

Clearing Muddy Waters: Why Vinnies are Wrong on Inequality

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EXECUTIVE SUMMARY

A recent St Vincent de Paul Society report claims income inequality in Australia is dramatically widening and warns of severe social disruption unless inequality is reduced. My response suggested the report was grossly exaggerated. The authors of this report have sought to discredit my critique, but they have ignored key points and have ended up muddying the waters.

The Vinnies researchers claim we are on a 'headlong dash into the chasm of inequality'

UNTRUE: This was the key claim in the Vinnies' report, and it is false. No matter which measure we take, not much has changed in the distribution of incomes over the last ten years. It is impossible to justify the claim that Australia is on a 'headlong dash into the chasm of inequality.'

They claim we are in danger of a 'return to the dismal social injustices that characterised the dawn of the industrialised era, when people were kicked when down, while governments idly stood by'

UNTRUE: This warning is absurd. The federal government spends \$87 billion on income support, and total welfare state spending amounts to \$8,700 for every person in the country. Despite the Vinnies' denials, our tax and welfare system redistributes more money to those on low incomes than virtually any other OECD country.

They say it is a delusion that economic growth increases 'prosperity for all'

UNTRUE: Average real disposable incomes rose by 15% between 1995 and 2003, and even the least advantaged who earn nothing increased their spending power by one-eighth. This is a staggering vindication of the 'trickle-down' theory of growth that the Vinnies dismiss as a 'glossy dream.'

They claim we are facing 'severe dislocation' and 'increased crime' as a result of current levels of income inequality

UNTRUE: In Australia, when incomes became more equal before 1981, crime rose rapidly. More recently crime rates have fallen significantly yet inequality has remained more or less constant.

They say that 4.5 million people are living in households with an income under \$400 per week

UNTRUE: The data they cite are from a 2002-03 ABS survey which estimated 1.8 million households had a weekly income under \$400. The Vinnies translate this into 4.5 million individuals. Analysis indicates the realistic maximum figure to be no higher than 2.5 million—they have almost doubled the realistic maximum estimate.

The Vinnies deny their research is informed by a Marxist perspective and accuse me of 'vindictive name-calling'

UNTRUE: Key elements of Marxist theory inform recent Vinnies research output. These include: class analysis; class polarisation and the immiseration thesis; class conflict; the State as an instrument of class rule; dismissal of social democratic reform; a belief in state planning to replace the capitalist market system; and the belief that fundamental system change is necessary before the poor can improve their situation.

Introduction¹

At the end of May, a group of researchers employed by the St Vincent de Paul Society issued a report under the imprint of the Vinnies' National Council entitled *The Reality of Income Inequality in Australia*.² The report claimed that income inequality was dramatically widening and that there would be severe social disruption unless the government acted to reduce it.

A week later, I wrote a paper for The Centre for Independent Studies in which I argued that the Vinnies' report was grossly exaggerated.³ I said that evidence on trends in income distribution did not support their claim of dramatically rising inequality, and I also described some of the other assertions in their report as baseless and misleading. I concluded that the research output from this organisation had become highly politicised.

The Vinnies' researchers have subsequently sought to discredit my arguments, but they have largely ignored the key points in my critique and have ended up muddying the waters.⁴ In this response, I clarify what their report actually said, what I argued in my critique, and whether the evidence supports them or me. I start with the key issue that sparked this debate in the first place.

(1) Is it true, as the Vinnies' report claimed, that Australia is on a 'headlong dash into the chasm of inequality?'

This was the key claim in the Vinnies' paper and it was widely reported in press comments following the publication of their report.⁵ The only possible interpretation of this claim is that income inequality is dramatically widening. This claim is untrue.

Muddying the waters (1): Changes in private incomes tell us nothing about how much spending money people have

In the debate over the income statistics, the Vinnies researchers have sown much unnecessary confusion by muddling up discussion of disposable incomes with discussion of private incomes. Indeed, there are times when they seem to have confused themselves about which set of statistics they are referring to. For example, on the ABC Radio National *Religion Report*, John Wicks said:

'In the years 1994 to 2003, 2 million Australians, or 10% of the households, got an increase of \$26 a week. Now the CIS and the PM say that is a clear sign that they're improving their standard of living. That miserable \$26 will not enable a household to go to a footy match... Compare that with the top 10% of income earners who got an increase of \$762 a week... Now you tell me if they're all getting better off on those figures. And that is official ABS data.'⁶

