
REVIEW ARTICLE

MACROECONOMIC PROSPERITY AND SOCIAL INCLUSION: FROM LONG-RUN HISTORY TO THE SHOCK OF MAY 2014.

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Paul Smyth and John Buchanan (eds), *Inclusive Growth in Australia: Social Policy as Economic Investment*, Sydney: Allen and Unwin, 2013, xxv+290 pp., \$40.00.

Ian McLean, *Why Australia Prospered: The Shifting Sources of Economic Growth*, Princeton and Oxford: Princeton University Press, 2012, xiv+281 pp., \$47.95.

John Edwards, *Beyond the Boom*, Penguin, Melbourne, 2014, 176 pp., \$10.00.

Macroeconomics and the Good Society: the Old Problem

Can it seriously be doubted that social inclusion, social peace, and individual flourishing are highly desirable attributes of a good society? How macroeconomic growth is related to these is a fundamental issue for economic and social development and the policies needed to achieve them. Can an economic policy framework that is not interested in fostering social inclusion as such, only macroeconomic growth, actually somehow achieve a good social outcome?

Socio-economic equality is at the heart of the issue, for it seems quite clear from history and the present world that a large cost of extreme

inequality is social conflict and social repression. And in turn, trying to maintain the peace in such a situation, as China and the Middle East and recently Vietnam, Turkey, and Brazil, and even the United States, have found, is expensive financially and socially.

The decline of social inclusion and peace in large parts of Europe (hitherto the centre of moves towards socially inclusive policies) in recent times is a clear consequence of economic failure, which is attributable, at least in part, to policy failure as well as to long-run socio-economic tendencies and contingent short-term developments that could also have been ameliorated by policy. But would the restoration of macroeconomic prosperity by itself necessarily lead to better social outcomes through social inclusion that occurs in an unplanned way? This is one of the great questions that has confronted many countries, including Australia, in recent decades, and which is actually a question about all economic development in the long run. Adam Smith examined this issue in the late 18th Century and essentially answered yes. Neoliberal free marketeers (who are perhaps better described as ‘anti-state libertarians’) claim to be firmly of the opinion that the relationship is positive: their basic view is that if the macroeconomic problem is solved (particularly growth without inflation), by freeing market and social behaviour from government interference, the social problem will be solved through employment generation and rational social choices. Cliches such as ‘a rising tide lifts all boats’ and ‘trickle down’ have been commonplace expressions of the neoliberal position.

Social democrats see the problem as more complicated and requiring another element in the equation – redistributive policy interventions, which are needed because, they argue, markets left to themselves are apt to reinforce inequality and unfairness through monopolisation and labour and wage repression. Radicals (usually socialists) see the recent triumph of neoliberal economic policy as greatly undermining social inclusion and social justice. They reject the idea that macroeconomic prosperity will necessarily lead to (and in fact has not) a better society, something that can only be achieved through democracy and the state acting to subordinate capital to socially desirable processes and outcomes.

The history of the advanced Western world since the 1980s, during which time neoliberalism has become the dominant (but not completely hegemonic) policy framework, has shown clearly that the issue of social inclusion and social peace is about the complex interrelationship of

states, markets, social relations, cultures, and individual needs and desires. Trying to make a simple equation of a good macroeconomic system with a good society obviously neglects fundamentally important factors such as social and gender equality and tolerance, socio-economic opportunity, socio-ethnic complexity, and cultural tolerance and openness. None of these are completely dependent on macroeconomic prosperity although that is usually an important contributing factor. But sometimes the achievement of an improving economic climate is associated with socio-cultural repression. The distribution of resources, power, and decision-making are crucial here.

The major and growing problem of economic and social inequality, which earlier generations of policy makers in the 1940s-70s thought was being solved, has come back to haunt the world. The reduction of state power and the removal of many redistributive policies (in conjunction with a diminution of labour sovereignty and authority) in recent decades are closely associated with this growing inequality. Severe inequality, which exists in much of the world, especially the USA, Latin America, the Middle East, India, and China (all with Gini coefficients approaching or above 0.5), is closely related to social dysfunction, as is obvious to even casual observers and as many scholars and public policy-formulators argue. The correlation between severe inequality and social conflict and repression is obvious throughout all these countries and regions.

Economic Failure but Policy Resilience: Why?

