

Globalisation and Rising Inequality in Australia

Is Increasing Inequality Inevitable in Australia?

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Introduction

I want to dedicate my government to the maintenance of traditional Australian values. And they include those great values of mateship and egalitarianism.¹

10 years ago a Mitsubishi type development would have flattened people psychologically. Now they take it in their stride ...²

Policy-makers and commentators have long been cajoling Australians into accepting that they are a part of the global economy, which means an acceptance of a whole range of ‘new realities’. One of the major themes of the pro-globalisation position is that Australia has accepted these new realities and adjusted well to globalisation by embracing economic liberalism. The results, it is argued, have been overwhelmingly beneficial. John Howard points out the Australian economy has grown for fourteen years straight – a remarkable achievement by any standards. This success story of growth has tended, however, to override more disaggregated, negative analyses of social outcomes in Australia. A less sanguine part of this new globalising ‘reality’ appears to be an acceptance of rising inequality. Indeed, it is often implied that rising inequality is a spur for growth. The argument is that everyone is better off, it’s just that some people are better off than others. While commentary is often not explicit about the association of globalisation and rising inequality, occasionally it is:

The other thing we have to face up to is that in the end we have to be a productive and competitive society and greater inequality might be inevitable.³

Others argue that rising inequality is not a problem if poverty is not rising. Edwards, for example, maintains: “increasing inequality is not of itself a bad thing, if even the poorest are markedly better off as a result of the forces that have made the rich richer.”⁴ Secretary to the Treasury, Ken Henry, argues that rising inequality should not be seen as a problem for policy-makers:

even supposing income inequality had increased slightly over the second half of the 1990s, should this be of concern to economic policy makers? The answer to this question is not clear-cut. Importantly, there is no clear consensus on what an acceptable level of inequality is ...

¹ John Howard 1998 Victory Speech.

² John Howard (2004) “Doorstop Interview, Adelaide”, Adelaide, 19 August (<http://www.pm.gov.au/news/interviews/Interview1083.html>).

³ Tony Abbott, cited in Mike Steketee (2003) “Still Work in Progress”, *Australian*, 7-8 June, p. 22.

⁴ John Edwards (2000) *Australia’s Economic Revolution*, Sydney, University of New South Wales Press, p. 55.

Moreover, the policy lesson to be drawn from a reform-induced widening of income inequality is not obvious. Policy makers are very likely to believe that the market liberalising reforms of the past couple of decades in Australia have contributed to rising average incomes, and that the income gains have been widely shared. Is anybody seriously suggesting that those reforms should be reversed, in the certain expectation of significantly reduced average incomes and the highly speculative hope of a more egalitarian distribution of a smaller cake?⁵

According to perhaps the most important bureaucrat overseeing the economy, the costs of doing something to seriously address inequality would be too high in a globalising world economy. Increasing inequality is not seen as a problem; instead, it is viewed as an unavoidable component of efficient and globalised capitalism.

The aim of this paper is to consider the phenomenon of rising inequality in Australia and to assess whether it is indeed an inevitable and hence unavoidable by-product of economic liberalism and globalisation. The paper argues against the proposition that inequality is inevitable by stressing that there is a clear role for government in reducing inequality. This is the case even if governments choose to maintain the broad thrust of economic liberalism.

Globalisation

Globalisation can provide a simple explanation for the rise in inequality in developed countries. Both proponents and opponents of globalisation make such arguments. Proponents argue that globalisation is a marker of a changed and constantly changing world, where the past goal of government to redistribute equitably the fruits of growth is no longer possible or even desirable. Instead, garnering growth in a globalised economy means governments must intervene less in market processes.⁶ Opponents argue that globalisation increases inequality and that better outcomes are only possible if countries take a step back from globalisation and liberal capitalism.⁷ Many others, less certain about costs and benefits, still believe that governments are increasingly constrained by global developments and forces.⁸

⁵ Ken Henry(2002) “Globalisation, Poverty and Inequality: Friends, Foes or Strangers”, *Towards Opportunity and Prosperity Conference*, University of Melbourne, April, pp. 31-2.

⁶ See for example Thomas Friedman (1999) *The Lexus and the Olive Tree: Understanding Globalisation*, New York, Farrar, Strauss, Giroux; Kenichi Ohmae (1995) *The End of the Nation State: The Rise of Regional Economies*, London, Harper Collins; Richard O’Brien (1992) *Global Financial Integration: The End of Geography*, London, Pinter; Peter Drucker (1989) *The New Realities*, Oxford, Heinemann.

⁷ See for example Naomi Klein (2001) *No Logo*, London, Flamingo; Randal Germain (ed.) (2000) *Globalization and Its Critics: Perspectives from Political Economy*, London, Macmillan; John Gray (1998) *False Dawn: The Delusions of Global Capitalism*, London, Granta; Tim Lang and Colin Hines (1993) *The New Protectionism: Protecting the Future Against Free Trade*, London, Earthscan Publications.