This statement reveals hopelessly muddled thinking. The \$26 figure cited by Wicks relates to the bottom 10% of private income earners, who on average raised their private income from \$16 to \$42 per week during this period. As I pointed out in my original critique, however, data on private incomes are of little relevance if we are interested in people's actual living standards, for they take no account of tax deductions and benefit payments. It is simply not true that the people in the bottom decile of private incomes only increased the money they got to spend on footy matches or other consumption by \$26 per week, for this figure refers only to their private earnings before government topped them up with welfare benefits. Wicks is illegitimately using data on private incomes to draw conclusions about *disposable* incomes. He should publish a correction on the ABC website.⁷

Despite the fact that data on private incomes tell us nothing about changes in people's living standards, the Vinnies researchers keep referring to them. In particular, they have repeatedly made the point that the huge (165%) percentage rise in average private incomes in the bottom decile disguises a tiny increase of just \$26 a week in absolute terms. I have no argument with them about this (even though they continue to imply that I do).⁸ My point has been that these data on the bottom decile of private incomes are virtually worthless. (continued on adjacent page)

Incomes can be measured in three ways:

- *Private* income is the cash people receive before paying tax and receiving welfare benefits. Since the mid-1990s, the bottom 20% of income earners have increased their private incomes faster than any higher-earning groups, so income shares here have been narrowing, not widening (albeit by a small degree).
- *Disposable* income is the cash people have after tax and welfare transfers. The evidence here is that top income earners have increased their disposable incomes by 16% since 1995 as compared with a 12% rise for the bottom group (most of whom are on welfare benefits). This suggests some widening of inequality may have occurred, although the increase in the Gini coefficient (an overall measure of inequality) is not statistically significant, and the trend appears to have halted or even reversed since 2001 with the lowest income group increasing its income by 4% since then as compared with a 2% rise for higher groups. Overall, any shift that may have occurred in the distribution of disposable incomes has been small and does not appear to be sustained.
- *Final income* is the value of the net cash people receive, plus the services they get 'free' from government. Evidence here suggests nothing has changed in the last ten years.

No matter which measure we take, it is clear that not very much has changed in the distribution of incomes over the last ten years. Private income differentials may have narrowed a bit, disposable income differentials may have widened a little, and the distribution of final incomes has remained more or less the same. On this evidence, it is impossible to justify the claim that Australia is on a 'headlong dash into the chasm of inequality.' The Vinnies researchers should acknowledge this and withdraw their grossly exaggerated claim.

In my original response I made three key observations about these data:

First, I warned there are 'grounds for caution' when analysing this bottom decile, for not only has the ABS warned that income data at the bottom of the distribution are unreliable, but the people in this decile are in any case clearly not working more than three or four hours per week maximum. The ABS has warned that many people who appear to be in the bottom income decile do not accurately report their actual incomes, but even if these figures are reliable, people earning an average of just \$42 per week cannot be working more than four hours each week on minimum wages, and the bulk of their income must therefore be coming from other sources. Clearly, then, these figures are hopeless if we want to know what has been happening to the earnings and living standards of low income workers. Yet Wicks and Falzon (in his *Australian* op-ed) ignore all such considerations, continuing to talk at length about the bottom 10% of private income earners as if these figures meant anything.

Secondly, I argued that, if we want to analyse low private incomes, we should look at the second decile where the data are more reliable and meaningful. Wicks claims that CIS relies on the \$26 increase in the bottom decile as 'a clear sign that they're improving their standard of living,' but I never relied on the data on the bottom decile for my claim that private incomes at the bottom have been rising faster than those at the top. Rather, I observed that private incomes in the *second* decile have improved by 53%, and this is a faster rate of growth than those higher up. I pointed out that this means it really is true (as the Prime Minister suggested in an earlier speech) that private incomes at the bottom end have been rising faster than those higher up—this is no 'mathematical illusion.' The Vinnies' paper made no mention of the second decile, however, and all their comments since have continued to ignore this group.

Thirdly, I emphasised that what matters for people's living standards is not their private incomes but their disposable and final incomes. The debate over private incomes is in this sense a red herring. The Vinnies' researchers are enamoured of it because it enables them to keep repeating the claim that, 'The lowest 10% get an increase of \$26 and the highest 10% receive an increase of \$762.'⁹ To the untutored ear, such figures sound alarming, which is why the Vinnies keep repeating them. But they are meaningless figures, and every time they recite them, the Vinnies researchers are misleading their public and muddying the debate still further.

