



Prosperity without justice is like fool's gold: Ingredients for a prosperous, fair and inclusive society

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Introduction

Australia has experienced an extraordinary period of economic growth and improved living standards. These are achievements of which we can be rightfully proud. Yet, it is important to reflect on whether such outcomes have delivered the wellbeing that people seek and to explore how economic and social policies can mutually reinforce the overall wellbeing of our society. But what is the wellbeing we should be seeking?

As we look forward, how do we balance our priorities and actions in order to ensure we can be both a prosperous nation and just society? What values must we protect and promote to build and maintain a fair, inclusive and prosperous society?

Throughout history empires, nations and societies have sought to increase their wealth and have employed all means, corrupt and pure, to attain such goals. They rightfully have sought first to meet the basic needs of their people but then proceed to accumulate wealth to meet their unlimited desires. Very few societies have simply been prepared to sustain themselves, although there are examples even in our own times.

Yet we have also seen the downfall of countless rich, prosperous empires and nation states, all of whom believed their wealth was permanent and in their own ability to grow endlessly. However in most cases they were also societies that had great levels of inequality and injustice, and high levels of systemic corruption both within secular and religious institutions.

History has taught us that the absence of justice may not preclude economic growth or the accumulation of wealth over the short term, but its absence will over time undermine the very foundations upon which genuine, sustainable prosperity needs to be built.

From time to time therefore it is appropriate, indeed essential, that societies take stock of their economic, social and environmental conditions and to adjust and rebalance society's norms. This is hardly new. In the Book of Leviticus we are told of the Jubilee Laws. Every fifty years or less, the people of Israel were to take stock. They were to put right that which was wrong. Three things were required:

- to return the lands to their original owners
- to forgive all debts
- to free the slaves

What they knew was that over time all societies become distorted and unfair and that a rebalancing is needed....to *put right that which is wrong*. They knew that economic and social issues were interdependent. Unfortunately there is no evidence that the jubilee laws were ever enacted.

Often such rebalancing only occurs after great catastrophes, such as natural disasters or horrific wars. Sometimes it occurs after financial calamities such as long lasting economic depressions. Some say that climate change may be our era's moment of reckoning. But must we wait for such calamities?

My proposition is simple. If we do wish to be a prosperous nation, we must ensure that the foundations upon which our society operates are secure. Those foundations are enshrined in the values of trust, respect for others and fairness for all. Put another way our prosperity will be like fool's gold, beautiful to look at but of little value, if we don't secure those foundations. Economic growth is insufficient. We need to broaden our concepts to look at our economic and social well being. We need to be genuinely committed to sustainable development which has at its heart the notions of intra and inter generational equity.

Economic wellbeing

Let me first deal with economic wellbeing. Within our recent history Australians have experienced extraordinary economic growth over the past two decades. Australia is in its 16th year of sustained economic growth, averaging 3.5 per cent annual real increases in GDP.

Australia has substantially improved its level productivity since the 1970s. In 1973 Australia ranked 12th in the world but by 2004 we had achieved a ranking of 8th in the world. Furthermore there have been substantial reductions the headline unemployment rate now at a 30 year low, a significant achievement.

Public policy, and in particular economic policy, has been focussed on increasing the living standards of all Australians. That outcome could however only have been achieved if significant reforms were undertaken. Indeed Australia now arguably leads the world in its coordinated and consistent willingness to undertake major economic reforms under governments of all political persuasions. These reform initiatives include:

- capital market reforms starting in 1983 with the floating of the Australian dollar;
- trade reforms which has seen massive reductions in protection for Australian industries;
- infrastructure reforms affecting all utilities (energy, gas, water), airlines, telecommunications;
- taxation reform;
- labour market reforms;
- micro-economic reform as evidenced in the National Competition Policy conducted over more than a decade.

The outcomes of these reforms in economic terms have been substantial. Australia is a more competitive nation. Living standards have increased across the community with increases in income levels across all income cohorts. This economic growth in turn has provided strong public budget outcomes and allowed enhanced government spending on community needs. For many, it has allowed greater flexibility and mobility in their work choices and life styles. Yet, as you might expect, the benefits have not been delivered equally. It appears that wealth distribution generally seems to have become more unequal, with the top ten percent of households holding over 45% of the nation's wealth and the bottom 50% about 7% of the wealth and there has been an increase, albeit small, in household income inequality over that time.⁽²⁾

We also know that there continue to be groups within our community that suffer significant disadvantage:

- over 500,000 children continue to live in families where nobody works;
- housing affordability has decreased and housing disadvantage continues;

