


Book reviews

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Paul Smyth and John Buchanan (eds) *Inclusive Growth in Australia: Social Policy as Economic Investment*. Allen & Unwin: Sydney, NSW, Australia, 2013; 290 pp.: 9781743311301 (pbk).

Reviewed by: Michael Johnson AM, *The University of New South Wales, Australia*

The election of a conservative Liberal Government in Australia in 2013 and its first budget brought down in May 2014 have continued the process of fundamental change taking place in social policy in Australia. The direct social policy changes announced include the planned ending of free access to health care; ending the recently introduced Gonski reforms of school education funding and reforms to higher education funding; cuts and rule changes to social programmes; plus a new maternity leave scheme that privileges high-income women. A planned major cut in Commonwealth funding to state governments' health and education services in Australia was included. These plans – only some of which are likely to be realised – mark a further movement away from the acceptance of a universal access needs-based social welfare system, to an increasingly marginal one designed to benefit high-income earners through corporate and individual tax expenditures, and accessible through income benefits, superannuation, tax free trusts and other advantages that continue to contribute to the increase in income and wealth inequality in Australia (see page 19ff for some of the details). Many developments in social policy in these areas have been criticised widely and in detail in recent years, but responses have not been based on a compelling, integrated set of policy recommendations with the potential both to better address poverty and growing inequality and also to contribute to economic development. This is an objective that the new book *Inclusive Growth in Australia: Social Policy as Economic Investment*, edited by Paul Smyth and John Buchanan, commences the job of attaining.

The current direction of social policy change began in the 1980s, and has continued through three decades without being re-evaluated in the light of the changing social, economic and political conditions that applied over time. These changed conditions include a larger and more socially diverse population, changed industrial structures and employment conditions and the domination in political debate of neo-liberal market-based solutions, applied to a wide range of social policies, problems and services. These changed conditions have led policy debates, according to the editors of this work, 'to be dragged down into clichés of "welfare wars," "poverty wars" and ending "welfare as we know it,"' when 'there has been a fundamental renewal of thinking about the role of social policy across the world and Australia needs to catch up' (p. xiii). As the authors state, the boundaries and barriers existing, and now being constructed to restrict the role

of social policy, neither assist in the project of social or economic development nor complement each other in the way they could.

One of the sources of policy failure identified by the authors is the lack of appreciation by the new Canberra political 'elite', insulated and remote from the life experience, on the one hand, of the close links in ordinary people's lives between social policy, economic participation and welfare. They are equally uncomprehending, on the other hand, of the important role that first-class education, health and other social organisations and services play in Australia's economic competitiveness and success. The volume addresses this ideas deficit by bringing together contributors with new perspectives from the public, private and not-for-profit sectors. As such, it makes an important contribution to bringing the debate about social policy into perspective and offer new ideas to address development problems. The book consists of an introduction and 14 chapters written by a wide range of respected contributors, ranging from Grant Belchamber from the trade union movement to Saul Eslake from the Bank of America, and is supported by an index that would complement its use as a social policy course text.

The problems confronting Australia, as well as many other countries, are complex and so are the solutions. Jobs are increasingly knowledge- and skill-intensive, and service-based employment is often episodic and poorly paid. Traditional policies and the organisations that interact with them to manage employment, income security, unemployment and work-life balance are in decline, exposing more people to social and economic risks. The policies and associated formal and informal standards designed to address these conditions have not kept pace with these changes. In addition, as the book's editors point out (p. xvi), the march of the primacy of market-based solutions to the social problems created by rapid structural change is faltering, and the Global Financial Crisis (GFC) that developed in 2008 has reinforced the questioning of market solutions as social programmes have come under pressure from claimed budgetary stress in Australia. The solution, the editors suggest (p. xviii), is not de-linking social policy from economic objectives but an inclusive policy approach that recognises that both these spheres are integrated, complementary and necessary to achieving the goals of each. A set of new social policies is recommended. Some of the authors in the volume refer to them by the technocratic term 'flexicurity', although all also refer to them more reassuringly as policies for 'inclusive growth'.

The detailed chapters of the volume adopt a social and economic development model (derived from both developed and developing country experience) to identify the need for, and approaches to building, an integrated programme aimed at achieving inclusive growth. The first is Pradeep Taneja's essay on policies aimed at inclusive growth in China and India. These countries emphasise the goals of inclusiveness and harmony, respectively, in their policies. In reality, they have generated significant economic growth, but also massive inequalities, combined in China's case with political repression. Paul Smyth's Chapter 2 identifies social investment as a way to reform older social 'protection' policy models, in order to ensure more complementary (and what development economists would call 'balanced') growth. An approach which is both intuitively attractive, and which Smyth supports from an extensive review of the literature, is to argue that our economic goals can only be realised if human capital investment (in the form of education, health and other supportive

social services) is sufficient to enable the full participation of everyone in social, economic and political life.

