

Inclusion: An Introduction and Agenda for Action

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We may agree in wanting inclusion, but not always on what it means. Should it mean a fundamental social good, the end-purpose of more practical concerns with poverty, unemployment, health, and education and so on? Or should inclusion be understood as one item among many, like national and class culture, religious belief, ethnicity, the distribution of wealth and income which *together* determine the quality of a society and its people's experience of it?

Or should we understand inclusion as if exclusion is an independent disease like racial prejudice which we should cure by preaching a change of heart and founding community centres, without necessarily doing much about poverty, unemployment, the housing shortage, ghetto segregation, or any other fact of economic life?

Leaving those issues in those better hands I want to talk in this Introduction about some historical changes in process in Western societies which are reshaping our political and economic problems and our options in responding to them. I may seem to have strayed in from a conference on motherhood or the river Murray but the plot arrives at inclusion in the end, in both a straight and an ironic meaning of 'in the end'.

I begin with five strands of current history:

- Because we learn for longer before we start to earn, and live longer

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after we stop earning, and are about to trade a bigger working generation for a smaller one, and a smaller retired generation for a bigger one, we will need to transfer a much higher proportion of income than ever before from our earning to our non-earning years.

- We have an unfinished revolution in women's rights and children's chances that is causing stress and overwork for many women, and some bad upbringing, that needs fixing.
- Through most of human history, economic growth and the reduction of poverty have depended on – among other things – freeing a creative minority from hunger and hard labor to give their time to arts and sciences, and economic and political management and leadership. That has entailed paying them more in money and kind than most of the people earn. But in the course of the twentieth century the rich countries' productivity crossed a threshold. We could now give everyone the material conditions for as much happiness as we are humanly capable of.
- Partly because of that possibility, a mass of research is currently exposing the diminishing marginal utility of income, and the personal and social sources of human happiness and unhappiness. A flatter scale of inequality, ridding us of a lot of unhappy poverty and unnecessary affluence, looks more promising than ever before.
- But of course that is unworldly nonsense. Its politics are plainly impossible. Or they might be, if we were not at the same time spoiling and exhausting our natural resources. The rich may not survive much longer than the poor do if they do not somehow attract mass support and dependable parliamentary majorities for fair rationing of the restrained output and incomes that effective environmental reform may well entail.

It is with this last question in mind that I want to talk briefly about each of these historical changes.

Income transfers over time and between people

We currently have four earners for each retired person, six or seven for each public age pensioner, and the public pensions currently take three per cent of national income. Add the old people's health and other public costs, and they are still an easy burden on the earners. It is not too hard for those at work both to transfer the necessary income, and to produce the goods and services that the non-earners want to spend it on.

But that must change as the baby-boomers retire, leaving fewer earn-

ers to replace them. ABS estimates that there may be two earners for each one retired 50 years from now. The Treasury estimates that to maintain current public services to the aged 20 years from now would cost 5 per cent of national income, which would have to come from additional tax or the degradation of other services.

The Hawke government was not the first to *foresee* the problems which that change may create, but it was the first to *do* something about it. It had a good option. Whitlam had commissioned Keith Hancock to design a system of national superannuation. He designed a beauty: public, part from tax revenue and part contributory, cheap to manage, fair and workable in every way. He also insisted that it be *honestly* radical: it should not pretend to continue the levels of tax which the old conditions allowed. Transfers over time require transfers between persons at any one time. To increase one you have to increase the other: confide money to others while you earn, receive it from others when you retire. If you want a big change in the scale of transfers to be workable, and especially to work by common consent in an inclusive way, people must understand and accept both elements: the contributions as well as the benefits. (When they put their money in the bank to withdraw it with interest later they have no problem with that.)

But Fraser replaced Whitlam, and did not adopt the Hancock project. So it was there waiting for Hawke and Keating. Unforgivably, they created, instead, the scheme we have now. Compared with Hancock's it is unfair, inconsistent, deliberately deceptive about its source of funds, grossly expensive to manage, and net harmful to the national economy. It is also open to a massive flow of plunder that any competent legislator would treat as theft. If the forty years of compulsory saving on your behalf would yield half a million dollars, the worst of the funds may give you less than half of that when you retire. Nearly a third of the funds charge an annual fee of 2 per cent or more. That is two every year off the capital in trust for you. It will leave you about \$285,000 of the half million the savings would otherwise have accumulated. American and most Scandinavian law allows such fund managers to take less than a quarter of that: 0.5 or 0.4 per cent of the accumulating capital each year. We allow ours to take whatever they like, and they take from 0.5 to three and a half percent: that is from ten per cent to sixty or seventy per cent of the money they receive and accumulate in your name.