- whilst the poverty rate for families has decreased over time, due to improved employment, wages and family benefits, there remains a heavy reliance by many families on the aid of charitable and non-profit bodies in Australia;
- people with disabilities and mental health conditions continue to be at the margins of economic participation in Australia.
- Aboriginal disadvantage remains unacceptably high
- vulnerable workers struggle in a much less secure job market

Notwithstanding these very important concerns, it is interesting to reflect on what allowed the underpinning reforms to occur that has produced such high levels of economic achievement. Given that these reforms took place over a period of two decades, when every government in Australia at State, Territory and Commonwealth level changed political persuasion and there was significant political backlash to some of the reforms, I surmise that there must have been a general level of trust within the community that allowed such major reforms to occur. Indeed that level of trust was also supported by some key institutional arrangements.

For example in relation to National Competition Policy there was a public benefit test which required reforms to have regard to ecologically sustainable development principles and policies, social welfare and equity considerations, regional impacts and impacts on consumers as well as ensuring the efficient use of resources. Whilst there is some debate about the effectiveness of this test, overall the microeconomic reforms were undertaken within the context of a broader set of concerns than just the economic benefits to be derived by such initiatives. Whilst some argue that more could have been done to deal with certain adjustment effects nevertheless there was an attempt to consider the societal impacts especially in the latter phases of NCP.

I recognise that some would say that Australians accept reform and change not based on a level of trust but as a consequence of very high levels of apathy. It is true in Australia, that when changes or reforms have been implemented, compared to immediately prior to the event, the level of acceptance grows strongly and Australians appear to be one of the most tolerant nations in relation to reform

Nevertheless, that trust which permits such reforms to occur can be easily undermined. If the reforms only produce economic outcomes without having proper regard to the broader wellbeing of the nation's citizens, or fails to adequately deal with adjustment and hardship issues then faith in those reforms will diminish and be evidenced in a political anti-reform back lash. Further, if reforms are seen only to favour some in the community but leave others relatively worse off then such societal trust will falter over the longer term.

Social wellbeing

Turning to the issue of social wellbeing, in recent years there has been a much greater recognition both in public policy and academic circles of the importance of social wellbeing and increasing work being undertaken on developing indicators to allow us to measure such wellbeing. There is much greater recognition that whilst people's economic circumstances may improve, which is a significant contributor to ones sense of wellbeing, other factors may reduce their sense of well being or overall happiness.

Over the past decade there has been and continues to be much work done internationally and domestically in relation to both happiness and wellbeing indicators. These indicators all acknowledge the importance of the economic capacity of individuals, communities and nations as a key component. But they are much broader in scope.

In Australia let me refer to just three Australian government sponsored pieces of work — as summarised recently by the Australian Bureau of Statistics, which also regularly publishes wellbeing data.⁽⁶⁾

The Australian Government's Department of Treasury has developed a framework for wellbeing. It was developed over a period of time as a tool to be used in informing and improving policy analysis. The key dimensions of the Treasury wellbeing framework include:

- the level and distribution of consumption possibilities;
- the level of opportunity and freedom that people enjoy – the capacity of people to choose the lives they want to live;
- the level of risk that people are required to bear – the intrinsic uncertainty and possible outcomes from decisions; and
- the level of complexity that people are required to deal with that refers to the proliferation of the number of considerations in decision making and the interconnection between those considerations.

The Department of Family and Community Services and Indigenous Affairs has also developed a family wellbeing framework. This framework acknowledges 'the intrinsic value of families in society and recognises that family wellbeing lies at the core of civil society'. This framework is very comprehensive and seeks to examine such areas as:

- accessible infrastructure and services;
- predictable and adequate family incomes;
- housing security;
- environment;
- confidence in the future;
- societal values.

Indicators include:

- inclusion and trust;
- indicators of child wellbeing, family wellbeing and adolescent wellbeing.

The Australian Institute of Health and Welfare has also developed a framework for examining the welfare and wellbeing of Australians. This framework comprises three main sections with an number of key areas:

- healthy living (air, water, food, housing, health and safety)
- autonomy and participation (education and knowledge, economic resources and security, employment, transport and communication, recreation and leisure)
- social cohesion (family formation and functioning, social and support networks, trust, community and civic engagement)

Even at State level work is being undertaken to examine related issues of community strength. at local neighbourhood levels The Department of Victorian Communities (DVC)⁽⁷⁾ developed twenty indicators to measure community strength in three neighbourhoods. The indicators were grouped under three headings:

- participation (volunteering, organised sports, membership of organised groups),
- perceived opportunities to participate in aspects of community life (community access, local facilities, opportunities to get involved),
- attitudes to living in the local community (safety, feeling valued by society, having a say)

DVC defines strong communities as *“Those endowed with social, economic and environmental assets and organisational structures that work towards their sustainable use and equitable distribution.”*

In addition to these many private institutions both in Australia and around the world are also developing wellbeing and happiness frameworks. The United Nations also has its human progress indicators and further work is being done by the OECD.