The question of the different roles of markets and states in overcoming inequality and bringing about the best economic and social outcomes is now a central issue again, as it was in the economic crisis periods of the West in 1929-40 and 1974-84. In the first episode the solution of economic management through government intervention, inspired by Keynes (focused at first on a war economy in the early 40s and then on building welfare states and a stable global system), came to the fore in response to severe depression. In the second episode the Friedmanite/Hayekian free-market monetarism, economic individualism, and microeconomic neoliberalism came to the fore as a response to stagflation.

While the long-run oscillation between the dominance of markets and states is again being discussed due to the current crisis in much of the Western world, quite remarkably there is no policy shift occurring by 2014, despite the six years of ongoing Great Recession in many countries having destroyed the credibility of free market orthodoxy. This lack of policy change has been expressed in several ways: Colin Crouch's (2011) argument that there is 'a strange non-death of neoliberalism', despite the crisis resulting from the de-regulatory era, which can be explained by the dominance achieved by capital over the democratic forces of redistribution since the 1980s; Thomas Palley's (2013) argument that the crisis has resulted in 'gattopardo economics', which masks the resilience of orthodox neoclassical economics and its neoliberal policy conclusions by changing some superficial aspects while keeping the substance unchanged; John Quiggin's concept of 'zombie economics' (Quiggin, 2010) (dead ideas still 'walking among us'), which reflects Keynes's observation in *The General Theory* that ideas survive in policy formulations long after their loss of veracity because of intellectual and policy rigidity; and the TINA argument (there is no alternative) of self-described neoliberals.

Indeed, the grip of neoliberal fiscal austerity is very strong in Europe and North America despite no economic recovery occurring. One reason for this, as Crouch and Palley point out, is that neoliberal theory and austerity are beneficial to and defended by powerful elites who have no interest in policy change, especially regarding taxation of high incomes and wealth. This was also seen in the recent Report of the National Commission of Audit (*Towards Responsible Government*, 2014) in Australia, which was essentially a product of the big business lobby and reflected an anti-state, anti-welfare, pro-capital, ideology, influenced strongly by the right-wing Institute of Public Affairs (Secombe, 2014).¹

1 Growing inequality and the wealth of big business is really a result of increasing economic rent rather than innovation, entrepreneurship, and capital productivity. All through the Western advanced world, the growth of patrimonial capitalism (in Piketty's 2014 term) is a consequence of wealth flows through the monopolisation of the rents from assets and the decline of lower and middle class incomes. Nowhere is this more obvious than in Australia. Where once upon a time the centralised industrial relations system, the power of unions, and the Labor Party were the instruments of rent transfer to lower and middle classes through high wages and full employment in the post-war decades, in recent times the erosion of

And we can see that the orthodox neoliberal (small state) policy has not changed on the right of Australian conservative politics either (despite the state being one of the least capacious in the Western advanced world and having one of the least problematic public financial situations) when we observe the Commission-inspired federal budget's fiscal ideology of austerity and severe reductions in the 'entitlements' of the least powerful members of society, while preserving the entitlements of the most wealthy. The unemployed are exhorted, once again, a la Thatcherism, to 'get a job' in a climate of a 12-15% real unemployment rate. These ideological expressions and extreme measures (which broke several major 2013 election promises by the Liberal-National Coalition) of what we can call the 'May Shock' of 2014 show that Crouch, Palley, and Quiggin are more or less correct with regard to the current Abbott government although in this case it has not just continued the neoliberal *status quo* but pushed it considerably further.

Analysing the Macroeconomic / Social Inclusion Issue

With regard to the macroeconomic/social inclusion issue, then, the emergence of neoliberalism and its continuing dominance in spite of policy failure can be viewed and criticised in two wider contexts. First there can be a political economy analysis and comparison of the two broad alternative policy frameworks for economic prosperity and associated social effects – neoliberalism and social inclusionism (or social democracy) – through the articulation of their ideological underpinnings, their policy prescriptions, and their social effects. The aim should be to reveal the real assumptions, commitments, and consequences of ideological frameworks for economic and social outcomes and how those frameworks are established and maintained by political power. Political processes over time, which reflect social forces, are the essential means by which policies emerge and are institutionalised and by which they are maintained and eventually replaced. Beneath this, furthermore, are structural processes of economic and social change, which sooner or later influence the political decision-making and policy formation.

unions, destruction of the IR system, and the rise of the new squattocracy (mining corporations) has exacerbated inequality of power and income. Cf Lloyd (2012).