Facing the new scale of transfer from our earning to our non-earning years an inclusive society needs to do better than that, and we plainly could.

Children's chances

Family life is our first inclusion, and probably our best conditioning for it. Marriage ought to be our model of equality, with equal pay for work of equal value a main test of equality. Polls show that half or more of mothers would still prefer to be at home through their children's early years. The latest British poll says that 80 per cent would if they could afford to. So there is a double gap in our achievement of equal pay. Parents can earn award rates for servicing any children except their own. And parents who return to paid work after some years away from it rarely rise as high or earn as much as those who have paid others to mind their children. It is paid work alright, as long as it is not for your own kids

If you look for children's experience of the options, research suggests that your chances of adult competence and happiness tend to vary not only with your parents' personal qualities but also with their occupational choices. On average, with plenty of individual diversity – and with disputable judgments about who should count as satisfactory adults – research suggests that:

- Children's best chances are with parents living happily together with them throughout their childhood, with one or other parent on hand or accessible through most of their out-of-school hours.
- Next best seem to be parents who both earn, or a lone parent who must earn, if they can arrange day care by a nanny who is as permanent and dependable in the children's world as themselves.
- Next, a hard-working group whose own anxieties are likely to trouble their children too: two full-time earners without a permanent daytime substitute. Their pre-school infants in long day care and their 6 to 12 year-olds too through school holidays. Some of the care is understaffed, some of the carers are untrained, casual and quick-changing. Some well-staffed day care centres can help children's social development, but not if it is eight or nine hours of every working day of the year.
- Next, a lone parent coping with those same hardships.
- Last, an unhappy lot: couples who are both permanently unemployed and short of standard household equipment and comforts; unhappy parents with dangerous or changing partners; criminal, alcoholic or other incapacitated parents; children brought up in institutions.

Those are only averages. Parents in the last group do bring up some happy and successful people. Happy marriages do bring up some trou-

bled or troublesome people.

We could do a number of things to improve the options open to parents. We could begin with full employment. We could make bringing up children respectable paid work for parents, as it already is for anyone else who does it. And in many occupations we should be able to improve the prospects of parents returning to the occupation after some years away from it.

Productivity

Different people tend to focus on different causes of economic growth. Business voices emphasize the efficient and inventive capacities of private enterprise. People like me go on about the kind of government the economy needs. Vice Chancellors focus on the fertility of research and education. But most assume that growth of income per head is the good and proper use of rising productivity.

It was nevertheless economists who invented the concept of diminishing marginal utility. But not enough of them have yet applied it to overall productivity or to individual or national income. Plenty of rich as well as poor people would like more wealth and income than they have. But there is now quite a busy study of happiness in rich countries, and one of its findings has electric implications for the traditional concerns of Right and Left, especially in their understanding of relations between efficiency and equity in our economic life. Researchers are finding that getting more income and space and capital is as important as ever for poor people meaning by poor people the citizens in rich societies who can't afford the basic benefits of membership that we would call conditions for inclusion: a decent house, garden if they want one, car, clothes like everyone else's, a tolerable neighborhood and school for their children, in a society with no class hindrances to marriage or sociable relations between its members.

But above that basic level, more income no longer promises greater happiness, if it ever did. The researchers are not finding that people do not want any more than they've got. They are finding that the desire for more, and getting or failing to get more, have the same average effect on people's happiness at every level of income above the basic level. So because poverty and unemployment do affect happiness, any dollar is likely to do more good for poor than for comfortable people, especially if it is earned under tolerable conditions at useful work.

Resources

It seems likely that plenty of Australians alive now will live to suffer from polluted water, salted farmlands, poisonous wastes, the continuing destruction of forests and other vegetation and the living species that they nourish, worsening weather, and life without air travel and anything else that only oil can fuel.