(2) Is it true, as the Vinnies' report claimed, that we are in danger of returning to the conditions of the early nineteenth century when Government did almost nothing to help the less fortunate?

The Vinnies' report made some extraordinary claims, but probably the silliest was its warning that, if we do nothing to reduce the current income gap, 'We will see a return to the dismal social injustices that characterised the dawn of the industrialised era, when people were kicked when down, while governments idly stood by.'

Even leaving aside the over-charged emotional rhetoric about people being 'kicked' when they are 'down,' this warning is absurd. My response pointed out that the federal government will this year spend \$87 billion on income support payments (this massive level of spending will soak up more than three-quarters of all the income tax people pay). Since the Howard government came to office, the biggest single increase in Commonwealth spending has been on income support payments (up from 41% to 44% of the Commonwealth budget). Adding in spending on health, education, housing and personal social services, state and federal governments spent \$174 billion in 2003-04 on the welfare state, or \$8,700 for every man, woman and child in the country. The bulk of this was paid for by a minority of taxpayers—two-thirds of all income tax receipts are collected from just one quarter of income tax payers.¹⁰

In the face of all this, the Vinnies' claimed that, unless the Government spends even more, we shall end up with people being 'kicked' while government 'stands idly by.' Hyperbole like this makes it difficult to take this report seriously.

As with their false claim that income inequality is dramatically widening, so too with their ridiculous warnings about government doing nothing to help the less fortunate, it is clear that the Vinnies' report was grossly exaggerated and irresponsible. They should withdraw their alarmist comments and should acknowledge the substantial income redistribution which occurs in Australia through the tax and welfare systems.

Muddying the waters (2): Total welfare spending tells us nothing about how much gets redistributed to those who need most help

Nothing the Vinnies have said since I published my critique has tried to justify their absurd claim about government 'standing idly by.' Instead, they have resorted to more water-muddying, this time by suggesting that Australia ranks poorly on its total level of welfare spending against other OECD countries.

Yet again, however, they spectacularly miss the point. In my paper I drew on a 2002 Department of Family & Community Services report written by Peter Whiteford (who is now working at the OECD in Paris). I stated: 'The level of net cash transfers made by the government to the poorest 30% of the population is higher in Australia than in Japan, the USA, Italy, the Netherlands, Germany, Denmark or even Sweden.'¹¹

The Vinnies responded to this in their Media Release of 8 June by arguing: 'CIS resorts to old data on international comparisons on welfare transfers...Latest OECD figures (2001) place Australia 7th from the bottom of 29 OECD countries.' The same point was made by John Wicks on ABC Radio Canberra and in John Falzon's op-ed in *The Australian*. But in all three cases, these researchers have not understood the research I was citing.

It really is true that we divert a bigger proportion of welfare spending to low income households than virtually any other OECD nation. This claim is not 'out of date,' as Wicks and the Media Release suggested, and it is a lot more relevant than statistics about our OECD ranking on total welfare spending. The point is that our welfare state is much more successful than those elsewhere in *targeting* spending on the poorest households. Of course Sweden spends more per head on welfare than we do, because Sweden operates a universalistic system whereas Australia prefers targeting. Sweden spends a lot because it gives a lot of cash to higher income people who do not need it before clawing it back off them in taxes. But the net amount that goes to the bottom 30% is lower in Sweden than here. The Vinnies claim to be concerned with support for those at the bottom of the income distribution, yet they seem oblivious to these core details of how our system compares with those elsewhere.

(3) Is it true, as the Vinnies' report claimed, that the poor have not gained from economic growth, and that our society faces severe social disruption unless the government engineers greater income equality?

According to the Vinnies' report: 'If, however, we choose to do nothing, we assist the unfettered growth of injustice and want. We may comfort ourselves with the glossy dreams of a future of unrivalled opportunities for economic growth delivering prosperity for all. The reality is that our society will face severe dislocation... The community will face the costs of sharpening divisions, discord, increased crime and urban deterioration'¹²

Besides the false statement that 'injustice and want' are growing in an 'unfettered' manner, there are two claims to consider here: that the poor do not gain from economic growth (a 'glossy dream'); and that current levels of inequality pose a serious threat of social disruption. Typically, no evidence is provided to justify either of these dramatic assertions, and when we look for evidence we discover that both are empirically false.

