

A Splendid or a Happy Land? By Professor Tim Robinson

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Tim Robinson's quiet lament is very much welcomed, especially with the renewed commitment by the TJ Ryan Foundation and the ALP to principled discussion of policy options. His use of eighteenth-century poetry is a reminder of the range of literatures across social science and the humanities able to assist in rhetorical argument, particularly in showing how easily useful knowledge and critique can be suppressed.

His comments aim, first, to indicate the ALP has been complicit in many of the damaging policy shifts of the past 40 years – wrongly supposing the extension of free trade principles would normally outweigh the costs of intervention, that material welfare and growth normally increase happiness, that high tariffs and wage rigidity were normally damaging to living standards, and that deregulation would normally provide the fillip to social life that the libertarians proclaimed. Second, and most important in his argument, is that the decades since 1974 have coincided with huge increases in inequality, not only in Australia but generally. (They have also been decades of high unemployment – 6.8% in Australia, averaged for 1974-2014. The causal connection is clear to Keynesians though not, it seems, to the liberals in either party.)

Robinson's arguments suggest if the ALP had maintained the social democratic and nation-building emphases of its early years (wage arbitration, industrial protection, an egalitarian underpinning for wages and incomes) the achievements of several longish periods in office (federally) would be more apparent today. Instead libertarian priorities have been confirmed and re-confirmed – most depressingly by the ALP itself. Robinson's reflections are therefore an occasion to re-examine some extant shibboleths.

On one issue, however, I think the direction Tim is leading us in is unwarranted. Though he is partly correct to note the welfare state was originally conceived to protect the 'most needy',¹ it has now evolved far beyond this. Welfare state activity now redistributes income to all strata. While the Treasurer may decry contemporary developments as the 'age of entitlement' and middle-class welfare out of control, what we're experiencing is in fact the extension of citizenship entitlements and 'decommodified provision' (outside the market) in accordance with society's capacity to provide and in accordance with long-held social democratic principle. In fact in the OECD countries at present, almost one-quarter of citizens' incomes are received in the form of social transfers (see the attached graph) – expanding almost everywhere for almost a century. No part of contemporary society is unaffected – whether in the form of pensions or income compensation or subsidized health, housing and education. It now extends to public childcare and community leisure and urban and environmental amenity. This phenomenon is not something we can ill afford. It is what labour movements have always wanted.

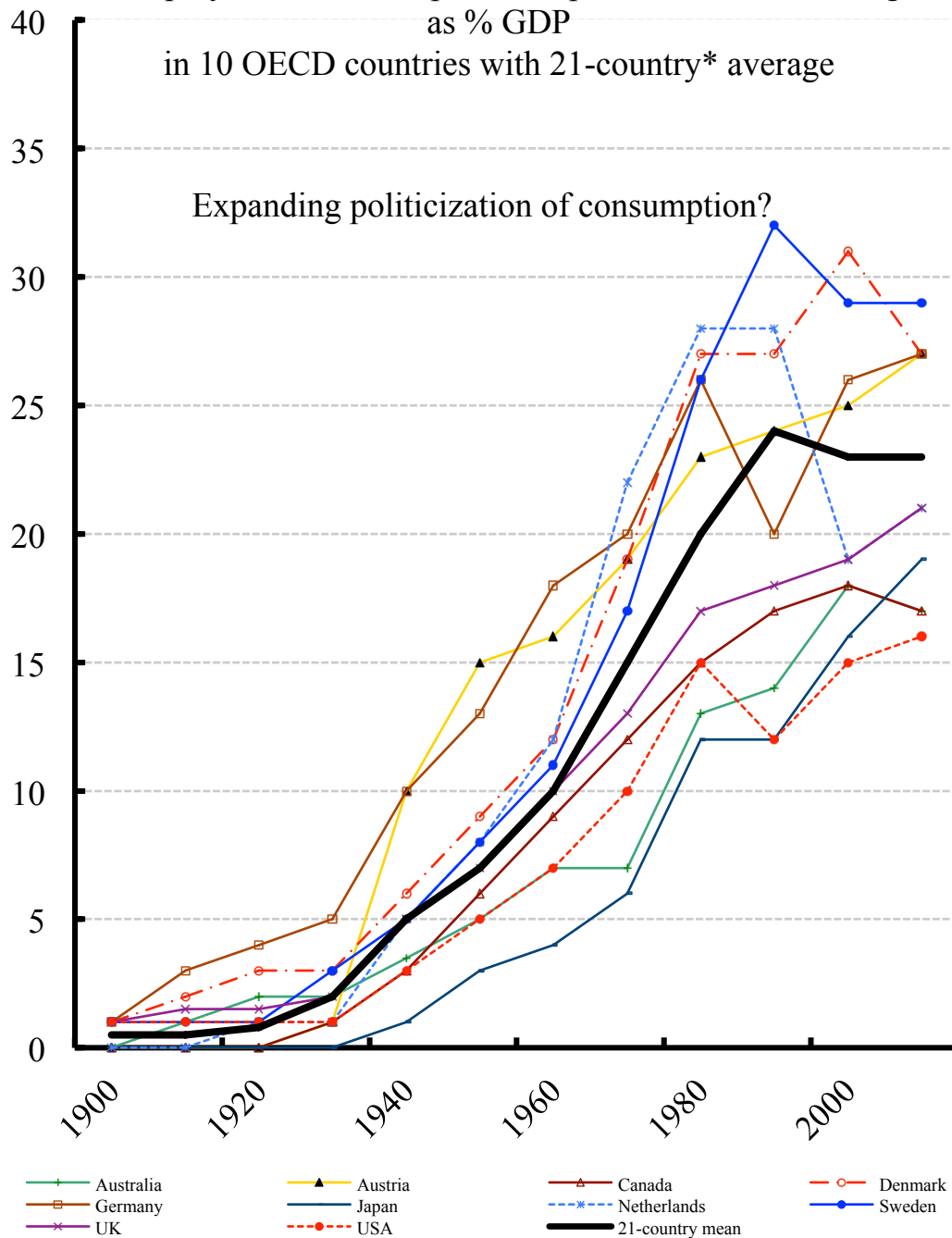
Notwithstanding these reservations, Tim Robinson's insistence healthy protections, (industrial and social) and selective interventions to effect them, remain compatible with a less materialist affluence and prosperity is a point the ALP needs to consider anew.

¹ Many commentators and critics have observed, actually, that the original justification for welfare was by Bismarck in nineteenth-century Germany – to forestall incipient working class unrest. Its later extension by William Beveridge and Karl Polanyi in the 1940s was more noble.

Growth of social transfers 1900-2005

Welfare, unemployment benefits, pensions, public health & housing subsidies
as % GDP

in 10 OECD countries with 21-country* average



[*A, Ö, B, C, DK, SF, F, D, Ir, I, J, L, NL, NZ, N, Port, Sp, S, CH, UK, USA]

Sources: Peter H. Lindert. 2004. *Growing public*. Cambridge University Press, pp.12-13
and *OECD Historical Statistics 1970-2000*. Paris 2001, p.67
updated from *OECD Factbook 2009* (Social expenditure statistics) 2010.
[Note: intermediate data interpolated]