For a sustainable alternative to those hardships there is already a familiar agenda:

- Intensify research and experiment into the continuing environmental uncertainties.
- Think along with the best Europeans about reducing the energy use per unit of Gross Domestic Product and the material disturbance per head of population.
- Develop cleaner sources of energy as fast as our natural resources and the world's research and practice make possible.
- Sign and comply with the Kyoto Agreement.
- Amend our Constitution to empower the Commonwealth to govern the uses of our river systems.
- Research – in detail, regionally and locally – the best sustainable uses of forests, pastures, farmlands and their available water, then compel, aid and compensate any desirable changes of use.
- In town, confine clean water to its necessary uses. Capture run-off rainfall and waste water for sewer use and for watering parks, street planting and household gardening.
- As local conditions allow, encourage walking, bicycling, public transport, and the development of vehicles of minimum weight, power and harmful emissions. Develop very-fast-rail inter-city links as practical alternatives to air travel, and get them used for freight as well as passengers by developing containerised freight and road-rail interchanges for quick cheap freight transfer between truck and train

All fixed? Far from it. That green agenda is riddled with dilemmas. Stop mining and burning coal? Besides wrecking whole industries and energy supplies and the current account deficit, it is also likely to speed up the exhaustion of the oil and forests that we'll burn instead. Goodbye to powered flight, a lot of lubricants and plastics and our main carbon sink. Better put up with some coal-dust and bad weather? And think what else a seriously green government might have to do to its suffering electors.

Ten more points, about the people the greening will hurt:

- Remove many thousands of farmers from their land.
- Force tens of thousands more to farm different products.
- Transform scores of country towns into welfare ghettos of unemployed and prematurely-retired losers.
- Deprive most low-paid people of their pollutant old cars, which are the only cars they can afford.
- Antagonize well-off people by limiting the size and power of their cars.
- Provoke divisive conflicts about new taxes to finance welfare for the new unemployed, capital and wage costs of new green employment, public takeover of wrongly privatized monopolists and polluters, compensation for *rich* losers from the new rules, and other claimants.
- Increase taxation by a third or so. If you add the public costs of effective green reform to the Treasury estimates for sustaining existing services to the aged, you have to divert not 5 but 10 or 12 per cent of national income from its present public or private uses.
- Renounce any trade treaties and other obligations that would frustrate the green policies, and live with the likely retribution from WTO, GATS, angry traders and other injured interests.
- And a carbon tax won't serve its green purposes unless it leaves most people hotter in summer and colder in winter than they have been used to.

But the Green tasks won't go away. How might we go about them without causing intolerable social harm and political resistance? Imagine some options – perhaps a neoliberal, a third-way, or a social-democratic approach to the task.

But first, a black view. Recall two thoughts of the great American economist Kenneth Boulding. One is the single sentence that qualifies him as worth listening to: 'Anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist.' The other is a famous paper published back in 1966 called 'Economics of the coming space-ship Earth'. It predicted that when people first understand that their resources are spoiling or running out, they will begin to limit their consumption by individual and collective self-restraint. But as resources continue to dwindle and conflicts intensify, rising proportions of people will have a change of heart and accelerate the disaster by competing greedily for shares of what is left. It is perhaps in relation to that possibility that we should compare Right and Middle and Left ap-

proaches to environmental reform.

A neoliberal approach might ration scarce resources by a mix of market pricing, tax pricing and small government. Market prices and a carbon tax should conserve coal and oil, but mostly for use by the well-off. Small government should end the welfare subsidies that encourage people to have more children than they can afford to bring up properly. Inclusion in any of its meanings will be one of the casualties.

If that were all, we'd be blacker than Boulding expected, being led by economists *and* madmen. But we *have begun* to tax and spend in small ways on green improvements. And we continue, despite some recent cuts, to provide good welfare incomes and services to most of our poorest people. We are on track to a sustainable sufficiency, getting the private sector to do as much as possible of the green work while the government takes care of the losers.

