

**Australia's Welfare Wars:  
The Players, the Politics  
and the Ideologies**

By Philip Mendes

University of New South Wales Press,  
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DR PHILIP Mendes is a Senior Lecturer in 'Social Policy and Community Development' at Monash University. The blurb on the book jacket tells us he has been a 'social work and social policy practitioner and educator for 15 years' and that he has 'published widely' in welfare lobby groups' journals.

In this book, Dr Mendes argues that classical liberal ideas (or what he calls 'neoliberalism') have come to dominate the social policy agenda in Australia in the last 30 years, and that this reflects the financial clout and political cunning of those who have been espousing them. The task is therefore to organise the left—the churches, the trade unions, the social workers, ACOSS, the ALP and sympathetic journalists—to fight back in order to mobilise public opinion in support of raising taxes, increasing government intervention and rebuilding the welfare state.

In his preface, Mendes claims that his book 'is intended to be a critique and expose of the neoliberal ideas currently dominating welfare debates' (p.viii), but in reality, he offers no serious critique of the ideas themselves. Hayek and Friedman get just one paragraph each, for example, and they are swiftly despatched along with Adam Smith on the grounds that they all apparently believe 'in the perfectability of the market' (p.35).

Mendes is clearly not interested in engaging intellectually with liberal ideas. His starting point

appears to be that these ideas have little or no intellectual merit or moral probity, so there is no point wasting time discussing them. His interest lies rather in the politics behind the ideas—in 'neoliberalism' as a political *ideology*.

As is common in books like this, the text is littered with references to 'fairness' and 'social justice' (values which are contrasted with the 'harshness' of 'neoliberalism'), but Mendes never once takes the trouble to define or reflect upon these terms. He simply takes it as read that high taxation and radical egalitarian measures are 'fair' and 'just' while allowing people to enjoy the fruits of their own labour and encouraging them to show initiative and personal responsibility is not. Given this starting point, it then follows that 'neoliberals' must be in bad faith, for if their ideas are self-evidently wrong and immoral, it has to be that they continue to profess these ideas out of some dark and ulterior motives.

This logic is, of course, depressingly familiar. Although Mendes never acknowledges it, we are back into a crude and simple version of Marxist materialism in which ideas are merely the ideological expression of conflicting economic class interests. As Mendes himself explains: 'Neoliberalism's real agenda [is] to redistribute income from the poorest to the most affluent' (p.47). The ideas themselves are therefore just a smokescreen designed to justify an inherently immoral attack by wealthy people upon poor ones.

Having established this, the rest of the argument is entirely

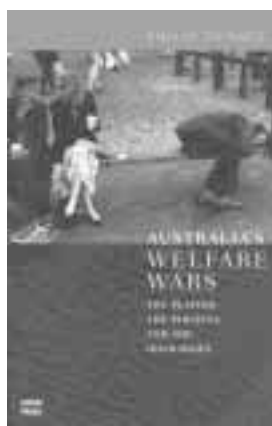
predictable. All that remains is to identify which class is funding the promulgation of these ideas (big business, of course!) and who is being used as the instruments of this ideological class war (step forward the Murdoch/Packer press, the radio talk-show hosts, and the 'neo-liberal' think-tanks).

Mendes tells his readers that an 'international conglomerate of neoliberal think-tanks generously

funded by corporate resources' (p.34) has, over the last 30 years, achieved 'hegemony over the political agendas of both Labor and conservative governments' and has thereby 'succeeded in moving the whole policy debate to the right' (p.35). Unlike 'genuinely academic or scholarly institutions'

(such as the Monash Department of Social Work, presumably), these think-tanks are 'motivated by political and ideological bias' (p.37), but they succeed in spreading their message because their shadowy big business backers have deep pockets. 'The CIS', for example, 'enjoys an annual income of approximately \$1.6 million including substantial corporate donations', and all the 'neo-liberal' think-tanks together share an annual combined income as high as \$5 million (p.37).

One obvious response to all this hyperbolic hysteria is to question how far classical liberal ideas really have taken root in Canberra. The Howard government, for example, is currently taking a higher proportion of the country's GDP in taxes than any other government in Australian history, and its progress on welfare reform since setting up the McClure Inquiry in 1999 looks



more and more like political prevarication than any serious attempt to reduce record levels of welfare dependency. If this is a 'neoliberal' victory, then one wonders what a defeat would look like.

We should also question Mendes's analysis of the balance of ideological power in this so-called 'welfare war'. Even if his figures about levels of funding were correct (which they are not—the CIS budget in the last financial year was closer to \$1.3 than \$1.6 million), and even if most of this money came from big business corporations (which it does not—individual donations and grants from foundations both outweigh corporate donations to CIS), is Mendes seriously suggesting that a total of 4 or 5 million dollars a year spread among a handful of think-tanks is enough to buy a fundamental switch in ideological allegiance of both major political parties and the bulk of their supporters and to maintain it for nigh-on three decades? Isn't it more likely that all these people have been swayed by the content of the ideas than by the rustling of dollar bills?

The reality is that organisations like CIS are constantly constrained in what they can do by very tight budgets. If they manage to punch above their weight, it is not because they have powerful backers, but because they have powerful ideas and strong evidence to back them up. The think-tanks do not buy influence; they earn it.

And what about the ideological opponents of liberalism? Mendes devotes a whole chapter to ACOSS, which appears to have about the same income as CIS (although in its case, around 40% comes from taxpayers), but this is only an umbrella organisation beneath

which shelter a plethora of other agencies, many of which also boast their own well-resourced 'research departments.' Other chapters go on to discuss the social work profession, the trade unions and the churches, nearly all of which also line up to form part of what is clearly a substantial and well-resourced 'army' in this 'war' against 'neoliberalism'. If deep pockets were the key to victory, the liberal think-tanks would never have got to first base up against this lot.