On the first issue of prosperity, the ABS income surveys on which the Vinnies report relies show that average *real* disposable incomes rose by 15% between 1995 and 2003. As we have seen, higher income groups appear to have done slightly better than those towards the bottom (a 16% gain as against 12%), but even the least advantaged have seen their spending power increase by one-eighth in just eight years. This is a staggering achievement, and it proves that, far from being a 'glossy dream,' economic growth has indeed raised the prosperity of all.

It is worth emphasising here that few of those at the bottom of the distribution of disposable incomes are engaged in any paid work to support themselves. What the data show, therefore, is that economic growth generated by the private sector has enabled people who (for whatever reason) do not participate in any economic activity nevertheless to raise their real living standards by 12% in 8 years. Like many other critics of contemporary capitalism, the Vinnies have been dismissive of so-called 'trickle-down' theories, but if this isn't trickle-down, what is?

Needless to say, in their original paper and again in their subsequent comments, the Vinnies researchers totally ignore this startling, across-the-board rise in real disposable incomes. Yet what they dismiss as a 'glossy dream' is empirical fact.

As well as arguing that economic growth has not improved the prosperity of those at the bottom, the Vinnies report also claimed that we are facing 'severe dislocation' with 'increased crime' as a result of our failure to reduce income inequality.

Claims like this are routinely made by socialist academics and radical egalitarians to back up their push for more income redistribution, but they are rarely backed up by any evidence. The Vinnies' report is no exception. These authors present their claim as if it were self-evidently true, but it is not true.

Elsewhere I have pointed out that increased inequality has not coincided with rising crime or social disruption, nor has crime fallen when income inequality has been reduced. In Australia, the distribution of incomes became increasingly equal up until 1981, yet this was a period of rapidly rising crime.¹³ More recently (and counter to the Vinnies' alarmist claims), crime rates have been falling significantly,¹⁴ yet we have seen that inequality has remained more or less constant.

A report which makes sweeping statements without any evidence to back them, simply assuming them to be true when readily-available statistics show them to be false, does not deserve to be taken seriously.

(4) Is it true, as the Vinnies claim, that 4.5 million Australians are living in 'households with an aggregate income of less than \$400 per week'?

This claim was made in the original report and has since been repeated in radio interviews and in the press.¹⁵ It rests on data from the 2002-03 ABS income survey which suggests that 1.7 million households receive less than \$400 weekly disposable income.

The Vinnies' estimate of 4.5 million individuals appears to have been generated by multiplying the number of households by an arbitrary figure of 2.5. No justification is offered for this assumption that each household contains an average of 2.5 people, and once we begin to investigate it, it becomes clear that it is nonsense.

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The ABS gives a breakdown of household composition for the bottom 20% of household incomes.¹⁶ The 1,790,400 households on under \$400 comprise the lowest 23%, but it seems reasonable to assume that the composition of these households will be more or less the same as that of the bottom 20%.

The breakdown tells us, first, that each of these households contains an average of 0.6 children under 18. This means there are 1,074,240 children in the 1,790,400 households. We also know that:

44% are single person households	= 787,776 adults
23.8% are couples only	= 852,230 adults
15.4% are couples with children	= 555,024 adults
3% are other couples	= 107,424 adults
9.8% are single parents	= 175,459 adults
4% are other households [allow 4 adults in each to be generous]	= 286,464 adults

Add all the adults and children together and the total comes to 3,838,617—about 700,000 below the Vinnies estimate.

But this is not all. The reported incomes of the 1,790,400 households claiming to receive under \$400 per week are as follows:

Negative income	32,100
Zero income	65,500
\$1-\$99	89,500
\$100-\$199	192,000
\$200-\$299	783,600
\$300-\$399	627,700

These figures are for 2002-03. As at December 2002, The Melbourne Institute's *Poverty Lines* publication tells us the *minimum* welfare income for a single person on an allowance was \$233 (the minima for a childless couple = \$382; for a couple with 1 child = \$455; for a single parent with 1 child = \$370; and for single parent with 2 children = \$433).¹⁷

Everybody in the negative-to-\$199 range must therefore be excluded as reporting an impossibly low household income, for any household with an income this low was entitled to welfare that would have taken them above this amount. This covers 379,100 households. Furthermore, even if all those in the \$200-\$299 range were single person households, approximately one-third of them (261,200) should be excluded given the lowest possible welfare income in this range was \$233 (for a single person on an unemployment allowance receiving rent assistance), not \$200.

