Changing Minds, Changing Attitudes: Michael Pusey's *Economic Rationalism in Canberra*

James Cox

***James Cox**, a consultant with the New South Wales Cabinet Office, reviews **Economic Rationalism in Canberra: A Nation Building State Changes its Mind** by Michael Pusey (Cambridge University Press, Melbourne, 1991).*

Michael Pusey's book has received a good deal of attention from the media and has been described by the historian Hugh Stretton as 'the political book of the decade'. I understand that it has enjoyed some commercial success. Professor Pusey is saying something that a good many people want to hear.

People who try to read *Economic Rationalism in Canberra* may be disappointed. Whole pages consist of almost impenetrable sociological prose. As well, the book contains a number of careless errors. But Michael Pusey raises important issues that readers of *Policy* (and not least economic rationalists) should work their way through.

The heart of the book consists of interviews with 215 members of the Commonwealth government's Senior Executive Service (SES) conducted during 1985 and 1986. Respondents were drawn from the central or coordinating agencies (Prime Minister and Cabinet, Treasury and Finance), 'market oriented' departments (such as Industry, Technology and Commerce) and program and service departments (such as Social Security and Health). Professor Pusey finds that his respondents come from moderately privileged backgrounds and hold fairly conservative views. In particular, they tended to favour more individual initiative and less state provision. They also know their place and accept that, where there are differences, the views of ministers should prevail over those of officials and that political considerations should prevail over technical ones.

Pusey then compares the circumstances and views of respondents in the central agencies with those in the market and program departments. The SES officers in the central departments are younger, more privileged and more conservative than their counterparts elsewhere. Respondents in market and program departments thought that their central-agency colleagues were 'abstracted from the real world' (p.85). Respondents in central agencies thought that their colleagues in market and program departments were too close to their clients and were unable to take a broader view. The process of public-service reform, moreover, has seen the partial colonisation of market and program departments by economic rationalists from the central agencies.

It is from this platform that Michael Pusey launches into his broader concerns. These can best be introduced by Pusey himself:

> There are surely moments in every study when an interviewee says something that goes, like a flash of lightning, from a detail to something in the inner core of the enquiry. Just such a response came in one of the follow-up interviews from a very senior (and battle weary) person in one of the service departments in answer to a question about his view of the economic rationalists in the central agencies. The unexpurgated fragment is as follows: Fucking locusts: the moment they smell something green it's gone in an instant. (p.174)

This comment by the battle-weary senior public servant should be taken with a pinch of salt. He may well be thinking about the response of his colleagues in central agencies to proposals for increased government expenditure put forward by his department. But it is in the nature of things for those working in central departments to be sceptical and to pull apart other people ideas. Otherwise they would not be doing their jobs.

But to Michael Pusey this devouring by the economic rationalists in the central agencies of the proposals advanced by market and program departments is symptomatic of the destruction of the historic mission of Australia's nation-building state by economic rationalists in general. Thus, 'the residues of older social structures (such as church, remembered inheritance, extended family, and neighbourhood) have all been burned up in the engine of development in the space of little more than a generation' (p.22). As a result, in the modern world 'only the state can integrate social actors who are separated by the market, opposed to each other by class relations, atomised by rational individualism' (p.196). But now

the economic rationalists wish to mobilise all the resources of the state 'to liquefy, dissolve and instrumentalise every aspect of the lifeworld (including political citizenship, identity, autonomy, responsibility, freedom, and culture) which still resists the external logic of "incentivation" administered from the top down through an internationalisation of totalitarian "business democracy"' (p.241).

Economic rationalists, according to Pusey, are engaged in nothing less than the destruction of their own society. 'The next generation of Australians may yet be sentenced to stand with the Aborigines whose land was declared a terra nullius and to then say, with them, "Poor Fellow My Country"'(p.242).

The villain in this story is the narrow, technical and demoralising education that economists have received in Australia since World War II. This new generation mistakes its computer models for the real world. The older generation of public servants personified an ideal of service; the new generation obtains its deepest satisfaction from coping with the demands of the job.

I have summarised Professor Pusey's views at some length and I have tried to do so fairly. But I should now place my cards on the table and say that I disagree with most of them. (On the other hand, I too sometimes wonder whether it is desirable for those who will be so influential in later life to receive only a narrow and technical education at university.)

Economic Rationalism and Government Failure

The first issue that needs to be addressed is whether, and to what extent, Australia's nation-building state has changed its mind in recent years. Professor Pusey does not say carefully what he means by 'economic rationalism'. I suggest that a good working definition of an economic rationalist is someone who tends to be sceptical about whether government initiatives to achieve economic and social progress do more good than harm. Economic rationalists would support the continuation and even the extension of many government activities, but are always interested in alternatives to government programs and argument and evidence, rather than assertion, about the net benefits of government programs.

