

# DOES KEVIN RUDD NEED TO SAVE FAMILIES FROM CAPITALISM?

The Labor leader is relying on a old and discredited view of communal life in a market society, explains **Peter Saunders**

**T**owards the end of 2006, as he was positioning himself for what turned out to be a successful bid for leadership of the Australian Labor Party, Kevin Rudd wrote a couple of essays spelling out the differences between Labor's 'social democracy' and what he called the 'market fundamentalism' of John Howard's Coalition government.

In an article in *The Monthly* entitled 'Howard's Brutopia', Rudd drew a distinction between 'social democrats' like himself and 'neo-liberals', among whom he included Howard.<sup>1</sup> He claimed that neo-liberals follow Friedrich Hayek in supporting only 'the self-regarding values of security, liberty and property,' whereas social democrats combine a concern for personal freedom and private property rights with an equal emphasis on 'the other-regarding values of equity, solidarity and sustainability.' He acknowledged that Howard's rhetoric emphasised the importance of strong families and cohesive communities, but he maintained that Howard's 'neo-liberal' economic

policies have in practice weakened families and undermined community solidarity. He accused Howard of unleashing 'unrestrained market capitalism' which has encouraged 'individual greed and self-interest' and eroded the bonds that hold our society together.

Rudd followed this article with a speech to The Centre for Independent Studies specifically attacking Hayek, whom he identified as the guru of the 'free market fundamentalists'.<sup>2</sup> The speech was particularly critical of Hayek's claim that altruistic behaviour originated in small-scale, tribal societies, where survival depended on sharing, but that it is incompatible with the requirements of a modern economy which depends on trade between strangers.<sup>3</sup> Rudd seized on this, interpreting it as

**Peter Saunders** is Social Research Director at The Centre for Independent Studies. Endnotes for this article can be found at [www.policymagazine.com](http://www.policymagazine.com).

an attack on the virtue of altruism per se, and suggesting that Hayek wanted to ‘purge altruism from the human soul’ in order to increase economic efficiency.<sup>4</sup> He accepted that Hayek understood the importance of family life, but said his philosophy precluded him from protecting families from the profit-maximising logic of the marketplace. He then extended this critique to the Howard government which he thought had pursued hard-line, Hayekian economic policies without regard for their impact on the quality of family and community life.

The core of Rudd’s argument in both of these essays is that capitalism will ‘tear itself apart’ unless it is regulated. This is because the self-interested pursuit of profit fatally undermines family and community life, which has therefore to be protected by government. He then applies this argument to the Howard government’s recent workplace reforms which he believes are dismantling a civilising framework of regulation that has kept free market capitalism in check for a hundred years. As a result of these reforms, families have been exposed to an ‘unconstrained market’ and are now being prevented from ‘spending sufficient time together’ as profit-maximising employers use the new laws to increase exploitation. ‘Market fundamentalism,’ he says, is making ‘ultimate inroads’ into family life.<sup>5</sup>

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Both Rudd’s essays attracted considerable comment. CIS Director Greg Lindsay wondered how Howard could be considered a ‘fundamentalist neo-liberal’ disciple of Hayek when he has presided over the biggest-spending federal government in Australia’s history, and Sinclair Davidson questioned Rudd’s understanding of Hayek’s writings on the family, altruism and ‘social justice’.<sup>6</sup> Against this, critics on the left praised Rudd’s exposure of the ideological tension at the heart of Howard’s policies between ‘compassionate conservatism’ and ‘fundamentalist neo-liberalism’.<sup>7</sup> There was, however, little serious discussion of what was arguably Rudd’s core claim—that free market

capitalism is responsible for weakening family and community life.<sup>8</sup>

### The eclipse of community—yet again

Rudd’s argument that market capitalism undermines family and community life is not original. Over the years, many social theorists have maintained that capitalism destroys intimacy and a sense of belonging, and many of them have been socialists seeking to make an ethical case for more state control or regulation of the economy.