So on the most generous estimate, the total number of households under \$400 per week cannot be more than 1,150,300 (and is almost certainly a lot less than this). Given the household composition of the bottom quintile, this works out at a maximum of just 2,466,243 individuals—2 million less than the Vinnies claim.

Not for the first time, a report has been issued that massively exaggerates the poverty figures.

(5) Is it true, as the CIS response claimed, that the Vinnies' preoccupation with inequality reflects a broader Marxist perspective underpinning their work?

On its website, the St Vincent de Paul Society describes as its mission: 'To work with the poor in development, by respecting their dignity, sharing our hope, and encouraging them to take control of their destiny.'¹⁸ Nobody could argue with such a laudable objective. But if the concern is to help the poor get more control of their lives, why did the Vinnies write a report about inequality? Why are they so concerned with what is happening to those who are affluent? Why the preoccupation with reducing *inequality* if the focus is supposed to be on eliminating *poverty*?¹⁹

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Despite Wicks's protest that he is not trying to drag down those on high incomes, this is exactly what the Vinnies seek to achieve. They have made clear that they want higher incomes reduced, even if this achieves nothing by way of redistribution to the poor.²⁰ In my original critique I suggested that this commitment to egalitarianism is part of a broader political agenda that has been developed by researchers at the Vinnies over recent years. This agenda, I said, was strongly influenced by a Marxist perspective. This has provoked a furious response from the Vinnies authors, and again this has served to muddy the waters.

For example, Falzon's op-ed denies he and his colleagues are 'communists,'²¹ but I never said they were. Applying a Marxist analysis to social research does not make you a communist. On a different tack, the Vinnies Media Release describes my comments as 'vindictive name-calling,'²² and Wicks dismisses my claim as 'abusive.'²³ But describing social analysis as 'Marxist' is neither vindictive nor abusive. Marxism may or may not be an appropriate framework for a Roman Catholic charity to embrace, but it is an established and well-recognised method of analysis in the social sciences.

Given that my comments appear to have touched a sensitive nerve, and that the Vinnies insist that my claims are 'unsubstantiated'²⁴ (even though I gave extensive footnoted references to back up what I was saying), it is necessary in the interests of clarity to spell out more explicitly some of the core contiguities between the Vinnies' research framework and elements of a Marxist approach to social analysis:

Class structure

Marx believed that modern capitalist society is a 'class society.' The capitalist class owns land, finance and businesses while the working class owns nothing but its labour power which it sells in return for a wage. These two classes are locked in conflict over the distribution of profit ('surplus value').

The Vinnies agree. Criticising 'third way' reformists in a St Vincent de Paul paper given at a 2002 conference, John Falzon wrote: 'Long live Australia: the classless society! This is the fairy tale world of those who occupy the intellectual space of the third way. A beautiful fairy tale, but a fairy tale nonetheless. Class is not dead...[There is a] solid class structure that constitutes the contemporary socio-economic formation.'²⁵

Wealth and poverty

Marx believed that capitalists accumulate wealth by exploiting the labour of others. This means that one class only gets richer if another gets poorer (the so-called 'immiseration thesis'). As Marx put it: 'Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole.'²⁶

This is an absurd, zero-sum conception of wealth generation which assumes one person can only be rich at another's expense. But the Vinnies agree with it. We have already noted their insistence that poorer people do not benefit from economic growth. Falzon reiterates this belief when he states: 'As wealth has been generated so has poverty been created.'²⁷ And although Wicks rather awkwardly distanced himself from this position when directly challenged on radio,²⁸ the Vinnies website clearly resonates with Marx's own comments by claiming: 'The accumulation of wealth on the one hand is connected with the accumulation of poverty on the other.'²⁹

Class conflict

Marx believed that the widening economic gap between the classes would gradually raise the level of tension and conflict between them as workers came to see how much wealth was in the hands of the capitalists. Class conflict would take various forms including strikes, absenteeism and criminal behaviour, but eventually it would coalesce into a revolutionary political movement.

The Vinnies baulk at violent revolution,³⁰ but they agree with Marx's assumption that class envy will generate social unrest. We have seen that their recent paper assumes (with no empirical justification) that increasing inequality will generate 'sharpening divisions,

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discord, increased crime.³¹ And asked on Radio National why he believed inequality 'is not good for society,' Wicks replied: 'Well, because the people at the very bottom see all the things that are available in society...A young Australian...he's never going to get all the things they show on TV, all the nice goods and services, and all the rest of it. And so what's he going to do if he can't have those?'