The second form of analysis that is required, then, is of this structural dimension – the long-run intertwined history of economic development and economic and social policy, which, in Australia, could be read as a history of the sort of oscillation between state and market dominance mentioned above.

When examining the political economy of policy frameworks or regimes such as neoliberalism and inclusionism in modern democratic states, it is important to see that regimes are not necessarily the products of naked sectional/class interests. State actors (politicians and bureaucrats) can have a policy orientation that is socially rather than sectionally committed. Of course, the stated class neutrality of a government does not thus make it so, as we have seen with neoliberalism. It can be argued that the Keynesian welfare regime of the post-war decades was developed and administered within most Western states by socially-disinterested actors who were motivated by national rather than class interests. The Chifley Government and its chief advisors such as H. C. Coombs seems to have been an example (Rowse 2003), as was the Whitlam government.

In the 1980s the Hawke government advocated microeconomic reform and privatisation as a supposedly class-neutral prescription for raising economic prosperity with a view to improving social welfare through market-induced efficiency, in the public interest. By the early 1990s, the Keating government had gone further to argue that the profitability of capital had to be restored in order to achieve macroeconomic recovery. It is clear that they had imbibed the ‘trickle-down’ brew as if that were a class-neutral concoction, without too much concern for the social effects in the long run. More formal regulation was required to prevent market abuses but free markets were the solution to macroeconomic problems.

This regulatory capitalism model of political economy, fully formed by the 1990s (Braithwaite, 2008), presaged the more nakedly ideological shift to neoliberalism of the Howard Government (combined with elements of neoconservative cultural and foreign policy). Then market fundamentalism, aimed at achieving a shift of national income from lower income people to the wealthier echelon of capitalists through an attack on labour market institutions and democratic social forces, a reduction of tax on higher incomes and on capital, welfare reductions, and consequential financialisation of households, local authorities, and governments, shifted the emphasis towards the nakedly-defended

dominance of the profits of capital over societal equality and non-profit social provision.² The motivation was of rewarding greed as the way to promote economic prosperity through establishing a climate to encourage individual striving and the maximising of overall utility by rewarding competitive individualism (Streeck, 2012).

This program, especially as implemented in the USA by the George W. Bush administration, showed that neoliberals are not really interested in good macroeconomic outcomes (full employment especially). Rather, the disempowering and cheapening of labour through greater commodification was seen as essential to the strengthening of the prerogatives of capital and its profitability rather than the overall social welfare. In the neoliberal worldview, inequality is natural and necessary to the strength of capital. Wages have to be reduced and profits increased. Unemployment helps to discipline and cheapen labour.

The Rudd/Gillard government did swing the pendulum a little back towards social inclusion by re-establishing a degree of labour market centralism and making some significant improvements to social welfare while discarding others. But the problem of state revenue remained unaddressed and, whilever that remained the case, the possibility of inclusive policies was severely constrained.

The neoclassical and neoliberal claims that marketisation and a reduced public sector will achieve macroeconomic 'restoration' and then somehow achieve social prosperity (the Great Recession is pretty strong evidence to the contrary) has to be contrasted with actively interventionist social democratic policies for social inclusion as not only essential for welfare but for actually promoting growth and development, and thereby macroeconomic prosperity, upon which social welfare depends in large part. The upward flow of wealth, with supposed trickle down of a little of it, is contrasted with the virtuous circle of spreading wealth that produces greater equality and employment.

Discussion of the recent books by Smyth and Buchanan and their contributors and McLean is a good means of further exploring this issue of an inclusive growth policy framework, its effectiveness for social outcomes and how it compares with its neoliberal alternative. It is also

2 The latest remarkable defence of extreme neoliberalism by Alan Greenspan (2013) is a restatement of this position and yet more proof of the Crouch, Palley, and Quiggin arguments.

useful for considering the nexus between growth, institutions, and policy in Australia over the long term.

Smyth, Buchanan and Contributors on Social Inclusion

Unfortunately, for Smyth and Buchanan, the climate for social policy shifted very dramatically with the election of the Abbott government after their book was completed. The claim in their introduction that ‘the new social reform impulse [by which they mean an openness to improving the Australian welfare and investment state] transcends party political divides’ and that there is the beginning of a consensual policy shift of deep importance away from neoliberalism (p.xiv), has been negated dramatically by both the Audit Commission’s report and the 2014 federal budget, both of which have an anti-state, ‘end to the age entitlement’, ideology. That is, any idea that we are beginning to see the emergence of a political consensus on policies for inclusive growth and social investment in Australia now has to be seen as hollow. Any emerging consensus on inclusion went out the window with the May Shock.