Why this work is important, is that it explicitly recognises the importance of social wellbeing and the need to measure it in a robust manner in order to more effectively inform policy and decision making. The current exploratory work on social wellbeing has the potential to provide valuable input into our broader policy considerations. Of course on many indicators most Australians do well including long life expectancy, Amongst the highest in the world, and generally good health outcomes, relatively high levels of workforce participation and of educational attainment, strong commitment to volunteerism and non profit community endeavour.

Yet concerns remain including increasing levels of mental health conditions, poor work/ family balance, high levels of marriage and relationship breakdown, unacceptable levels of domestic violence, child abuse and neglect, and the marginalisation of many. Broadly, despite our economic success, Australia faces many difficult challenges including the emergence of greater social isolation and exclusion, which could be called the poverty of exclusion. Further both locational and intergenerational disadvantage remain significant and contribute to a sense of alienation felt by many.

Social engagement, participation and inclusion

The achievement of strong social wellbeing for individuals and families is founded on the key notions of participation and social engagement. Put another way it is to feel and be included in the normal aspects of our society. The ability of people to feel part of and be actively engaged in the community is an important contributor to one's state of wellbeing. And the wellbeing or strength of a community. Put more simply, inclusion fosters wellbeing whilst exclusion destroys it at both the individual and community level.

Social engagement is about relationships. And relationships require a level of trust between individuals and a high level of trust in the society within which one lives. Those things that impede social engagement and participation, or that sense of inclusion, such as poverty, inequality, racism, fear of difference, are all contributors to and signs of weakened trust within a community. They necessarily weaken the social wellbeing of individuals and left unfettered ultimately affect and weaken the prosperity of communities and nations.

Despite our prosperity too many people, for whatever reasons, remain at the margins of society seemingly excluded from full participation in the economic, and social and opportunities that this nation has to offer. The further they fall behind, the greater the inequality in our society, the more they become marginalised and alienated.

Importance of trust, respect and fairness

I wish to put forward a proposition that the values of trust, respect and fairness, are essential to both the economic and social wellbeing of a society.. More importantly, the lack of such values allows for the development of economic and social exclusion. The ultimate consequence is a weakening of the social fabric of the nation upon which social cohesion and prosperity are built.

In an important research paper produced by the Productivity Commission titled 'Social capital: Reviewing the Concept and its Policy Implications' in July 2003⁽¹⁾, the Commission examined the role and importance of social capital not only as an emerging concept but its implications for public policy and decision making. The importance of social capital to a well functioning society was recognised by the World Bank in 1993:

The social capital of a society includes the institutions, the relationships, the attitudes and values that govern interactions among people and contribute to economic and social

development. Social capital however is not simply the sum of the institutions that underpin society, it is also the glue that holds them together. It includes the shared values and rules of social conduct experienced in personal relationships, trust and common sense of civic responsibility that makes society more than just a collection of individuals.

Trust is central to the functioning and good order of a prosperous community. Trust is the bedrock of most personal relationships which is in turn a key determinant of human wellbeing. Trust is also at the centre of societal relationships. When we talk about trust we are talking about the level of confidence that people have, that others will act as they say or as they are expected to act. When we speak of societal trust it is a much more general level of trust for example it is the trust of strangers and the trust of previously unencountered institutions.

It is not surprising that trust has become the proxy indicator for social capital, the means by which we can measure how well our social norms and networks are functioning in order to enhance the wellbeing of individuals, families, communities and our nation state.

But let me go further. Trust, as well as respect of others and the fair treatment of all, is the essential underpinnings of the characteristics that Australians seem to value most. Sir Gerard Brennan, former Chief Justice of the High Court in a paper delivered some years ago identified egalitarianism, tolerance and freedom as the three essential characteristics of Australian values. He went on to say

Egalitarianism must cope with difference, difference in colour and ethnic origin, in religion and culture, in natural gifts and applied characteristics. Egalitarianism speaks of tolerance and it must be sustained by tolerance. Without tolerance difference could produce divisions that would tear at the social fabric of a nation.(5)