There is nothing new about economic rationalism thus understood. It was, after all, a central component of Gladstonian liberalism. In Australia people such as George Reid, Prime Minister 1904-5, had doubts about the wisdom of much of the 'advanced' social legislation, such as protection and compulsory arbitration, of the early years of the 20th century. But economic rationalism was a minority view for much of the present century and perhaps particularly so in Australia. Very high expectations were held during the post-war period about the ability of governments to engineer economic and social progress. But the period since 1970 has convinced some people that these expectations were unrealistic. At the very least, government programs no longer appear to be easy answers to the nation's problems. Protection has led to the development of an Australian manufacturing industry that, at least until recently, was incapable of competing in international markets. Government social programs seem to have generated problems of dependency at least among a minority of recipients. Shortages and surpluses coexist within the same branch of government-provided infrastructure. Politically determined pricing policies for economic and social infrastructure have contributed to the urban sprawl, which we wonder whether we can continue to afford. And so on. Michael Pusey never really faces up to the mixed blessings that flow from so much government activity.

An interesting aspect of Pusey's book is that his respondents appear to be sceptical about the benefits of the programs that they administer. For example, 79 per cent of those working in central agencies, 74 per cent of those working in market departments and 57 per cent of those working in program departments agreed that there should be more individual initiative and less state involvement in the social and economic spheres. Pusey puts this down to the corrosive effects of an economic education. But I would like to suggest an alternative explanation: that working in government has proved to be disillusioning for many respondents. Pusey's survey, unfortunately, does not investigate what effect working in government may have had on the views of his respondents. But it may be that many of them started their careers in the 1960s and 1970s with the high hopes and standards that Pusey considers to be typical of the previous generation of public servants. There is an interesting genre of writing by authors who claim to have entered government service to do good but who found that no one else was particularly interested. The best Australian example is Frederick Eggleston's *State Socialism in Victoria* (1932), but one thinks also of William Niskanen's *Bureaucracy and Representative Government* (1971).

Authors such as James Buchanan and George Stigler have explained why the earlier high expectations about what can be achieved through government programs may have been misplaced. These writers have argued that politics and bureaucracy can usefully be thought about as though they are economic activities governed by the same motivations as other kinds of economic activities. This is not to say, incidentally, that self-interest is the only motivating force governing political behaviour, nor is it a recommendation that politicians and bureaucrats should act in a self-interested manner. But the prudent voter and taxpayer will act on the assumption that the self-interest of the participants is not unimportant in political life. The **political** cost-benefit calculus may unduly favour well organised special-interest groups at the expense of the economic welfare of the general community. But privileges will be removed if the cost of continuing to support them becomes very great.

This argument may explain both the sense of disillusionment among those who analyse government

programs in terms of their contribution to economic and social progress and the continuing popularity of government programs with those who benefit from them or who hope to do so. And this, in turn, may help to explain the differences in opinion that Pusey notes between the bureaucratic elite and large sections of the general population. As Buchanan (1990) has noted, 'socialism is dead but Leviathan lives on'.

Many commentators are clearly disappointed with the progress of the 'microeconomic reform agenda' in Australia. Australian constitutional and political institutions render major changes (and especially the withdrawal of the privileges that are enjoyed by special-interest groups) unlikely to occur without widespread community agreement. The federal system, the upper houses of the Commonwealth and most State parliaments, and the frequent lack of control by governments of houses of parliament all tend to limit the power of any one group of ministers and public servants. The success of economic rationalists (or any other group) in advancing their reform agenda ultimately depends on their ability to persuade wide sections of public opinion.

State and Civil Society

A second major issue arising from Pusey's book is his identification of the state with civil society. He argues that only the state can bring together individuals who are isolated by the consequences of rational individualism. But is this true? An alternative view of civil society has been put forward by Michael James (1991:4):

> In a civil society many exchanges take place which, unlike market exchanges, are not motivated principally or typically by self-interest. Voluntary donations, for example, are usually motivated by altruism. Self-interest and altruism are fruitfully combined in relations of reciprocity — mutual aid, sharing, voluntary cooperation — embodied in the many autonomous 'intermediate' institutions between the individual and the state, like the family, churches, and voluntary clubs and associations.

Moreover, government service provision and unsympathetic regulation of the private alternatives may be responsible for any weakening in the institutions of civil society that has occurred in recent decades.