Despite the latest twist of history being a blow to Smyth’s and Buchanan’s hopes for the short-term future, there is much of value in the book as both a critique of the weaknesses of neoliberalism as a program for inclusive economic growth and a foundation for building a different, post-neoliberal, set of inclusive economic and social policies. That is, the two broad policy frameworks of neoliberalism and inclusionism, which are in turn based on different understandings of human nature, human potential, behavioural motivation, and social integration, are effectively contrasted in the book. The 14 chapters set out a range of possible policy prescriptions, ranging through active labour market programs, productivity growth, innovation, skills, education, health, unemployment insurance, women’s work, aging and elderly care.

Peter Whiteford in his Ch. 11 on ‘Income Support, Inequality and Social Risks’ sums up the central issue addressed in the book, where he writes:

Despite ongoing uncertainty about global economic conditions, prosperity in Australia remains both very high and relatively widespread. But are all Australians really sharing in this prosperity? Are we, as a society, ensuring that this growth is inclusive? In particular, are the public policy instruments that we

have available for promoting social inclusion – primarily the social security system and the broader health and welfare systems, as well as the tax system that finances these public policies – suitable for the challenges that face Australia in the coming decades? (p.206)

His answer, and that of all the other contributors, is a resounding No.

The issue of the labour market and employment is fundamental in the inclusionist framework. It's a truism that a job is better than no job. A weak and underperforming labour market has been a feature of the Australian economy ever since the 1970s, in common with many Western (especially Anglo) countries. Labourism, regulatory capitalism and neoliberalism have all failed to solve this problem for more than 30 years, despite, in Australia's case, two decades of constant (almost unprecedented) economic growth since the early 1990s and a huge minerals investment and export boom in recent years.

A good macroeconomic performance has not solved the unemployment and underemployment problem. It could be argued that this is the biggest policy failure of governments throughout this period and blaming globalisation or the necessity for greater efficiency and productivity is not an acceptable excuse, certainly not since recovery from the early 1990s recession. Why has there not been a full-employment program?

Recognition of the reasons for this failure would be a good place to start for any new policy framework and, indeed, several chapters address this issue from differing perspectives – by Buchanan *et al* (Ch. 4) on employment portfolios, Burke (Ch. 7) on skills, Belchamber (Ch. 10) on unemployment insurance, and Horn (Ch. 12) on active labour market interventions. All these together make a strong case for employment to be placed at the centre of inclusionism, for to not do so, to go on as a society accepting that unemployment as somehow inevitable, is to fail the test of a good society.

How can full employment be achieved? Essentially the answer they provide is to have an active labour market policy in the form of a set of interlocking strategies, as Michael Horn (Ch. 12) points out, including flexicurity, skills training, education, employment assistance, and employment incentives (p.225). Something like this program has existed in Denmark and The Netherlands in recent times, with more employment success than in Australia. Not since the Accord of the 1980s has anything seriously been attempted in Australia, even though the existence

of a vast pool of superannuation funds is available for productive investment and employment generation with the right state strategy (Ramsay and Lloyd, 2010). But the full program outlined by Horn will require a major policy shift. Flexicurity has to have the security half, which Australia almost completely lacks. And Australia is a long way from the northern European ideal of a social investment welfare state (Morel, Palier and Palme, 2012).

Achieving full employment is only the start, however, for the nature and rewards of work are also crucial to inclusionism. Work with dignity and without a high rate of exploitation should be the goals. At the minimum, that involves addressing hours and wages and the biggest elephant: public ownership and economic democracy. The Smyth/Buchanan book pays it no attention, unfortunately. Australia has severely lagged behind in this debate compared with the most progressive countries, such as in the Nordic region (*cf.* Cumbers 2012).

How could such a labour market policy, and inclusionism more generally, be implemented in Australia? The biggest lacuna in the book is an examination of how we got to the current non-inclusionist hegemony, which the May Shock has exaggerated but did not create, and how we could move away from it towards inclusive growth again, something Australia last achieved in the post-war decades. That is, the authors have not tackled the more fundamental issue of the failure of 'official' political economy in Australia to articulate the nature of 21st Century capitalism and how radical is the political problem of reform.