The most influential writer in this tradition was probably Ferdinand Tönnies.<sup>9</sup> Writing in the late nineteenth century, he investigated the ‘sentiments and motives which draw people to each other, keep them together and induce them to joint action.’ He identified two main ones: ‘natural sentiments’, where people feel instinctively drawn to each other, and ‘rational sentiments’, based in calculations of self-interest.

According to Tönnies, ‘natural sentiments’ are ‘inborn and inherited’. They derive from ties of common blood (family), common place (community) and a unity of belief (religion). These are the three great primeval forces that have bonded us together for much of human history, but they have been weakened by the emergence of what Tönnies called ‘bourgeois society’ which has promoted calculative self-interest to the heart of human affairs.

In modern capitalism, according to Tönnies, people are encouraged to treat each other as objects, mere instruments for achieving their personal ends. Social relations are stripped of intimacy and reduced to the cash nexus: ‘Every person strives for that which is to his own advantage and affirms the actions of others only insofar and as long as they can further his interest.’<sup>10</sup> He nevertheless recognised there was no going back to the pre-industrial, rural world we have lost (he was no nostalgic conservative). Instead, calculative individualism would have to be overcome by developing new forms of communal life, social unions involving relations of economic cooperation rather than competition. He believed organisations like worker cooperatives could bind people together in cohesive communities based on common sentiment and purpose. These would generate a strong sense of belonging and would resuscitate the sort of altruistic behaviour which

had been undermined with the decline of family, community and religion.

Tönnies's thesis became a staple of sociological thinking through most of the twentieth century, and it reappeared time and again in studies bemoaning the 'loss of community'. Now it has resurfaced in Kevin Rudd's recent comments. Like Tönnies, Rudd sees family, community and church as the foundations of social unity, and like him he believes these three core institutions are being undermined by individualistic free market capitalism. The main difference between Rudd and Tönnies seems to be that Rudd wants to safeguard and preserve the traditional forms of solidarity while Tönnies wants to promote new ones.

But isn't there something odd about this? If Tönnies was right in the 1890s that family and community life were collapsing, there shouldn't be any family and community life left in 2007 for Rudd to fret about. Claims like these seem to get made in every generation (with little regard for empirical evidence). Every generation looks backwards and thinks it sees stronger, more meaningful and more cohesive ways of life in the past than it finds in the present.<sup>11</sup> Every generation thinks it is witnessing the collapse of community. Like many gloomy commentators before him, what Rudd is offering is not fresh analytical insights but tired and largely discredited sociological clichés.

### **Does capitalism destroy community life?**

There is, of course, some truth in the claim that free market capitalism undermines traditional ways of life. Given the unprecedented economic growth and technological innovation that it unleashes, capitalism could hardly avoid destroying, uprooting and replacing long-settled patterns of social existence. Ever since the landless labourers of England were driven from their rural hovels to search for work in the factories of the new industrial cities, traditional communities have been broken up and family life has been strained by the extension of trade, the opening up of new markets and the invention of new systems for producing the goods and services that people want to buy. Even as I write, the old established boot manufacturing firm of Blundstone is shutting its factories in Hobart and Auckland and moving production to Asia,

and trade union leaders, journalists and politicians are queuing up to demand the government 'do something' about it. Economic development and prosperity have always involved some degree of social and cultural disruption.

Recognising that capitalism is a force for change is not, however, the same as saying that, left unchecked, it will lay waste to family and community life. At the same time as Blundstone is laying off its boot-makers in Hobart and Auckland, other companies are opening up elsewhere in Australia and New Zealand, laying the basis for new, nascent communities to evolve. Doom merchants invariably overlook this dynamism. They see only the decay, never the re-growth. Ever since Tönnies, they have over-emphasised the strength of family and community life in the past while under-

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estimating the persistence of family and community cohesion in the present.