One might have expected Catholic social teaching to condemn class envy rather than apparently condoning it. The Bible's answer to Wicks's question, what is a poor young Australian to do when confronted with material goods he cannot afford, is clear and unequivocal: 'Thou shalt not covet thy neighbour's house, thou shalt not covet thy neighbour's wife, nor his manservant, nor his maidservant, nor his ox, nor his ass, nor any thing that is thy neighbour's.' Nor, we might add, his TV set.

The ruling class

Marx believed that class conflict involves the State operating to defend the long-term interests of the capitalist class. This means that legislation tends to reflect the interests of capital rather than those of labour.

The Vinnies agree. Falzon thinks recent public policies have been aimed at 'dismantling the public sphere in the interests of capital and decollectivisation of labour.' Echoing contemporary Marxist theorists like David Harvey,³² he sees privatisation as the 'result of the need to create new fields for investment of surplus capital around the globe,' and he describes this as a 'social crime.' Similarly, he attacks 'the legislative attempt to wreck the collective bargaining rights of labour.' He sees the 1998 waterfront dispute as 'a frontal assault on a well-organised section of the working people,' and bemoans the way the State promotes ideologies of personal aspiration to 'drive a wedge' between different 'members of the working class.'³³ All of this is straight, undiluted Marxist analysis.³⁴

The welfare state

The welfare state did not exist in Marx's day, but an extensive Marxist literature developed from the 1960s onwards explaining how the welfare state 'incorporates' the working class, pacifying them, preparing them for their role as wage labourers, and legitimating capitalist rule by blunting its worst effects. The argument is that 'bourgeois' institutions like the welfare state can only ever ameliorate the suffering of the working class, and that when workers participate in such bourgeois institutions they are in effect reproducing the very system which is dominating them.³⁵

The Vinnies agree. Falzon is scathing about attempts to help the poor which stop short of transforming the whole society: 'The third way is, at best, an excuse for not doing anything to substantially assist the poor. It makes no attempt to alter a socio-economic infrastructure that not only puts people into poverty but keeps them there. It proposes that people can escape the chains of poverty by their participation in the very structures that produce their poverty.'³⁶ He also argues that what he calls the 'liberal democratic model of governance' is implicated in, and helps disguise, the 'systematic dispospossess[ion] materially, socially and politically' of the poor.³⁷

Socialist planning in place of the capitalist market system

Marx believed that the working class will never receive its fair share of society's wealth until the wealth of the capitalist class is appropriated. This in turn will require the abolition of private property and the replacement of the capitalist market system with a system of socialised ownership and state planning.

The Vinnies broadly agree. Falzon again: 'The market exists as a structure for the generation of profit. It rewards those who have capital. It does not exist to serve the needs of those it exploits... The market is part of the problem, not the solution.'³⁸ In its place he advocates state planning: 'Real political security for the people of Australia means a concrete commitment to strategic economic development that does not rely on the market but engages all levels of government in a plan.'³⁹

Structures of domination

Marx famously emphasised that he was writing, not about individual capitalists and workers, but about the ‘structural relation’ between them. Workers and capitalists are not the agents of their own fate but are the ‘bearers’ of objective structural realities. Individuals can do little to improve their fates—what is needed is structural transformation (i.e. revolution).

The Vinnies agree. Falzon’s paper attacks the ‘specious form of blaming the structurally exploited and excluded for their poverty, inferring that they, rather than the movements and machinations of capital, can make both the ultimate and intimate difference to their own living conditions. This position would be laughable were it not so insulting.’ In plain English: there is nothing the poor can do to improve their situation unless the capitalist system itself is overturned.

The Vinnies researchers deny their work is Marxist-inspired, and Wicks even tells us that Marxism and Christianity are fundamentally opposed doctrines. But if they want to distance themselves from Marxism, they should stop using Marxist theories, concepts and arguments. If it walks like a duck, and quacks like a duck, then it’s a duck.

Concluding comment

Inequality is a highly-charged issue, but the emotional over-reaction of the Vinnies’ report does this venerable charity a disservice. Nor does it aid clear and level-headed public debate when researchers working under the name of one of our leading charities promote highly-politicised and near hysterical claims with little or no evidence to back them up.