Part 2 of the book investigates the Australian social policy experience in relation to factors contributing to achieving inclusive growth. The essay by Francisco Azpitarte examines the growth of inequality in Australia and introduces an issue that is a core policy focus for international economic institutions in promoting development – the importance of ‘pro-poor’ growth and ways to achieve it. A key Australian problem explored by this author is the rise in inequality and in the number of people living in poverty. Some useful sources and analytical tools are provided for measuring income inequality and the extent to which economic growth delivers benefits to the poor. These tools are used to show (p. 60) that economic growth has benefited the income poor in Australia but not the socially excluded. The following chapter by John Buchanan and others shows that employment and wage setting arrangements are not successfully managing structural change, while deregulation and new policy initiatives are now failing to equip those seeking work with the capabilities to do the work available. This issue is developed further in Chapter 12 by Michael Horn, who argues the need to develop more effective active labour market programmes to address this and other structural labour market issues.

Saul Eslake’s chapter argues for the importance of improving productivity in order to underpin the raising of Australia’s incomes and living standards. The author recognises that this goal will only be accepted and succeed if those involved in achieving it also benefit from it – which is not the case today. The following chapters identify other key areas that require policy attention to ensure they contribute to achieving inclusive growth and real economic development. Don Scott-Kemmis and Roy Green outline the role of technological change, understood as new hard and soft technologies and the development of the capabilities to improve them. Gerald Burke analyses the elements necessary to develop the human skills needed. Heilke Buddelmeyer argues (p. 161) the centrality of education, if developed appropriately, to the success of other important factors in achieving inclusiveness – such as community building, improving people’s health and security – a topic developed further by Anthony Harris.

The last part of the book examines the role played by social security and social equity in the success of the inclusive growth project. Grant Belchamber proposes the creation of a new unemployment insurance scheme. Peter Whitford argues for new approaches to those who are largely excluded, but who should be seen as important contributors to creating the conditions essential for achieving inclusive growth. These approaches include better policies and programmes for those whose health status is impaired and to meet the needs of children and carers. Marian Baird and Alexandra Heron focus on the needs of women for policy improvement in areas supporting their economic participation, including flexible work arrangements to allow for the care of children and the elderly. Simon Biggs, in summarising the book’s content, points out (pp. 270–271) that higher living standards have already created new issues like longer lifespans, retirement from paid work and the accelerating rate of social and economic change and the resulting challenges of maintaining intergenerational equity and social cohesion.

The topics covered in the book are important ones but there were significant omissions of policy fields important to the achievement of inclusive growth, such as housing policy. The challenging questions of how to pay for this ambitious agenda or the

necessary consideration of interconnections between the taxation system, social policy and economic development was not adequately discussed. However, this volume is an essential read for anyone interested in social policy and it makes an important contribution to re-evaluating the role, goals and policies of a social policy system that is progressively being shrunk into a limited social safety net – with holes in it, rather than being built as an active, integrated and balanced social policy programme that would make an active and important contribution to Australia's economic development.

Anat Admati and Martin Hellwig *The Bankers' New Clothes: What's Wrong with Banking and What to Do about It*. Princeton, NJ: Princeton University Press, 2013; 424 pp.: 9780691162386, RRP USD29.95 (hbk), USD18.95 (pbk); 9781400851195 (eBook)

John Coates *The Hour between the Dog and the Wolf: Risk-taking, Gut Feelings and the Biology of Booms and Bust*. London: Fourth Estate, 2012; 304 pp.: 0007413521; 978000741352, RRP AUD29.99 (pbk)

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There are a lot of things to like about *The Bankers' New Clothes* and, given the authors have fairly conservative views on money, a lot of people like it.¹ Admati and Hellwig are experts on bank regulation, the former at Stanford's Graduate School of Business and the latter at the Max Planck Institute for Research on Collective Goods. Although there is no shortage of 'continuing crisis' books, this is a clever and remarkably (for the dry side of economics) witty, thoroughgoing attack on the political manoeuvres of the banking sector since the crisis (hence their title). The book compares very well with run-of-the-mill methodologically individualist accounts such as that by John Coates (briefly mentioned below), an investment banker doing neuroscience and finance research at Cambridge University.

It is now 7 years since world economic activity nearly ceased, care of the global banks. I think Admati and Hellwig are right to be completely fed up with the sector's lobbying and scare tactics designed to prevent any possible reform to banks. The sector is creating more dangers for everyone, and its resistance – coupled with a staggering amount of political pressure and 'donations' – is also an international phenomenon.

This spirited critique of the 'emperors of banking' is welcome for exposing bankers' excuses in general, and for confronting the main problem the book identifies, which is the emperors' refusal to improve bank debt-to-equity ratios. Admati and Hellwig list shameless claims to competence, bullying and intimidation of politicians and regulators and a loathing of the public. The most prominent bank CEOs are named for their false claims: the authors devote pages to Jamie Dimon (head of JP Morgan) and Josef Ackermann (former head of Deutsche Bank) for specious arguments and – although they are not the only CEOs discussed – I think it is a good choice. In this way, it is a global critique, showing that personal petulance, spite and lack of decency are also collectively shared phenomena of little Napoleons.

Although the book does make fun of these figures, it is mostly a debate with the lay reader because, Admati and Hellwig claim, 'only pressure from the public can bring forth the necessary political will' to reduce the enormous social dangers of 'unsafe