Evidence from social historians tells us that family ties were not as strong and widespread in the past as we tend to believe. Even in seventeenth century pre-industrial England, most households contained fewer than five people, and fewer than one in twenty included extended kin like aunts or cousins.<sup>12</sup> Nor was community life as settled and stable then as is often claimed. One study finds ordinary people in sixteenth and seventeenth century England upped sticks and moved around just as much as their descendants did three hundred years later.<sup>13</sup> Indeed, Australia and the United States would never have been settled were it not for the restlessness of people living in 'traditional communities' in Europe.

We also too often forget that people today still enjoy close and meaningful relations with each other (although changes in family life over the last thirty years do indicate some cause for concern, as we shall see later). We have more choice today over whom we

interact with (traditional, small, settled communities could be extremely limited and suffocating), so we can build strong relationships with those we want to be with while avoiding those we don't. It could even be argued that, far from being destroyed,

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'community' has been extended and strengthened by the development of capitalism, for evolutions in transportation and communications allow us to sustain meaningful personal relationships over much wider geographical areas nowadays than we could in the past. When settlers left Europe for Australia or America in the nineteenth century, they often bade farewell forever to their families and friends. Today, they can text, email, phone and 'Skype' each other daily at minimal cost.

### Capitalism and selfishness

It is also a mistake to believe, as critics like Tönnies and Rudd seem to assume, that capitalism necessarily gives rise to the individualistic values and selfish behaviour of which they disapprove. Of course, capitalist activity is driven by the pursuit of profit, but this does not have to translate into selfishness and disregard for others. As Adam Smith showed, it is in the interests of traders to take heed of the needs of others, foster long-term trust, behave honestly and decently, and develop ties of mutual respect and civility, for that is how you cultivate customers and retain a loyal workforce.

Far from weakening altruism and concern for others, *laissez-faire* capitalism has often co-existed with strong values of community service and family responsibility, not least in Victorian England where the middle classes committed themselves to a range of charitable good works and followed values of social duty far stronger than anything found in today's welfare state bureaucracies. Similarly, in much of Asia today, capitalist economies thrive and the free market in labour flourishes, yet communal and family life is as strong as ever. Indeed, far from

collapsing, families have often found a renewed role in these economies by lending capital and providing labour.

It is a mistake, therefore, to assume that capitalism and individualism necessarily go hand-in-hand. In Western Europe, individualism was around long before the advent of modern capitalism. Its roots lie in Roman Law, the medieval Confessional, the Protestant Reformation and the Renaissance, and capitalism adapted to it as it emerged. Conversely in Japan, capitalism encountered a strongly collectivistic Confucian culture which still pervades economic activity in the far east today.<sup>14</sup> Clearly, then, capitalism can co-exist happily with both individualistic and collectivistic cultures. It can thrive in cultures where families are weak and local community life is relatively unimportant, but it can also sustain and support cultures where families are strong and local communities are significant and cohesive. If we are suffering from an excess of individualism and selfishness, there is no reason to believe the fault lies in the nature of a capitalist economy.

It was Karl Marx who introduced the idea that economic forces drive social and cultural change. We now know he was wrong, but Rudd is still making much the same assumption, for his argument that free market capitalism necessarily undermines families and communities is a clear example of the sort of 'materialist' and 'determinist' thinking that Marxism popularised. If family and community life has changed for the worse in Australia (and Rudd gives no evidence that it has), there is no necessary reason to assume that 'neo-liberal' economic policies are the cause. Liberalisation of the economy may have had some impact, but the strength or weakness of family and community life is also likely to be the product of many other influences that have little or nothing to do with the economy—the growth of women's rights, innovations in contraception, the development of the welfare state, the spread of television, the decline of religious belief, increasing ethnic diversity, and the communications revolution, to name but a few obvious ones. Rudd gives no serious consideration to these other possible causes. Instead, he jumps straight to the conclusion that Howard's economic reforms are to blame for family break-up and community decline, even though he gives no evidence to support it.