When extravagant claims like these are made, it is important that they should be confronted, no matter what their source. If claims like these are allowed to go unchallenged, the public may be misled into believing they are accurate when they are not. We are *not* on a headlong dash into the chasm of inequality, there is *no* danger of the government standing idly by while the poor get kicked, everybody *has* gained substantially from economic growth, and there is *no* evidence of rising crime or greater social disruption arising from current tax and welfare policies. All of these claims are untrue, and an organisation with the Vinnies’ reputation should never have made them.

When a paper like this gets published, we should be able to look to the academic social science community to perform a critical, monitoring role, but it doesn’t happen. Australia’s social policy academics are themselves almost all wedded to the same radical, egalitarian political agenda that drove the Vinnies’ report, and this means they have been disinclined to criticise it. It therefore falls to independent voices, like the CIS, to monitor and react to such claims whenever they get made.

In a number of important respects, the Vinnies’ report showed a reckless disregard for factual evidence. This is why CIS challenged it. It is to be hoped that any later papers in the Vinnies series will take more care to guard against the sort of hyperbole which so marred their first attempt.

Endnotes

- ¹ Thanks to Jason Briant and Andrew Norton for comments. The responsibility remains mine.
- ² John Wicks, ‘The reality of income inequality in Australia’, St Vincent de Paul Society National Council, *Social Policy Issues Paper No.1* (May 2005).
- ³ Peter Saunders, ‘A headlong dash into the chasm of hyperbole’, *Issue Analysis* No.59 (Sydney: The Centre for Independent Studies, 2005).
- ⁴ The main responses to which I shall refer in this paper were: a St Vincent de Paul Society media release on 8 June entitled, ‘CIS should take a BEX and have a good lie down’; a debate on the ABC (Canberra) Morning Programme on 8 June between John Wicks and myself, hosted by Alex Sloane; edited interviews with John Wicks and me, conducted by David Rutledge, on ABC National’s *The Religion Report* on 15 June <http://www.abc.net.au/rn/talks/8.30/relrpt/stories/s1391425.htm>; and an op-ed in *The Australian* written by John Falzon (‘Charity starts at poverty’s source’, 15 June 2005).
- ⁵ For example: ‘A study to be released today by the St Vincent de Paul Society warns that Australia is making a ‘headlong dash into the chasm of inequality’ (Mike Steketee, ‘Howard’s income