The Labor Party Problem is Unavoidable

All governments since the mid-1970s, including 19 years of Labor, have moved a long way from inclusive growth. The general view of Smyth and Buchanan that a gradual, consensual, move towards inclusiveness was happening was inadequate when they wrote it in 2012-13; and since the May Shock it has been shown to be a complacent view. They provide no evidence that a convergence was emerging and do not discuss the related idea of cartelisation in Australian politics (Eggleston and Marsh,

2011).³ If there has been convergence in recent decades it has been towards neoliberalism. Prime Minister Gillard denied that Labor was a social democratic party. Ever since Tony Abbott's ascendancy in 2010, the Liberal Party moved its ideology towards a more radical neoliberalism and, once in office, shifted the policy framework accordingly. In fact the May Shock should not have been a shock, for Abbott and Hockey have been true to their core neoliberal (IPA-inspired) beliefs.

The second major problem with the book is understatement (or non-statement) of the seriousness of the task of implementation, even if there were a majoritarian shift towards an inclusionist philosophy sometime soon. The general assumption that an inclusive policy setting can be achieved has to be evaluated within the prevailing hegemonic situation of low taxes, small state, mean welfare provision, high real unemployment, weakened unions, and the general power of big business (especially mining and energy) in Australia. The belated introduction of the National Disability Insurance Scheme and the maternity leave scheme by the Rudd/Gillard government and the delayed attempt to adopt the (inadequate) Gonski school funding reforms, since undermined by the May Shock, were moves in the inclusion direction but hardly constitute a policy revolution. And the adequate funding of these reforms has been an avoided issue within the prevailing anti-tax political culture on both left and right of mainstream politics.

If the policy climate is to shift, the advocates of inclusionism have to make their argument on the political as well as economic and social policy levels. In the Australian context of the two-party system (albeit one under some degree of dissipation) that means, quite clearly, persuading the Labor Party to adopt this new policy regime, a rather

3 The cartelisation (or convergence) phenomenon is a feature of most democratic Western countries, especially during the post-war Keynesian-inspired social democratic welfare capitalist consensus, which unravelled in the 1970s, and again from the 1980s when a new consensus on microeconomic reform emerged (urged by the OECD), epitomised in Australia by the Hawke/Keating government and Liberal Party opposition, and then later the Howard Government. Shocking as it might be to contemplate from the point of view of progressive politics, is it possible we will now see a new convergence emerge from the Labor Party, similar to that of the early 1990s on 'openness', this time on a more fundamental neoliberalism *a la* the Audit Commission? Probably not, but see the discussion below.

radical regime in the present climate. Only through a Labor government implementing new policies can this happen. This is the political reality. Opposition in the streets and universities to neoliberalism and demands for inclusionism would help persuade Labor perhaps but that will take some time! Putting faith in Labor leaders, given their tendency to never utter the word 'tax' except as a dirty word, especially after the Rudd income tax cuts and the bungled minerals resource rent tax and carbon tax, would seem to be naïve.

Thus what Labor does next in response to Abbottism should be the pressing question for inclusionists. Where is the equivalent of the IPA ideological formation for social democracy today that can help Labor rebuild its ideological absence? Setting out a thorough new ideological opposition to neoliberalism and articulating policies of inclusive growth and social investment, would, at the very least, require Labor to first make a sustained, reasoned and persuasive case for the new inclusionist investment state and therefore for higher revenue through higher and more progressive taxation. Tax reform proposals could include a higher and progressive (in the sense of different levels for different types of expenditure) and more universal GST, both necessary parts of a general re-calibration of taxation and expenditure that would include higher rates of income tax for high earners, new minerals resource rent and carbon taxes, ending of tax concessions for the better off, a wealth or inheritance tax (common in all OECD countries except Australia) and improved welfare transfers. Raising the total revenue level towards the OECD average (or just the Canadian level) is an essential precondition for building a strategy for significant investment in education, research and development, health, welfare, and public infrastructure. The Australian state has not yet quite become a failed state but certainly is an inadequate state, made less adequate by the May 2014 Shock. At the time of writing (July 2014), the signs of Labor developing such a program are not promising (but see below). Understanding that public expenditure is a moral as well as a technical fiscal issue is would be a good place to start.