### Howard's legacy

There is one very obvious reason for believing Rudd's key claim is false, and that is that the time lines are all wrong. The new 'Work Choices' legislation only passed into law in 2006, so Howard's labour market reforms have clearly had no chance to impact on family and community life, either negatively or positively. But even if we assume Rudd is making a more general charge against the legacy of the Howard years, the case still does not stand up. When we consider the sum of Howard's economic policies since 1996—the reform of company and superannuation taxes, the introduction of GST, the free trade agreement with the USA, the encouragement of workplace agreements and individual contracts, the sale of Telstra, the establishment of the Future Fund—it is hard to see how any of it can possibly have had the effects that Rudd claims to find.

Reviewing this list, three things stand out. The first is just how modest what Rudd calls the 'neo-liberal fundamentalist' agenda has been in practice. In vain do we search for the union-busting, tariff-trashing, tax-slashing, regulation-burning policies of Rudd's imagination. There have been changes, but they have been gradual and for the most part timid, and there has been no serious attempt to cut back public spending or reverse the inexorable growth of the welfare state.

The second is how obscure and indirect is the link that Rudd seeks to draw between any of these policies and the way family and community life is organised. How exactly might the sale of Telstra shares, for example, weaken families? How might the GST destroy communities? Even the labour market reforms are unlikely to have any obvious effect, for workers who abandon awards for workplace or individual contracts still sell their services in a labour market more heavily regulated than those in New Zealand, Britain or the USA while enjoying one of the highest minimum wage guarantees in the world. The causal connections Rudd posits between the Howard economic changes and the destruction of family and community life are simply not there.

Thirdly, the timelines are too short. Laws might change overnight, but cultures and ways of life do not. Rudd may be right to suspect that family life has been weakening in Australia (as it has in much

of the western world), but this has been going on for thirty or forty years, which means the causes must pre-date John Howard's accession to power by several decades.

### The weakening of family and community life

The evidence about how family life in Australia has been changing is well-known.<sup>15</sup> The crude marriage rate has almost halved since the 1970s (from around nine down to five marriages per thousand population per year). Among couples who do get married, three-quarters cohabit first (up from just 16%, 30 years ago). The median age at which people get married has risen in just 20 years from 25 to 30 for men, and from 23 to 29 for women. More than one-third of marriages end in divorce, and half of all divorces involve couples raising dependent children. Although the crude divorce rate has stabilised over the last decade or so, it is still running at almost three times the rate prior to 1975 (when the reform of the Family Law Act introduced no-fault divorces).

Fertility rates have fallen dramatically since the 1960s, from around three to fewer than two children per woman (well below the population replacement rate of 2.1). The median age at which women have their first child has increased from 27, 20 years ago to nearly 31 today, and over one-third of couples now remain childless. Of those babies that do get born, one-third are to unmarried women. In most cases, the father lives with the mother at the outset, but unmarried couples are much more likely to separate later on than those who are married. Three in ten families are now either single parents (21%) or step and blended families (7%). Only 70% of children live with both their natural parents throughout their childhood.

Family life has clearly changed dramatically in the course of just two generations. But the important point to note about these changes is that they nearly all occurred between the 1960s and the 1980s, long before John Howard came to power. Indeed, as Keith Windschuttle pointed out in his response to Rudd's comments, the period since 1996 has, if anything, seen a slight reversal in some of these trends.<sup>16</sup> Divorce rates have flattened out, the marriage rate has stopped falling, and even the fertility rate has started to pick up.

It is the same story when it comes to community change. Windschuttle cites Australian Bureau of Statistics survey evidence that the proportion of the population doing some sort of voluntary activity has actually risen during the Howard years from 24% to 34%. He also points to the boom in Christian evangelist religion in the outer suburbs, and to the strengthening of community life brought about

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by the fall in unemployment and the buoyant economy. It is almost as if the Tönnies thesis has been turned on its head in the Howard era.