Whilst many may argue about the precise definition of egalitarianism there is no doubt that Australians do believe that Australians should be a fair society. The rich spoils of our prosperity should be distributed fairly within the community in order to advance the wellbeing of our community. Building on this theme I am reminded of an assessment made in 2003 by Fred Argy, an eminent economist and former senior Commonwealth public servant, in a book *'Where to from here?'*⁽³⁾, where he said: *"It seemed Australia might strike the trifecta, an economic renaissance, a broad sharing of the productivity gains and higher level of social mobility with more equal opportunities."* He went on to give his verdict *"But it was not to be. Australia is in many respects a less egalitarian society today than it has been at any other time in its history."*

Some would disagree. But it is a view worth considering and debating. Perhaps it is too early to make the final judgement call as to where Australia stands in relation to these underlying characteristics or values. Yet, to take for granted these values, then we do so at our own peril. For such values need to be nourished or they will perish. They are nourished when a society embraces policies that build social capital and strengthen the ties between its peoples and between the people and their institutions. They are conversely weakened when trust is diminished and the consequences are real and measurable.

Robert Putnam, of the Saguaro Group made the point: *"When social capital is depleted, people suffer in clear and measurable ways, there is a ripple effect beyond a scattering of lonely individuals."*⁽¹⁾ Indeed the OECD in 2001 made the point that countries with high levels of trust and social engagement or inclusion tend to be more equal in income, literacy and access to further learning; whilst acute forms of social exclusion by social, ethnic, gender or regional characteristics go hand in hand with lower levels of trust and social engagement.

Within Australia, I think it is beyond doubt and debate that economic and social wellbeing are intrinsically linked. Some, of course, believe that one must follow the other i.e. in order to have social wellbeing, economic wellbeing must be first achieved. Yet, increasingly public policy requires consideration of both in order to achieve real improvements in what is commonly called community

wellbeing. Both economic and social wellbeing need to be developed and enhanced at the same time, mutually reinforcing the gains from each. Some commentators might put it that both living standards (a measure of income) and the quality of life need to be the subject of policy responses in order to sustain real prosperity. The former indicator is relatively easy to measure, the latter much more difficult and subjective.

Weakening of trust, respect and fairness

Of course from time to time trust, respect of others and fairness within a community can be weakened by unconstrained greed, prejudices or an atmosphere of fear. Fear is the enemy of trust. It undermines respect for others and it allows for the unfair treatment of targeted groups of people. Sir Gerard Brennan⁽⁵⁾ said,

A confident society is imperilled by fear. Fear turns inwards or away from our fellow men and women: fear destroys the confidence that a nation must have in itself if it to prosper and play its part in the community of nations.

Within each of us there is an element of fear. Fear of the stranger, fear of that which is different. Yet, we are able to manage those fears as individuals by rational thought and guidance from a set of values including the value of tolerance. So to as a nation we manage fear through rational thought and the promotion of a set of values designed to create a socially cohesive and inclusive society. To safe guard these values we also imbed these principles in our rule of law and commitment to human rights evidenced by our entry into international conventions..

Too often in our history groups are signalled out as not being worthy of our support. For example those dependent on welfare support have often been maligned. Whilst it is true that there are some that exploit our welfare system, the vast majority who rely on the social services system do so out of need. Nevertheless from time to time they are characterised as dole-bludgers, the welfare cheats, the lazy, always ready for the handout without contributing positively to the rest of society. Such attacks divert energy and action away from strategies necessary to build capacity in individuals and families to enable them to participate fully in the economic and social life of our country. Such characterisations do nothing to build trust, respect or fairness within a society.

Trust and fairness is also diminished where the notion of private choice or freedom of choice is taken to its extreme, that is private choice is exercised without any regard to the public or common good. Of course it is critically important that individuals are able to make choices. Economic prosperity is based on consumers being able to make rational choices and through their consumption decisions reveal their real preferences. My ability to exercise choice, as an informed person, is central to my individual well being and indeed underpins a well functioning competitive market based economy.

But my choices do impact on others. Just as others' choices impact on me. We have a shared responsibility in the economic and social wellbeing of the society of which we are part. When extreme levels of inequality, as a consequence of unconstrained choice, are allowed to develop the social cohesiveness of a society is put under increasing pressure, as more and more feel alienated.. As indicated earlier freedom, including freedom of choice, is an important value that underpins our society. Yet the freedom to which I refer is a freedom that is based on a notion that people must first have the capacity to make those choices.

Naturally, the choices that are able to be made will vary according to people's income and circumstances. Their choices will also vary according to the motivation of individual people, as much as their material circumstances. Yet the freedom to make choices and the sense of control over ones life is a key feature of the Treasury's wellbeing framework. Happiness research shows that having an ability to control ones life, even in the simplest areas, is fundamental to the happiness or wellbeing of individuals.