Whether Michael James is nearer the truth than Michael Pusey about the condition of civil society in Australia is an empirical question. To throw more light on it I have examined information about carers for the disabled in Australia. This is, after all, one of the most difficult tasks that a society must undertake. If Pusey is correct, one might expect relatively little assistance to be provided to disabled people by friends and relatives (especially those not living with the disabled person). There would be large gaps that only the state would fill.

Fortunately for our purposes, the ABS has undertaken a survey of disabled people to investigate their need for, and receipt of, help (ABS, 1990). According to this survey there were 2.3 million people in Australia with disabilities in 1988. Of these, 150 000 lived in health establishments. Some 1.4 million disabled people required help for one or more of the following activities: self-care, verbal communication, mobility, health care, home help, home maintenance, meals, personal affairs and transport. Some 96 per cent of these people received help for at least one of these activities and almost 70 per cent said that they had no unmet need for help. On the whole it seems safe to say that most disabled people receive most of the help they need.

Who provides this help? For those disabled people who live in health establishments, the staff are the most important providers of help. Relatives, friends and neighbours are, however, an important source of help for mobility and personal affairs. For that vast majority of disabled people who live in households, informal help from relatives and friends is the most important source of help. Indeed, for only four out of nine activities does formal help amount to more than 10 per cent of the total help provided. Only for health care (where help from podiatrists is very important) does formal help exceed 20 per cent of the total. Informal help from persons living in the household is the more important source but informal help from those living outside the household is particularly important for mobility, personal affairs and transport.

One cannot generalise too far from a single instance. But care of the disabled is an instance where it is possible to test Pusey's view of civil society, and it seems to be wrong. Successive ABS child-care surveys, moreover, show a decline in recent years in the proportion of children who are cared for only by their parents. Informal care of children by friends and relatives has grown in importance and is much more important than formal child care (which has also grown in importance).

This evidence, then, appears to support the common-sense view that civil society is alive and well in Australia. A difficulty is that voluntary associations often seem to direct their efforts towards obtaining subsidies from government. They do so because they believe that governments will reward good causes; the community expects government to be big rather than strong. This, indeed, may be why Pusey identifies government with civil society.

Changing Attitudes

These high expectations that government will provide are by no means unique to Australia but some have argued that they particularly strong here. Ray Ball (1987:17) has argued that 'from early colonial days to the recent collapse of the "resources boom", Australians and Australian institutions (including corporations and trade unions) have been sheltered from the need to

take primary responsibilities for their own futures. . . The parents have left, the child must now make its own way'. Without changes in individual and institutional attitudes, Ball argues, it will be hard for Australians to deal successfully with their own futures. Reliance on government to provide is an easy way of avoiding responsibility; alternative ways of addressing economic and social problems exist but many require substantially greater efforts by groups of individuals.

Ball goes on:

> Australia needs to teach opportunity rather than egalitarianism and responsibility rather than dependence in its families, schools, colleges, universities and churches. It needs to experience changes in attitudes, practices and structures in its corporations and their executives, in its labour unions and their leaders, among its politicians, regulators, administrators, academics, professionals and opinion makers. The required changes are detailed, extensive and slow in coming. (1987:21)

Without such changes governments will find it hard, with the best will in the world, to avoid activist policies that may often be harmful.

I do not know whether Ball is right to argue that the demand for state control is higher in Australia than elsewhere. But he is surely right to argue that it is high. Australian political and economic institutions both reflect this aspect of public opinion and contribute to it. If Ball is right, it is unlikely that the aspirations of the Australian population for economic and social progress can be met without substantial changes in public attitudes. Indeed, concern about Australia's slow rate of economic growth is an important reason for that greater scrutiny of the benefits of government programs that is the hallmark of economic rationalism.

Michael Pusey and the protectionists are calling for a return to the old ways. It is easy to understand how attractive this must sound to many people during the present recession when things appear to be going wrong. But our economic and social programs over the medium term will continue to be disappointing if we listen to these siren voices. The essential task of leadership in Australia during the rest of the 1990s will be to persuade the population in general that it would benefit from changes to its customary attitudes. It will be interesting to find out whether we will continue to produce leaders who take up this challenge.

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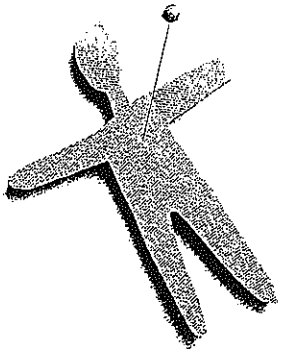

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