One of the clearest indicators of social cohesion is the crime rate. If the bonds holding people together and promoting a sense of altruism and common identity are weakening, we should expect this to show up in a rising tide of thefts, robberies and personal assaults as respect for others gets eclipsed by the pursuit of one's own gratification.<sup>17</sup> And sure enough, over the last forty years or so, these crimes have risen alarmingly in Australia. In the mid-sixties there were just over 500 serious crimes per 100,000 population; by the mid-nineties there were nearly 4,000.<sup>18</sup> But as with the family changes, so too with crime, the really big shift occurred not during the Howard years, but through the 1970s and 1980s. Since the mid-1990s, crime rates have flattened out; indeed, since the turn of the century they have been falling. Police records of reported crime, victim surveys and fear of crime surveys all show the same trend—most categories of crime have been falling in Australia for several years.<sup>19</sup>

Undeterred by such evidence, critics of the Howard government have often argued that income inequality has been growing, and that this has weakened social cohesion because it undermines community norms of 'fairness'.<sup>20</sup> But again, when we look at the evidence, the argument does not hold water. The ABS reports that, 'There has been no significant change in income inequality from the mid 1990s to 2003–04'.<sup>21</sup> Indeed, low and middle income households increased their real

incomes slightly more than high income households managed to do during this period (by 22% as against 19%), although the very top earners have outstripped everybody else as the international market for CEOs has driven up top executive pay.<sup>22</sup>

Nor is it the case that inequality undermines social cohesion. The American sociologist Christopher Jencks has recently analysed international data on family stability, crime, health and reported levels of happiness, and he finds no significant correlations between any of these indicators and the level of income inequality in different countries.<sup>23</sup> The belief, common on the Left, that greater equality promotes stronger societies turns out to be groundless.

### When the solution is part of the problem

It is clear that what Rudd sees as the 'unleashing' of free market capitalism by the Howard government cannot have led to the decline of strong families and cohesive communities that he is so worried about. The period when family life started to change significantly in this country, and when community cohesion, measured by indicators like the crime rate, significantly weakened, coincides not with the liberalisation of the economy since the mid-1980s, but with the heyday of government regulation in the 1960s and 1970s. If you want to know what triggered these changes, there's no point looking at the Howard era, for they mainly took place at a time when Australian governments were still protecting home-based producers behind high tariff walls and were micro-managing workers' labour contracts through a tightly regulated system of awards.

Rather than offering a solution to the weakening of family and community bonds, as Rudd seems to believe, government regulation may actually be part of the problem. Rudd wants to use the power of government to limit the market and to protect family and community life against 'unrestrained market capitalism', but historically, it is the expansion in the powers of government that has been a major factor undermining family and community resilience.

In his classic study of the decline of community, published more than fifty years ago, Robert Nisbet showed how the family, the local community and

the church achieved importance in people's lives in the past only because they played such a crucial practical role in daily life.<sup>24</sup> Family, church and neighbourhood supplied almost all the practical necessities of life—work and a source of income, education, mutual aid, leisure and recreation—and it was difficult to imagine life outside of them. Of course, people also derived psychic gratification from membership of these primary groups, but this was not the reason they formed them, and according to Nisbet, psychic gratification has not proved a strong enough reason to continue participating in them once the other functions have been stripped away.

The rise of the centralised state directly challenged and undermined the traditional authority of church, family, guild and local community, for it offered an alternative source of identity and social unity. It destroyed the ties binding people to their traditional social groups by assimilating them into a new, monolithic political community of 'citizens'. Old collective identities were supplanted by new individual rights and duties, and the State increasingly assumed responsibility for most of the things people used to get from their family, church and local community memberships. The result today is that families and other small-scale primary groups have been left with very little to do. They are 'increasingly functionless, almost irrelevant', and because of this, they no longer command our enduring allegiance. As Nisbet warns: 'No social group will long survive the disappearance of its chief reasons for being.'<sup>25</sup>

Nisbet's crucial insight is that people will not come together in small, cohesive social groups unless they share some practical reason for doing so. They will not form communities just because they desire to live in one, but only when they recognise some common purpose that has to be realised through cooperating with each other. It follows that the more the state does for them, and the less they need to do for themselves, the fewer reasons there will be for them to come together or stay together.

