distribution according to needs. One could say it was wrong to pay the lazy scientist more than the diligent dustman because there should be distribution according to effort. One could say it was wrong to pay the intelligent more than the stupid because society should compensate for genetic injustice. One could say it was wrong to pay the stupid more than the intelligent because society should compensate for the unhappiness which is the usual lot of the intelligent. (No one can do much about the brilliant, they will be miserable anyway.) One could say it was wrong to pay the man who lived a long and serene life in Upper Slaughter as much as a scientist who wore himself out in the service of knowledge at the Battersea Poly. One could say it was wrong to pay people who liked their work as much as those who didn't. One could – and did – say anything, and whatever one said it was always with the support of the particular kind of justice invoked by principles implicit in the statement.
>
> To have prized agreement from this arid debate, and to have silenced the socialists for so many years, has been one of the triumphs of modern statecraft. The beauty of it all, for a country which thrives on precedent, is that there has been no sharp break with the past. Tax-free expenses had been becoming a more and more important part of remuneration right through the last century, and by the 1990s a thousand new conventions had struck root. [*The Rise of the Meritocracy 1870-2033.* (1958). Penguin pp 155-6].

Lord Young, as he now is, turned out to be right enough about this country as well as his other one, and even about the dates. Most business and both sides of politics do now support our rising inequalities, as the best they claim they can do for us in our new global conditions.

I have argued that the moral element of our social understanding and policy-making is not simple. Every policy tends to have good and bad effects, and certain and uncertain consequences, so that a lot of principles can collide as we try to judge which will probably be the best of what are probably the workable alternatives. So we should debate the values at least as thoughtfully

as we debate the practicalities. Michael Young's work does all that. But its satirical implication foretold, a generation ago, what is currently disgusting rising numbers of Australians as their politicians compete for their votes. From the dappled morality and social effects of most policies it is always possible to select a strand or two each of virtuous intent, sectional self-interest, likely good effect for some, likely harm for others, reasonable or unreasonable risk, and so on. Useful argument acknowledges all that, and recommends all-things-considered judgments in the light of all that.

Appeasement

Contrast the selective antics as Howard and Beazley, like Young's imagined politicians, contended for office at the last election. Each offered the same unequalising strategy. Each advertised the strategy's strands of necessity, competence and good intent if his side should win, and its strands of non-performance, cruelty and cowardice if the other side did. The citizens are intellectually insulted by the spin, and personally insulted by the implication that they're moved by nothing much except individual fear and greed. Their declining respect for their politicians is understandable.

Their politicians' apparent contempt for *them* is harder to understand. Plenty of politicians are decent people. Many of them would dearly like to do better. Why are they deliberately letting our inequalities increase, our unemployment continue, our manufacturing decline, our private foreign debt increase, our state schools deteriorate, our universities fall far behind their equivalents in Europe and North America? And why are they blaming it on the meanness of their electors, to whom they have offered no effective alternative for twenty years past?

Of course there is more than one reason for what they choose to do. And they do try, wherever they can do it cheaply, to counter some of the social cruelties of the neoliberal strategy. But I think one reason has steadily gained importance through the last twenty years. Private conversation with some of them, public warnings from some of them, and constant threats in the financial pages of the newspapers, tell how afraid they are of what the capital markets (that new, impersonal name for the rich) would do to us at the first sign of a return to full employment, or public ownership of the utilities or other natural monopolies, or effective government of our financial system, or progressive taxation.

In short it seems fair to see our present political leaders as frightened, well-meaning appeasers of forces they think it would be dangerous to resist, or to allow the Australian people to resist by democratic means. I think they're three times wrong. National governments have resisted those forces effectively, and could again, singly or by international agreement. Some already do. If we lost the flows of speculative capital that are nine tenths of what we are supposed to fear as 'capital flight' we might well be better off. And the appeasement

won't work: the winners will go on screwing us harder the longer we go on letting them.

There is also good reason to think that either of the new Australian Settlements open to us would do better in orthodox economic terms than the current regime is doing. But that's another story. In case anyone needs a guide to it, twenty six competent versions of it are listed, gratefully, in the following Appendix.

Meanwhile we need some successors of young Michael Young, son of an ANZAC volunteer. One or other of the major political parties must find leaders willing to offer the citizens the chance they have been denied for nineteen years now, to signal their respectful independence not necessarily of our American alliance but of the economists' Washington Consensus. If we do that, there may be a surprising amount of sympathy and unofficial support from Americans true to an older, holier Washington consensus, forged less peacefully on a fourth of July a couple of centuries ago.

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Emeritus Professor Hugh Stretton, Fellow of the Academy of the Social Sciences in Australia and the Australian Academy of the Humanities, taught history and is now a Visiting Research Fellow in the School of Economics at the University of Adelaide.

Appendix

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