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- claims an ‘illusion’, *The Australian* (30 May 2005). The original comment appears on p.11 of their report.
- ⁶ ABC National, *The Religion Report*, 15 June (transcript from <http://www.abc.net.au/rn/talks/8.30/re/rpt/stories/s1391425.htm>)
- ⁷ The comment is also misleading when it states that ‘2 million Australians got an increase of \$26 a week.’ Two million is 10% of the whole population, but half the population have no private income, and the data Wicks is referring to exclude anyone who does not report some private income. Rhetorical statements like this might make for dramatic radio, but they are enormously misleading and are in my view grossly irresponsible.
- ⁸ For example: ‘Professor Saunders relies entirely on private income growth as evidence of growth at the bottom...Our paper points out that it is a mathematical illusion to suggest that the bottom 10% are winners’ (‘CIS should take a BEX and have a good lie down’)
- ⁹ ‘CIS should take a BEX and have a good lie down’.
- ¹⁰ Nearly two-thirds of all income tax is paid by just one quarter of income earners. The bottom 25% of income earners pay just 3% of the income tax. Sinclair Davidson, ‘Who pays the lion’s share of income tax?’, *Policy Monograph* No. 63 (Sydney: CIS, June 2004).
- ¹¹ ‘A headlong dash into the chasm of hyperbole’, p.2. The source is: Peter Whiteford and Gregory Angenent, *The Australian system of social protection—an overview*, Occasional Paper No.6 (2nd edn) (Department of Family & Community Services, 2002).
- ¹² ‘The reality of income inequality in Australia’, p.11.
- ¹³ I review the evidence in Peter Saunders, *Australia’s Welfare Habit, and how to kick it* (Sydney: CIS and Duffy & Snellgrove, 2004), pp.65-66,
- ¹⁴ In NSW, assaults and car thefts are down 5% since 2003, breaking and entering is down 11% (domestic) and 18% (non-residential), and armed robberies are down 16%. Jonathon Pearlman, ‘Crime plunges to lowest level in years’, *The Sydney Morning Herald* (19 April 2005).
- ¹⁵ ‘The reality of income inequality in Australia’, p.2; ABC (Canberra) Morning Programme, 8 June; John Falzon, ‘We won’t be silenced on the welfare divide’, *Newcastle Herald* (17 June 2005).
- ¹⁶ Australian Bureau of Statistics, *Household Income and Income Distribution*, Cat. No. 6523.0, (December 2004).
- ¹⁷ <http://www.melbourneinstitute.com/miesi/poverty/Dec2002.pdf>
- ¹⁸ <http://www.vinnies.org.au/index.cfm?state=national§ion=aboutus>
- ¹⁹ It is important to recognise that poverty and inequality are two different things (or they should be), and reducing the first need not involve reducing the second. Some definitions of poverty are nowadays inextricably tangled up with the concept of inequality, but in principle these are two completely different concepts. Inequality is about not having as much as somebody else has; poverty is about not having enough to sustain an acceptable standard of living. I have discussed this distinction in Peter Saunders and Kayoko Tsumori, *Poverty in Australia: Beyond the rhetoric* (Sydney: CIS, 2002)
- ²⁰ Asked if the report was advocating ‘that those doing well should be in some way penalised or dragged down so as to diminish the income gap,’ Wicks replied, ‘Not at all. As I said earlier, Catholic social teaching says there’s nothing against being wealthy.’ (ABC National, *The Religion Report*, 15 June). But the Vinnies *do* advocate reducing high incomes. In the earlier *Two Australias* report they not only argued for a higher marginal tax rate on incomes over \$150,000, but also made the case for abolishing the private health rebate for high earners ‘primarily in equity grounds regardless of the level of revenue involved’ (St Vincent de Paul Society, May 2001, p.33). Similarly, Terry McCarthy and John Wicks told an ALP roundtable in 2002 that they favoured ‘higher marginal tax rates on very high incomes’ (*Greed, poverty and compassion: Where to Australia?*, ALP Roundtable on Poverty, Canberra 18 October 2002, p.7).
- ²¹ ‘Charity starts at poverty’s source’.
- ²² ‘CIS should take a BEX and have a good lie down’.
- ²³ ABC National, *The Religion Report*, 15 June 2005.
- ²⁴ ‘CIS should take a BEX and have a good lie down’.
- ²⁵ John Falzon, *Third Way: Empty Promise*, St Vincent de Paul Society Paper to the Full Employment conference at the University of Newcastle (December 2002), p.1.
- ²⁶ K Marx, *Capital*, vol. I (Moscow: Progress Publishers Moscow, 1954), p.604.
- ²⁷ *Third Way: Empty Promise*, p.2.
- ²⁸ He was asked: ‘Do you believe the accumulation of wealth at one end of society means an increase in poverty levels at the other end?’ He answered: ‘Not necessarily.’ ABC National, *The Religion Report*, 15 June 2005.

- ²⁹ St Vincent de Paul homepage, <http://www.vinnies.org.au/index.cfm?state=national§ion=socialj>
- ³⁰ Wicks said: 'Churchgoing Christians who follow the Bible and the teachings of Jesus Christ, as we do, are diametrically opposed to Marxism. Its reliance on revolution is abhorrent to us.' (ABC National, *The Religion Report*, 15 June). Of course, even Marx accepted that revolution does not always have to be violent, and Falzon has made clear his belief that existing institutions need to be overturned (e.g. in his criticism of third way thinkers for their 'uncritical acceptance of current economic frameworks'. See *Third Way: Empty Promise*, p.2.
- ³¹ 'The reality of income inequality in Australia', p.11.
- ³² David Harvey, *The Limits to Capital* (University of Chicago Press, 1982).
- ³³ *Third Way: Empty Promise*, pp.3-4.
- ³⁴ Before he joined the Vinnies, Falzon was even more explicit. In 2000 he wrote 'Big businesses around the world are pursuing (through governments) a two-pronged plan to maximise profits: 1) the undermining of unions as collective representatives of workers, and 2) the dismantling of social security for working class families'. See John Falzon, *Telling tales out of class*, Adult Learning Commentary, No.4 (29 March 2000).
- ³⁵ Writers on this theme include Manuel Castells, Ian Gough, Claus Offe, James O'Connor and Ralph Miliband. I have discussed their theories at length in Peter Saunders, *Social Theory and the Urban Question* (2nd ed) (London: Hutchinson, 1986).
- ³⁶ *Third Way: Empty Promise*, p.1.
- ³⁷ *Third Way: Empty Promise*, p.6.
- ³⁸ *Third Way: Empty Promise*, p.2.
- ³⁹ *Third Way: Empty Promise*, p.7.

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