Nisbet's argument is borne out by the trends we have been examining. Many factors contributed to the disruption of family life and the erosion of social responsibility that occurred from the 1960s onwards, but one was almost certainly the growth

of big government and the remorseless expansion of the welfare state. Why marry the father of your child if government benefits will provide you with a secure and regular income if you don't? Why ask the grandparents to help with looking after the baby if the government is willing to give you money to buy child care? Why join a mutual health fund if the government is willing to make free health treatment available through Medicare? Why volunteer your time building up and running community facilities if the government can supply them with a wave of its cheque book? In modern Australia, it sometimes seems the only compelling reason for getting together with other people is to demand that the government do more for you.

Every time John Howard or Kevin Rudd offers to do something for us, they undermine the strength of the intermediate institutions they say they are trying to protect. Every time they take it upon themselves to sort out some problem, they reinforce the idea that it is the duty of government to organise our lives for us, and that we have no responsibility to do anything for ourselves. And the more they try to strengthen families and communities with

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new spending programmes or new regulations, the more likely they are to achieve precisely the opposite. Federal and state governments today are spending millions of dollars funding 'stronger communities' programmes which employ hundreds of officials and professionals, but the surest way to kill off genuine community activity is to send in bureaucrats, researchers and social workers to help local people organise their lives.<sup>26</sup>

Family and community life does not need Kevin Rudd's protection. As long as these primary groups have a role to play in people's lives, they will survive and flourish without government supports and subsidies. Families and communities do not need wrapping in cotton wool to shelter them from the capitalist storm. All they need is a practical purpose,

a reason to exist. The only thing government needs to do to nurture community and family strength is to allow people the space to do things for themselves. This, however, is the one thing politicians seem to find most difficult to achieve.

**Conclusion**

Kevin Rudd’s recent reflections on capitalism, community and the Australian family represent the latest in a long line of Leftist arguments claiming that markets weaken social cohesion while governments strengthen it. But we have seen that this claim is empty and there is no evidence to support it. If anything, it is government intervention, rather than reduced regulation, that has been weakening family and community life.

It is unfortunate that Rudd should have chosen to kick off his leadership of the Labor Party by associating himself with such a discredited and tainted set of arguments and assertions, for not only is his claim wrong, but it is damaging to his credentials as a genuine reformer. As Noel Pearson notes, claims like these have more often been made by people who oppose the market reforms of the last twenty years and who feel threatened by ‘the uncertainty and rapid change of the modern,

prosperous economy.’<sup>27</sup> Rudd is not one of these people. He claims to be a supporter of the market. He is a Labor moderniser, not an old-school reactionary. But the image he has created for himself with his recent rhetoric makes him sound more like ‘Old Labor’ than an advocate of the so-called ‘Third Way’ to which he says he is attracted.<sup>28</sup>

There is no future for a Labor Party which defines itself in terms of limiting and regulating the market. If Rudd really wants to carve out a distinctive political niche for himself, he should be thinking instead of how to use markets to give ordinary people more control over the key areas of their lives still colonised by governments—their health care, their welfare and their children’s education. Radical thinkers on the Left are starting to discuss policy options like Medical Savings Accounts and school vouchers, and they are openly debating the best way to reduce people’s dependency on government welfare hand-outs.<sup>29</sup> These are the debates Rudd should be connecting with. That way he will not only win elections—he will also end up strengthening family and community life by restoring people’s responsibility for organising things for themselves.

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For more information or to register your interest please contact Leonie Phillips  
ph:+61 2 9438 4377 e:lphillips@cis.org.au