But that third way is in various kinds of trouble. Most of the privatized industries cost more and work worse and less safely than they did in public ownership. Too much of the new health and welfare spending was financed from the capital windfalls from privatization, so with that all spent we are now under-funding and under-staffing health and educational and family services and charging users for more of them. Among the economic effects are an ironical pair. Where Maynard Keynes and Bob Menzies and Nugget Coombs gave us twenty five years of four per cent growth with full employment, Hawke and Keating and Howard give us four per cent growth with seven hundred thousand acknowledged unemployed and another eight or nine hundred thousand who would work if they could get it. Eight hundred thousand children have unemployed parents. We have as many homeless adults and children as we had with a third of the workforce unemployed in the Great Depression. Some of these ill effects are unintended but the worst of them is not: the unemployment is deliberate, as business' and government's preferred defence against inflation and against better wages and conditions for our lowest-paid workers. A rise in unemployment prompted *The Australian's* business section (11 July 1997) to headline 'Grim Employment Figure a Blessing for Beleaguered Shares'. And far from fair-sharing what employment there is, our full-time working hours have increased for the first time in more than a century, and less than half of full-time workers are working a regular nine to five day.

So the third way is unpromising. And privatization, deregulation and unhindered international ownership of our business and what used to be our public services are together weakening our democratic capacity for effective environmental management, and further strengthening the strongest class and national contenders for shares of the threatened re-

sources. Boulding's nightmare.

It is possible to imagine two reasons why an egalitarian, social-democratic, inclusive approach to environmental reform might have better chances. It might hope for more support from the poorer half of society if it came as part of a general fair-sharing of employment and income. And the many well-off people who must lose like everyone else from the Boulding nightmare might well be glad of a secure political majority, a cooperative workforce and a general sense of common purpose through the hardships of transition to a sustainable economy. How might a green social democracy go about its business?

What used to be called 'the Australian settlement' tends to be remembered for its fair wage-fixing protected by tariff and immigration controls. Two less-noticed features of it look more interesting for our present purposes. One was to get the productive sector to do as much as possible of the distribution too, and to do it fairly. When the first colonists spread out over a big sparsely settled country, public welfare was not as practicable as it has since become. But some public regulation could and did do wonders for wage distribution. The second principle was another effect of the tyranny of distance and shortage of infrastructure: and private capital. Private investors tried and mostly failed to provide railways, ports and harbors, big grain storage and transportation, and in due course, power, piped water and sewers. In those tough circumstances they mostly failed, and public agents took over.

So the second principle was to get production done by whichever sector could do it best: public, private, independent, or household. Some important things were and are still done by working relations between the sectors. For example private investors can not afford to add new houses to the bottom end of the market. Public enterprises are rarely good builders. Our best performance has come when public investors at arms length from government get houses built by competitive private tender then sell or rental-purchase or let them to households, who repay the other parties' costs, and may improve and individualize the houses. Forgive a familiar South Australian boast: in its first forty years the South Australian Housing Trust built sixty-eight thousand houses, passed more than half of them to first-home owners by sale or rental purchase, and collected economic rent from more than 90 per cent of its tenants. Without costing the taxpayers a cent it was correcting an inefficient market by market means which we desperately need to re-invent now.

It does not follow that *all* our old aids to full employment and fair sharing would work now. In our changing world some of them certainly wouldn't. What is worth remembering is how unexpected, unpredicted,

and politically unlikely they were in their times. What they should inspire in us is a new round of invention. You can think of that as a defensive response to the new problems of ageing, unemployment and neoliberal misgovernment. Or you can see it as a glorious opportunity created by our productive technology.

We are the first generations productive enough to offer all our households what used to be thought of as middle-class household capital and comforts. But there are rival theories about relations between affluence and equality. (1) Now that we are productive enough to let the poor have enough, there is no harm in letting the rich have the rest. But that is neither very green or very inclusive. So (2) Now that we are productive enough, a five or tenfold span between richest and poorest incomes should suffice for all incentive and equitable and inclusive purposes. But wouldn't that drive our star talent to emigrate? Recent research into the failure rate of firms whose chief executives pay themselves more than 22 times the basic wage suggest that their departure would be net efficient, as well as equitable. Studies show higher average happiness and well-being in the least unequal of the rich countries. We should aim to be one of them. What would it take?

Strategy

A Green Social Democratic program might begin as an informally bipartisan strategy, just as most of our present third-way strategy is. Or its severities might justify an all-party coalition. It must finance and enforce the necessary green measures, many of them potentially divisive, and combine them with radical measures of full and fairly shared employment, and other aids to inclusion. To our present politicians in their present pessimism the social-democratic elements of the program would be as unthinkable as the green severities are.