And what about the biggest 'ideological battlers' of all—the academic establishment? In a telling oversight, Mendes has absolutely nothing to say about the avalanche of books, journal articles, conference papers and newspaper columns turned out every year in defence of collectivism and statism by hundreds of tax-funded academics across dozens of university departments and research institutes in Australia, most of whom think and write much like he does.

Mendes has nothing to say about the millions of taxpayer dollars that go to fund this intellectual establishment as it churns out its critical treatises (the Social Policy Research Centre alone got \$2.3 million of public money in 2000, for example, and it is just the tip of a huge welfarist ideological iceberg floating around in the academic ocean). Nor, indeed, does he reflect on the extraordinary influence that all these left-leaning academics can exert on future generations of leaders and opinion-formers as they pass through their lecture halls and seminar rooms as students. He should go and re-read his Gramsci.

Set against all this, a few think-tanks look like a very puny base for an ideological war. Mendes claims that: 'The principal free market lobby groups enjoy generous

funding. In contrast, supporters of the welfare state have generally failed to create or adequately fund similar structures' (p.48). But they have not had to—the State has done it for them, in almost every sociology and social policy department in the country.

This brings me to my final point. What is perhaps most disturbing about this book is that it has been written and published as a *textbook* aimed, presumably, at an undergraduate market. It even comes complete with questions and exercises at the end of each chapter ('Consider some of the means by which trade unions and/or ACOSS could seek to mobilise the unemployed'; 'What are some of the ways in which the business sector influences the level of welfare spending?'—you get the idea).

Now, call me old-fashioned, but shouldn't a student textbook at least *try* to provide its readers with a balanced and impartial guide to the issues it addresses? Is it really appropriate for a student textbook to adopt a deliberately and self-consciously polemical stance as this one does?

Mendes tells us proudly at the outset where he stands: 'This book is written from a social democratic perspective', (as if any book written by a Monash social work lecturer and published by the UNSW Press was likely to be anything else). And he goes on to explain: 'By social democratic, I mean a commitment to substantial government intervention in the economy and a wide-ranging welfare state' (p.4).

It is, I think, deeply disturbing that intellectual standards in our leading universities appear to have declined to such a point that one-eyed, simplistic and explicitly polemical books like this can be written by senior lecturers,

published by a University Press, and then get to masquerade as *textbooks* which will presumably get adopted as set texts for students to read, digest and repeat in essays and examinations.

Mendes is right—there is an ideological war to be fought, but the key objective in that war should be to reclaim higher education from the ideologues who long ago colonised it.

Reviewed by Peter Saunders

***The Ordinary Business of Life: A History of Economics from the Ancient World to the Twenty-First Century***

Roger Backhouse

Princeton University Press: Princeton, NJ, 2002, 368pp, US\$35.00  
ISBN 0691096260

ROGER Backhouse has written a history of economics that is sweeping in its historical scope, while also being extremely concise. These two objectives are in obvious conflict, but Backhouse strikes an acceptable balance that makes this book a commendable introduction to the historical context of modern economics.

Perhaps the main value of the book is to dispel the widely held notion that economics is some late-20th century theoretical scourge divorced from practical relevance. Backhouse shows how economics has for the most part emerged as a direct response to the demand for practical solutions to contemporary problems of private and public choice. This is perhaps most obvious in the case of the early development of supply and demand analysis and welfare economics on the part of the

engineers of 18th and 19th century France, which sought to address questions such as the public benefits associated with building a particular bridge or road.

Backhouse also documents the close relationship between economics and movements for reform and social change. The early 18th century critique of mercantilism became part of a comprehensive critique of the absolutist state, and it was by no means coincidental that the doctrine of laissez-faire emerged in France on the eve of the French Revolution (p.109). Likewise, the British Philosophic Radicals 'were actively engaged in politics, using utilitarianism as the basis for criticizing the institutions of society and advocating policies of reform' (p.137). Of the classical political economy period, Backhouse concludes:

it is a fairly safe generalization to say that they were in general pragmatic reformers. Like Smith, they opposed mercantilism. In so far as there was an ideological dimension to this, it stemmed from opposition to the corruption associated with mercantilism rather than any commitment to non-intervention (p. 148).

Economics came to enjoy a close relationship with government for much of the 20th century, although often with unhappy consequences. Towards the end of the century, economics once again was at the forefront of reform as economists came to be increasingly troubled by the consequences of some of their former policy prescriptions. Much of this new economic thinking has

again been assimilated by governments around the world, but by no means in all its implications.

Of all the economists examined by Backhouse, Marx emerges as the most reductionist and deterministic in his claim that economic forces completely dominate society and the course of history. The examination of Marx's

economic thought belies his reputation as principally either a philosopher or sociologist. If anyone deserves the label 'economic rationalist,' it is surely Marx. Backhouse highlights an important unintended consequence of Marxist thought. The diaspora of European intellectuals fleeing first the

Russian Revolution and then Nazism was to make an enormous contribution to the development of economic thought in the Anglo-American world, as in so many other disciplines. While it is common to hear complaints about the 'Americanisation' of economics, Backhouse makes clear that 'the ideas on which the current consensus is based have significant European roots' (p.307). But it was only in the Anglo-American world that these ideas could flourish.

The uneasy relationship between economists and other intellectuals is well documented. Jonathan Swift's satirical *A Modest Proposal* was inspired by William Petty's pioneering work in national accounting (p.71). The discipline has even come to satirise itself, such as Alan Blinder's parody of Gary Becker's work in 'The Economics of Brushing Teeth' (p.311). It was Thomas Carlyle who coined the