Of course with freedom comes responsibility. The notion of reciprocity is key to our understanding of social capacity and the well functioning of a strong civil society. Reciprocity has been best understood by the simple old fashioned nostrum “do unto to others as you would have them do unto you”.

Future reforms

If we are to advance the wellbeing of our community both in social and economic terms further reforms will be necessary. Emerging challenges including the ageing of the Australian population and the ever changing nature of global markets and politics do require constant responses from our policy and decision makers. Critical areas of attention identified by the Productivity Commission⁽⁴⁾ include:

- getting the best out of Australia’s social infrastructure — health, aged care and other community services — which account for a sizeable and growing share of GDP and a key to future living standards;
- raising the performance and accessibility of our education and training systems — primary, secondary and tertiary — particularly given their importance in deepening Australia’s human capital, on which innovation and economic growth will increasingly depend;
- raising the participation in employment of the Australian work age population, including by reducing long term unemployment (the major contributor to poverty) and premature retirement from the workforce;
- devising better mechanisms to ease social hardship including from job losses associated with policy change, without detracting from economic performance; and
- devising better mechanisms for reducing and avoiding adverse environmental side effects of economic activity and promoting a sustainable future

In the Commission’s review of National Competition Policy⁽²⁾, it concluded that to meet future challenges

and to raise standards of living more generally, timely action is needed to increase Australia’s productivity and improve sustainability. In essence sustainability requires that policy settings are consistent with and help to promote the economic, social and environmental needs of future as well as current generations.

Enhancing the wellbeing of the community both in social and economic terms requires us to ensure that public policies are shaped having regard to a more thorough understanding of the broad notions of wellbeing. They must also be shaped having regard to our impact on the world’s fragile environment. Our welfare and social policies need to be based on the respect of individuals and the belief that it is possible and necessary to build the capacity and resilience of individuals, families and communities to allow them to be able to make the choices necessary to enhance and improve both their economic and social well being. *They must also seek to reduce the level of social isolation and exclusion that too many experience.*

We should continue our pursuit of improving our nation’s productivity and sustaining strong economic performance in the face of great challenges especially the ageing of the Australian population and international pressures. *But we must do in a way that enhances the ability of all people to fully and fairly participate in the economic life of our nation*

The way ahead

Peter Dawkins and Paul Kelly in a collection of papers from a forum entitled *Hard Heads, Soft Hearts*⁽⁸⁾ in 2003 run by The Melbourne Institute and *The Australian* newspaper wrote:

Too much of our national debate reflects a rear vision culture. It is still a battle between economic reformers and sentimentalist traditionalists imprisoned by nostalgia for the old Australia and its egalitarian edifices. This is not the debate that Australia needs now and it

has become a means of avoiding the real issues. Our belief is that Australia can succeed as a prosperous economy and successful society where our political commitment to democracy, inclusion and egalitarianism is upheld. The key is to find new techniques to realise these long cherished values.

For these *techniques* to work and for these *long cherished values* to be realised then policies and decision making must be based upon a desire to strengthen the level of trust, respect and fairness within our society. Perhaps it is neatly summed with an expression I once read: 'Prosperity with Purpose'.

My proposition remains that justice, embodying the values of trust, respect of others and the fair treatment of all, is fundamental to sustaining an inclusive, prosperous and successful society.. Without these values economic security is undermined. In turn, without a strong economic foundation these values are placed at risk

Social and economic wellbeing are mutually necessary ingredients to the creation of an inclusive and prosperous nation. Trust, respect and fairness must underpin our public policies and private actions. They must also underpin our personal and societal relationships. So too must we recommit to our spiritual roots. For me, real wellbeing can not be achieved unless we are also at one with our Creator and guided by our faith. Spiritual wellbeing is not able to be measured but I for one can not live without it. This is one time when the statement *that which cannot be measured cannot be valued* is not right.

The biblical prophet Micah put it a different way over 2,700 years ago when he said that what God wants of us is *to act justly, to love tenderly and to walk humbly with our God*. This is a personal challenge. It is also a challenge for our society.

Robert Fitzgerald AM was formerly President of the Australian Council of Social Service, NSW State President of the St Vincent de Paul Society, a member of the National Competition Council and is currently a full time Commissioner with the Productivity Commission. While this paper draws in part from work undertaken by the Productivity Commission and its staff, the views represented are the personal views of the author only and do not represent the views of Commission or any organisation..

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