A short list would include the following:

- Contrive full employment less by managing demand (which must now be subject to green discrimination and perhaps overall restraint) and more by other means.
- Wherever practicable, make necessary limits or reductions of output by fair-sharing employment rather than reducing the numbers employed.
- Rebuild the award system, extend it to all employees and to appropriate contract workers, empower the Industrial Commission to set maxima as well as minima where appropriate, and extend its mission to include a steady reduction, over time, of the difference between

the highest and the lowest earned incomes (the real quantum difference between what they will buy, not the percentage relation between them).

- Reconstruct the financial system to allow credit for some uses to be rationed by quantity rather than price, to enable government to ration the uses of foreign borrowing and exchange when necessary, to empower the Reserve Bank to create interest-free public financial capital, to discipline the use of that power, and to coordinate the volumes of public and private credit for macroeconomic purposes. All of which have been done quite effectively in living memory in this and other countries.
- Do four things about the present compulsory private superannuation system. Legislate an 0.5 per cent per annum limit on management fees. Empower beneficiaries to choose their funds in the first place, and allow them to remove their assets to other willing funds at will. Introduce a public competitor to the system. Empower the courts to deal with offending fund managers by transferring their assets and obligations to the public fund.
- Introduce a public award wage for full or half-time parenting of children up to the age of 12. Introduce into public employment wherever practicable, and encourage in private employment, some preference for returning parents over other applicants for employment and promotion.

Impossible?

I'm old enough to remember a happy middle-class family life in material conditions not much better than the basic wage would buy now. A wooden house in an outer suburb; a ten-year-old second-hand car and good public transport; no home help; one parent doing the housework and gardening, the other earning a secure salary for interesting work with a month's annual leave.

Think of the range of occupations, including some of the most valuable teaching, research, public and private leadership and management, in which secure entitlement to the rate for the job frees the people to concentrate single-mindedly on how well they do it, including how unselfishly they can choose to do it without conflicting penalties or temptations. Judgments between desirable and undesirable risks, and attention to the long term, can all be improved by that sort of security.

The green task does not have the immediacy of war. But it is not absurd to compare it with the war organization of the United States whose

continental safety wasn't really threatened by the Second World War, and with the period of postwar reconstruction in countries which had suffered invasion or sustained bombing. Those years were full of samples of the unthinkable things you can do when occasion demands. With the United States economy over-employed servicing land sea and air war in Europe and Asia, the President hired a young Canadian to price-control it. He invented deft low-cost means of doing it and gave that vast complex four years of zero inflation.

Or recall England through a decade of postwar reconstruction. Relations between rich and poor have never been as respectful, or as inclusive with pride in shared experience, as they were then. The cabinet included aristocrats, plutocrats, pit miners and the quiet middle-class lawyer who led it. The top rate of income tax was 85 per cent, effectively enforced. I knew a life-long farm laborer, just retired, who said with tears in his eyes "I woke up one morning and found that Mr Attlee had doubled my pay".

My favorite example stars the son of an Anzac soldier and an Irish mother, born in Britain during the First World War and back there studying economics and law in the run-up to the second war. The day in 1938 that Prime Minister Neville Chamberlain got off the plane from Munich celebrating his agreement with Hitler as 'peace in our time'. Michael Young sat down and in 2,000 words specified the manpower controls that Britain would need to win the forthcoming war with Germany. *Picture Post*, then a radical paper with a mass circulation, published it. Through the war, Young worked in manpower control. Near the end of it the British Labour Party made him director of its research, and secretary of the Attlee government's policy committee through the six years that saw the most peaceful, workable, radical social-democratic progress in anyone's history. When its work was done, Michael left government and started founding citizens' organizations, all non-profit and most of them non-government. The first was the Open University. Next was most of Britain's independent consumer protection. In forty eight years he created fifty organizations in that independent sector. Forty of them are still at work. One day last year he went to hospital to die. That took 48 hours. In that time he identified the dinner ladies as the worst paid and treated of the hospital staff, organized them, and equipped them with competent leaders.

So get to it, you lot, whichever way you're best at, in business or government or teaching or research or agitation or whatever. And stick with it. Do not let the usual authorities persuade you that we are harmless chatterers. Because if they do, we are.