Trying to see the possibilities of a broad policy shift by Labor to what would amount to a new regime of political economy, the kind of shift that has happened only a few times in Australia's history, requires, as a starting point, a long-run historical understanding of structural (economic and social) history and the policy frameworks that have accompanied that history. The interconnections of economic and social history,

political ideology, and governance are the key structural processes and constraints.

Since the formation of the Federation, Australia has had only two really distinct regimes of political economy. The first emerged as the Labourist-Protectionist (L-P) settlement or compromise between organised labour, social liberals, and manufacturing capital of the early 20th Century (Lloyd, 2002). This regime almost died in the face of the Great War, Great Depression, and Labor splits of the 1920s and 1930s but was 'saved' by the Second World War and the subsequent dominance of Keynesianism and Chifley Labor. L-P lived on until the world crisis of the 1970s and was then replaced, in the face of stagflation and rightwing attacks, by an 'openness' ideology, going further with regulatory capitalism in the 1990s, and eventually neoliberalism.

These two big shifts in the ideological framework (1904-1913, 1975-1985) were determined to a large degree by structural change in the capitalist system in the 1890s-1910s and the 1970s-80s. Is the present economic and financial situation conducive to such another broad shift? Clearly, in Australia's case, which has been an ideological follower rather than leader since the late 1970s, the impetus will have to come from outside, unless the economy falls into a severe recession, as a result of Abbottism perhaps, and/or the Labor Party is seized by a reformist leadership. Leadership, particularly charismatic leadership, is absolutely necessary in the media age.

Mclean, Edwards, and the Importance of Structural History

As Peter Whiteford rightly said, Australia is prosperous and has long been so. Understanding why that has been so and its long-run policy context and social consequences is essential to the inclusive growth argument. History matters; and Ian McLeans's excellent book on *Why Australia Prospered* interweaves economic history, institutional history, and policy history to provide a new, thorough, and important account of Australia's economic evolution since European colonisation. The discipline of economic history has been widened and enriched in recent decades by the 'institutionalist turn', although this 'turn' has several faces, one of which at least is actually a 'return' to an older and somewhat richer approach to economic history that we should call

‘analytical historical political economy’. Australia has had a well-developed tradition of such writing, beginning in the early 20th Century, especially represented in the works of W. K. Hancock (1930) and Brian Fitzpatrick (1939, 1941). This approach combines narrative, theory, and statistics (but not econometrics) to study the interconnection of economic change, institutions, social class, and policy (Lloyd, 2015).

While McLean’s book is not a return to the concerns or concepts of Hancock or Fitzpatrick exactly (who had differing socio-policy perspectives anyway), it does have a richer, more historically-grounded, form of institutionalism that could be described as a better form of historical political economy than the dominant orthodoxy. That is, his book is not in the same ‘school’ as the internationally famous institutionalists North and Acemoglu and Robinson, who have captured attention recently but who employ a form of neo-classical individualist theory in such a dominant way as to seriously neglect historical complexity and detail as well as the major role of material contingencies (*cf.* Acemoglu and Robinson, 2012).

Reading the history of a country through a single lens of formal institutional structure is no better than doing so through a lens of resource wealth or capital accumulation. McLean does not do that but tries, instead, to grasp the different and changing roles at various times of material resources, investment, institutions, governance, and their interweaving. Attention is paid to the institutional responses to contingent shocks that might have had much more deleterious consequences in the long-run without a certain fundamental level of institutional richness and flexibility.

McLean’s central theme is how Australia became, and moreover, remained a rich country. By ‘prosperous’ he means high income *per capita*. He is not concerned with social inclusion as such but does rightly accord a central place for strong democratisation and the continuing imperial connectedness as important institutional determinants of policy shifts at crucial moments, such as in the 1840s and the early 20th Century, and for the avoidance of ‘resource curse’. It’s clear from much comparative research on similar settler economies that the presence of liberal constitutionalism, social liberalism, and democracy played a central role in enabling Australia’s comparatively egalitarian and sustained growth story, in contrast with some other parts of the settler world (Lloyd *et al.*, 2013). He argues the ‘Australian Settlement’ of the

early 20th Century was not an institutional brake on Australia's success and institutional adaptiveness in the 1980s and 90s meant that the old regime could be reformed to Australia's ongoing benefit.

