

like Locke or perhaps Rundle is merely seeking to indicate, following Henry Maine, that social evolution has seen the replacement of status by contract as the basis of social interaction. Certainly one can be a liberal without believing in a social contract. Regarding his second definition, do all radicals believe in holism or just those seeking to impose a totalitarian form of radical change? But it is his discussion of conservatism that is most worrying. Rundle has read Roger Scruton and decided that Howard cannot be a conservative because he doesn't measure up to the Scruton template. Little does he know that Scruton's variety of conservatism has been described (Gordon Graham in *Politics in its Place*) as 'being closely allied to Fascism'. So at least now we know that Arenaworld doesn't think Howard is a fascist!

This really is poor stuff as it doesn't make any attempt to appreciate the diversity and richness of liberalism or conservatism or radicalism. Nor does Rundle have an inkling of the difficulty of trying to understand what conservatism, in particular, means in a 'new' society such as Australia.

What is more interesting is the implicit worldview that underpins Rundle's analysis and constitutes what might be described as Arenaworld 'commonsense'. The key ideas of this view are that the market and community stand in total opposition to each other and that the history of the past few hundred years has been the tale of the market slowly destroying the traditional institutions of community until finally, in a globalised world, we are left with a world composed of alienated individuals just waiting to be manipulated by the forces of capital.

The problem is that Rundle simply assumes this view of the world, he does not argue for it—after all, it is simply commonsense. Alas, it is nothing of the sort. It is a highly ideological view of politics, society and the coming of the modern world. It is an ideology that has its Australian roots in the peculiar history of Melbourne where it has been shared by both the Left in Arenaworld and the Right in the shape of B.A. Santamaria, John Carroll and Robert Manne.

There is no room here to make a proper critique of this ideology but it is worthwhile

making a couple of points. The first is that it can be argued that the rise of capitalism encouraged sociability and the development of social harmony by overcoming earlier forms of human interaction based on violence. Secondly Rundle argues that until a few hundred years ago everyone lived in closed societies and that voluntary associations did not emerge until the 19th century. Such associations, however, have been characteristic of European society since the Middle Ages and can be seen as crucial to the subsequent development of 'organic' European political institutions. In fact, Rundle would do himself a favour if he threw away his copy of Scruton and read some Oakshott.

This leads to the final issue: if Howard has been such a malevolent force, why has he been so successful? For Arenaworld the answer is obvious: he has won by tricks and deceit. According to Rundle, Howard is an irreparable reactionary and lost in the past with his support base being 'the older end of the social scale, to the narrowly Anglo-Celtic, to the non-urban. These are all, in terms of comparative influence, on a hiding to nothing' (p. 47). Instead, according to Rundle, Howard should have been putting together a coalition of trendies, gays, ethnics, a sort of liberal equivalent of the rainbow coalition, as these people represent the future. This strikes me as a fantasy of Arenaworld whose vision rarely extends beyond Fitzroy. Rundle also states that Howard 'is virtually at one' with the 'emotional priorities of One Nation' but that at the same time 'he is carrying a large number of the Australian people with him' (p. 53). But how can this be if only 10% of Australians ever voted for One Nation?

So, if we accept Rundle's analysis, Howard's Battlers should probably be renamed Howard's Losers. But the irony is that they still exist in sufficient numbers to have returned Howard to power with an increased majority. The problem is that Arenaworld doesn't understand the Australia that exists beyond the inner suburbs of Melbourne and it doesn't have a clue regarding Howard. Rundle's analysis of Australian politics and John Howard demonstrates this all too clearly.

Reviewed by Gregory Melleuish

### **Middle Class Welfare**

By James Cox

Wellington, New Zealand, New Zealand Business Roundtable, 2001, NZ\$34.95  
249 pp, ISBN 1 877148 72 5

### **Poverty and Benefit Dependency**

By David Green

Wellington, New Zealand, New Zealand Business Roundtable, 2001, NZ\$34.95  
107 pp, ISBN 1 877148 71 7

THE NEW Zealand Business Roundtable is to be congratulated for providing us with two stimulating, well-informed and well-written books on different aspects of New Zealand's troubled welfare state, each authored by a renowned expert in the field.

James Cox concentrates on the big-spending universal services—education, health and superannuation. David Green focuses on the various benefits and income transfers such as Sickness, Invalid and Unemployment Benefit, the Dependent Parent Benefit (DPB) and Family Support. Both authors pinpoint the financial costs and the socially deleterious effects of present and recent policies, and both outline radical alternative solutions.

As its title implies, *Middle Class Welfare* is about the millions of dollars which the government spends on services for people who could well afford to pay for these things themselves. Indeed, it turns out that, by and large, this is exactly what they are doing already! Cox shows, for example, that the top 60% of taxpayers pay 84% of all the tax collected in New Zealand, but these same people also claw back 46% of all government social expenditure. They take 71% of all the public spending on education, 55% of government health spending, 39% of income-tested benefits, and 25% of superannuation assistance. As Cox notes, 'A high proportion of welfare state services are [sic] received by households that are simultaneously paying large amounts in tax' (p.182). The middle classes are paying out with one hand and receiving the money back with the other.

