transformed, these debates, too, will tend to turn on considerations of general social advantage rather than on the considerations of social justice and economic desert that animated the growth of the welfare state.

Political allegiance will also turn increasingly on issues that are entirely nonmaterial. I recently bumped into a colleague, a noted political analyst, just after I had read the morning papers, and asked him to confirm my impression that at least half the major political stories of the past few years had something to do with sex. He smiled and replied, 'Peace and prosperity.'

What my colleague may have had in mind is that grave crises make all other issues secondary: President Roosevelt's private life received less scrutiny than has President Clinton's, and General Eisenhower's private life received less scrutiny than did that of General Ralston (whose nomination to become chairman of the Joint Chiefs of Staff was torpedoed by allegations of an extramarital affair). There is, however, another, deeper truth in his observation. The stupendous wealth, technological mastery, and autonomy of modern life have freed man not just for worthy, admirable, and self-improving pursuits but also for idleness and unworthy and self-destructive pursuits that are no less a part of his nature.

And so we live in an age of astounding rates of divorce and family break-up, of illegitimacy, of single teenage motherhood, of drug use and crime, of violent and degrading popular entertainments, and of the 'culture of narcissism' – and also in an age of vibrant religiosity, of elite universities where madrigal singing and ballroom dancing are all the rage and rampant student careerism is a major faculty concern, and of the Promise Keepers, over a million men of all incomes and races who have packed sports stadiums around the United States to declare their determination to be better husbands, fathers, citizens, and Christians. Ours is an age in which obesity has become a serious public-health problem – and in which dieting, fitness, environmentalism, and self-improvement have become major industries.

It is true, of course, that the heartening developments are in part responses to the disheartening ones. But it is also true that both are the results of the economic trends I have described here. In a society as rich and therefore as free as ours has become, the big question, in our personal lives and also in our politics, is: what is our freedom for?

Policy

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THE NEW WEALTH OF NATIONS: AUSTRALIAN POSTSCRIPT

Charles Richardson

America is in something of a triumphalist mood lately. East Asia may be in crisis, the European economies are sluggish, the third world is still languishing, but the U.S. economy goes from strength to strength. Other social indicators are following suit; its cities are cleaner and safer, and its people more optimistic, than they have been for many years. In a recent editorial, the *New Republic* boasts (somewhat improbably) that 'Now Los Angeles has fewer burglaries than Sydney, Australia.'

If Chris DeMuth were merely expressing this triumphalism, his words would be interesting but hardly worth repeating here. He clearly believes, though, that his message is broader than that: he is speaking to 'the wealthy Western democracies' as a whole. Their prosperity, he says, is unprecedented, and is revolutionary in its implications. Most of our social problems are the result of that prosperity, and the process of coming to terms with it will make big changes in our politics before it is through.

So does Australia fit the bill? As far as economics are concerned, DeMuth's message certainly rings true. Our anxieties seem out of all proportion to our economic problems. The signs of long-term prosperity are there in our increased consumption of leisure and education,

shorter working hours and greater equality of the sexes. So too the media's concentration on trivia (travel rorts, Cheryl Kernot's love life) in the absence of more serious issues.

As compared with the U.S., our clearest economic failing is unemployment. Our antiquated industrial relations system has delivered us an unemployment rate almost twice the American. But even there, the terms of the debate have shifted considerably. It is not so very long ago that even economics teachers ridiculed the idea that excessive wage rates had something to do with unemployment. Now, particularly with the example of New Zealand so close at hand, there is a growing recognition that unemployment is a matter of social choice: it is the price that we pay for our rigid wage system and generous unemployment benefits.

DeMuth tells us that our main problems are political, not economic; that our institutions have not yet adjusted to the conditions of prosperity, and that when they do, the parties of the left will probably take the lead in reform. Australia, if anything, is further down that track than the United States. The Hawke and Keating governments boldly started the privatisation of old-age pensions that America is still contemplating. Our health care system has its own major structural problems, but it has at least avoided the taxpayer subsidy of private insurance that has pushed their system out of control. Our funding of primary and secondary education is already halfway to a 'voucher' system – and, not coincidentally, our schools are greatly more successful at their task than America's.

In short, our 'welfare' sector, while hardly the envy of the world, is in better shape than we usually admit. It would be in better shape still if it confined itself to a genuine welfare role – that is, to looking after those at the lower end of the income scale, instead of paying bonuses to the middle class and the wealthy. This is the unspoken reality of the ballooning transfer payments here and in other western countries: they have very little to do with the relief of poverty, and much to do with the already well-off transferring money to themselves.

Australia has also maintained a more egalitarian distribution of wealth than the United States, but we can still take to heart DeMuth's warning of how misleading such statistics can be. The big story is the long-term trend away from a distribution based on inherited wealth and power. Even within a single country, the distribution of natural ability and application (and luck, a factor he omits) is much more equal than the distribution of inherited property. Looking at the world as a whole the difference is even more striking, and the extension of economic opportunity to the millions in the third world is one of the big results of globalisation just starting to emerge.

DeMuth mentions the word only in passing, but the fact of globalisation underlies much of his argument. No economy is big enough to remain prosperous in isolation. The breakup of empires and the advance of technology are bringing new markets, new suppliers and new competitors on stream all the time. Expanding horizons mean expanding insecurity; new choices can be new sources of anxiety, and each new way to succeed in business (such as electronic commerce) is also a new way to fail.

Most of all, globalisation contributes to the powerlessness of governments and the obsolescence of the old policies of statism. Dr Mahathir can rail all he likes against Jews and currency speculators, but he cannot exclude their influence without shutting down much of his economy. From the statist point of view, things can only get worse: greater mobility of labor and capital means a vanishing tax base, inability to control currency and investment flows, and fresh tides of new ideas and information that will force reluctant governments to liberalise or be destroyed.

None of this means subscribing to a crude economic determinism. The triumph of technology and globalisation is not inevitable, and we should not underestimate the threat that politics could pose. The last sustained period of globalisation, around the turn of the century, was stopped in its tracks by World War I; international trade has only recently returned to similar levels. Protectionism, nativism and populism are powerful forces, both in Australia and elsewhere, and governments may well be tempted to try the Luddite road.

While prosperity is clearly fuelling the push towards political change, it is not so clear that all of our problems can be traced to prosperity. A better description might be that our wealth and our problems are both effects of individual freedom. Established power structures have broken down, and individuals have been set free to use their creative power. The cultural anarchy of California turned out to be a better motor for progress than the rigid discipline of the 'Asian values' school. But people do lack moral signposts: the old authoritarian moral codes are dead, and it will take time to build up a new one. The doomsayers may be wrong about the big picture, but we cannot dismiss all of their complaints as unfounded.

Even at the best of times, the uses to which people put their freedom are not always attractive. The richness of diversity cannot be had without the price of tolerating things that we may not like. As James Q. Wilson said in last year's John Bonython lecture, the free market 'is human nature revealing itself, and human nature is a mixed bag ... What you see is what you get.' *Policy*