It has only been in recent decades that there has begun to be a significant trend away from the general path of relatively egalitarian growth and development in Australia, at least in terms of incomes, as shown by Atkinson and Leigh's (2007) work that McLean draws upon. Of course this issue is now at the forefront of debate about the lack of inclusive growth in the Western world, thanks to the prominence given to Piketty (2014) and much other work. The inclusive growth argument has to confront this issue if for no other reason than to confront the neoliberal view that distribution and income do not matter if 'all boats are rising' with the tide of prosperity. Inclusive growth, as set out above, is more than just a policy of redistribution: it is a *policy for growth* through *inclusive investment* strategies.

This argument also applies to John Edwards' new, important, contribution to the debate about Australia's present and future in *Beyond the Boom*. His book is an important critique of what he calls 'the black arm-band' view of Australia's economic history, especially as propounded by Ross Garnaut in his *Dog Days* (2013). Edwards sets out a persuasive case that the minerals and energy boom since about 2002 has not been as large as many commentators think and is not about to collapse. The future is not bleak. His long-term view of Australia's success is explicitly based on McLean's book, particularly the idea of institutional adaptiveness. This is the opposite not just of 'black arm-band' pessimism but also of the 'lucky country' syndrome. Throughout, and particularly when it comes to the problem of how to perpetuate the current relative success, Edwards reveals that he has no vision of social justice and social inclusion. The ruinous consequences of persistent high levels of real unemployment are never mentioned. The meanness of the welfare system and the growing inequality are not discussed. If Australia has been so prosperous and will likely continue to be so, in Edwards' view, why have the persistent problems of poverty, homelessness, educational inequality, and growing social inequality, not been overcome during the long millennial boom? Where is the reform agenda today of the sort hoped for by Smyth, Buchanan, *et al*?

Edwards does argue that government revenue is too low (thanks to income tax cuts in the Howard and Rudd periods) and has to be restored

to the long term level of 25% of GDP. He also sees that this is very low by OECD standards, including in comparison with Canada and New Zealand. But he has no argument for further increasing revenue in order to improve social inclusion and welfare. He does concede that more needs to be spent on childcare and public education (Gonski reforms) but has no discussion of the revenue implications. Furthermore, there is no mention of how ordinary working people and those dependent on the welfare system have not benefitted from the long period of economic prosperity. Real wages have fallen in recent times. On the whole, the book is disappointing for, while it promises much in terms of corrective to the neoliberal agenda, it does not take the next step to see that 'prosperity' is not just a macroeconomic measure but should be a social construct. A prosperous society is an equal, just, and inclusive society that provides for all its citizens. The central full employment agenda of the post-war decades disappeared in the 1970s and has never come back. This is a fundamental failure of all governments since then that Edwards is silent about.

Towards an Inclusionist Coalition?

Finally, reverting to the earlier discussion about political possibilities and the unavoidable role of the Labor Party and political power, Smyth and Buchanan concluded their Introduction by advocating 'a new and effective reform coalition'. Unfortunately, they do not say what that would look like or how it would happen. Clearly, such a coalition must go beyond the Labor Party as presently ideologically constituted for Labor, on its recent record at least, is a hindrance to broad-oriented social democratic, anti-neo-liberal, reform. But it has not always been so: the Chifley and Whitlam governments saw themselves in that tradition of progressiveness and inclusion. Such a coalition, we believe, would have to have five main institutional elements:

- a revitalised and progressive union movement;
- social sector NGOs (who deal with the bad consequences of neoliberalism and the failure of 'trickle down');
- progressive political activist groups such as students and other NGOs;
- progressive scholarly institutes and intellectuals; and

- the Labor Party – with a new ideology of real democracy and egalitarianism based on an improved understanding of the nature of the ongoing global crisis of capitalism and democracy. Such an understanding would do well to begin with the seminal works of Wolfgang Streeck (*e.g.* 2012, 2014a, 2014b). The current crisis of the West is very probably the worst it has faced since the 1930s on several levels and politics as usual by the progressive forces will no longer work in their own or the social interest.

This means that Labor must open to working with and building a broad front with all progressive movements. Can it do it? It's a big test for Labor activists to become more socially inclusive and for Labor factionalists to see beyond their own high-paid hoped-for careers (a persistent characteristic of many rightist labour leaders, the latest being Paul Howes) and build a new ideological framework. Then the process of building a consensual program for inclusive growth and a social investment welfare state for the long-term could begin. Australia is better placed to do that than almost anywhere else in the advanced Western world because of its present macroeconomic circumstances, if Abbottism does not destroy the trend of prosperity altogether.

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