Not only is this 'churning' extremely inefficient and wasteful, it also generates a

It puts decision-making power in the hands of the least well-informed people (politicians and bureaucrats), it politicises great swathes of public life, it necessitates high levels of taxation that then create economic disincentives, it 'crowds out' private alternatives that may be more suitable, and it leads to inter-generational inequities. Needless to say, it also erodes personal liberty. All of this, Cox discusses.

David Green, meanwhile, is concerned about the extraordinarily high levels of welfare dependency in New Zealand. Between 1991 and 1996, at a time when the economy was expanding strongly, the number of people receiving Sickness Benefit rose by 68%, those on Invalid's Benefit increased by 44%, and numbers receiving the DPB went up by 11%. In 1975, only 5% of the working age population relied on benefits; by 1996 it was 21%.

Green locates the problem in the change in the way we think about 'poverty'. It's not just that we routinely exaggerate the number of people who are said to be poor (although in an excellent chapter on issues of measurement, Green shows that this is certainly the case). It is also that we have lost the habit of asking why people are poor. Since the 1960s, it has too often been assumed by policy professionals and pressure groups that poverty is a 'structural' problem and that individuals cannot be held responsible for the consequences of their own life choices. Green robustly challenges such thinking and advances a strong case for making the restoration of individual self-reliance the cornerstone of any programme of welfare support.

What is particularly attractive about both of these books is that they do not stop at the analysis of what is wrong with the present arrangements. Both authors are happy to chance their arm and outline what they believe we should do to put things right.

Having shown that many people are already effectively financing their own welfare services, Cox unsurprisingly suggests that ways should be found to short-cut the churning and to let them take more responsibility for their own requirements. Drawing on cross-national comparisons, he shows that, when governments cut back on the services they provide, individuals increase private

purchasing to make up the difference (that is, public expenditure really does 'crowd out' private). Armed with this evidence, he suggests that the New Zealand government should stop subsidising higher education altogether, should increase subsidies to private schools to encourage more parents to opt out of the public system, and should means test access to socialised health care and age pensions so as to limit them to the minority of the population that cannot afford private insurance and savings.

James Cox looks to Australia, and beyond that to Japan and South-east Asia, for examples of how New Zealand's health, education and age pension systems could be cut back and to some extent privatised. David Green, by contrast, looks to the United States, and particularly Wisconsin, for his inspiration.

Green is frustrated that recent changes to the New Zealand benefits system have had so little effect, and he follows Lawrence Mead in suggesting that marginal changes to economic incentive structures are not the answer to the growth of welfare dependency. Rather, it is necessary to change the way people think about social responsibility, and to achieve this, we need to insist on the obligation to find work and become self-reliant. Where Wisconsin has led, New Zealand should follow.

Both of these books left me with a number of unanswered questions. Both authors, for example, recognise the problems with means-tested in-work benefits for low income families, yet both end up accepting that they may nevertheless be required as part of a reformed welfare system. Green says rather weakly that 'in-work benefits may be defensible' (p. 81), and Cox is driven to the conclusion that 'further means testing should not be ruled out' (p. 195), but neither explains how to avoid the well-known problems (such as disincentive effects) associated with means testing.

There are other problems too. Cox, for example, is happy for the government to force people to educate their children and to take out private health insurance, but he is uncomfortable with compulsory superannuation (p. 40). I am unclear why compulsory health insurance is acceptable

while compulsory superannuation is not.

Similarly, Cox (pp. 205-6) suggests that the government should increase subsidies to private schools and health care in order to encourage more people to switch from the state system. But it strikes me as odd to set about cutting government spending by increasing subsidies. I am also not convinced that large numbers of people will abandon a 'free' system, even if subsidies are put in place to encourage them to do so (the Australian experience with private health insurance is not encouraging).

I also remain sceptical about David Green's belief that a country like New Zealand could emulate the example of Wisconsin in cutting welfare dependency. Green himself accepts that a large part of the American success in cutting the welfare rolls was due to the vibrancy of the economy during the 1990s, and he notes *en passant* that New Zealand would need to introduce sweeping changes in labour market regulation if those currently on benefits were to be required to find jobs (p. 76). I think he's right, but this is a crucial condition that needs to be met if all his other recommendations have any chance of working, and it is a bit disconcerting to find it dealt with in just one paragraph.

And underpinning all of these misgivings is the nagging doubt about the political feasibility of the reform agendas put forward by Cox and Green. Cox himself hints at the problem when he notes that 'market liberal ideas are held by only a small percentage of the population', and that 'majority opinion supports government intervention to address social and economic problems' (p. 204). Cox believes all this will change, but I am more pessimistic. But if things are to change, we need to win the battle of ideas. Both of these books provide us with some pretty heavy armoury.

Reviewed by Peter Saunders