⁸ See William Greider (1997) *One World, Ready or Not: The Manic Logic of Global Capitalism*, New York, Simon and Schuster; Philip G. Cerny (1997) “Paradoxes of the Competition State: The Dynamics of Political Globalization”, *Government and Opposition*, 32(2); Susan Strange (1996) *The Retreat of the State: The Diffusion of Power in the World Economy*, Cambridge, Cambridge University Press; Robert O.

The idea of globalisation has become a framework for understanding a whole range of trends in the domestic and international spheres. It can be seen as a set of material developments whose causes lie in inextricably intertwined political, economic, cultural and technological processes. Globalisation, however, is much more than this. It is also an ideological construction that is used to explain and justify domestic and international developments and the way they interact. Globalisation is both a process and a contestable concept.⁹ To understand the effect of globalisation on social outcomes, therefore, requires a consideration of both its ideological dimensions and its material underpinnings.

The relationship of globalisation to social outcomes in developed countries has sparked a large literature across sociology,¹⁰ political economy,¹¹ political science¹² and economics.¹³ Much of this literature is empirically based and often attempts to isolate the impact of finance, investment and trade on social outcomes. Although globalisation in the form of finance and trade has placed significant pressures on policy-making, it has also provided an important explanation of, and justification for, the rise in inequality. In Australia and elsewhere, globalisation has been the essential component in the explanation of why governments must limit their role. Globalisation and liberalisation have not led to a reduction in the size of government, in terms of taxation and spending, thus indicating the general possibilities of increasing social spending and other programmes and policies that could improve social outcomes.

Keohane and Helen V. Milner (eds) (1996) *Internationalization and Domestic Politics*, New York, Cambridge University Press; John Gerard Ruggie (1993) "Territoriality and Beyond: Problematizing Modernity in International Relations", *International Organization*, 47(1).

⁹ See Tom Conley (2002) "Globalisation as Constraint and Opportunity: The Restructuring of the Australian Political Economy", *Global Society*, 16(4); Tom Conley (1999) *Economic Discipline and Global Punishment: Globalisation and Australian Economic Policy during the Hawke and Keating Years*, unpublished PhD dissertation, Department of Politics, University of Adelaide, Adelaide, June.

¹⁰ See for example Stephanie Moller et al (2003) "Determinants of Relative Poverty in Advanced Capitalist Democracies", *American Sociological Review*, 68; Arthur S. Alderson and François Nielsen (2002) "Globalization and the Great U-Turn: Income Inequality Trends in 16 OECD Countries", *American Journal of Sociology*, 107(5).

¹¹ See for example Fritz W. Scharpf (2000) "The Viability of Advanced Welfare States in the International Economy: Vulnerabilities and Options", *Journal of European Public Policy*, 7(2); Dick Bryan and Michael Rafferty (1999) *The Global Economy in Australia: Global Integration and National Economic Policy*, Sydney, Allen & Unwin; Geoffrey Garrett (1998) *Partisan Politics in the Global Economy*, New York, Cambridge University Press.

¹² See for example Rafael Reuveny and Quan Li (2003) "Economic Openness, Democracy and Income Inequality: An Empirical Analysis", *Comparative Political Studies*, 36(5); Chris Pierson (2001) "Globalisation and the End of Social Democracy", *Australian Journal of Politics and History*, 47(4); Markus M. L. Crepaz (2001) "Veto Players, Globalization and the Redistributive Capacity of the State: A Panel Study of 15 OECD Countries", *Journal of Public Policy*, 21(1).

¹³ Dani Rodrik (1997) *Has Globalisation Gone too Far?*, Washington, Institute for International Economics; William R. Cline (1997) *Trade and Income Distribution*, Washington, Institute for International Economics; Adrian Wood (1994) *North-South Trade, Employment, and Inequality*, Oxford, Oxford University Press.

Assessing Inequality in Australia

During the early 1990s, the Labor Government claimed that increasing income inequality was a global development and that it had done much to ameliorate the worst effects of this structural change. The outcomes, it argued, were much better than would have been the case if the Coalition had been in office. In relation to the gap between the rich and poor, Keating explicitly made the point:

Yes, the gap has widened, but nothing like it would have widened ... This is now an international country and the wage spectrum reflects that which exists in a lot of other countries ... but what we have done, unlike the United States, unlike ... the Thatcher's Britain which John Howard would seek to emulate, or Ronald Reagan's America, we have brought the bottom two income deciles ... up immeasurably.¹⁴

In other words, Labor had succeeded where governments in other countries had failed: it had managed the transition to increased economic and social polarisation more fairly.

Since coming to office in 1996, the Howard Liberal-National Coalition Government has not enjoyed the same level of policy bipartisanship that Labor did in government. Alongside the lessons learned from losing the supposedly unlosable election in 1993 under John Hewson, the lack of support from Labor and minor parties in the Senate has forced the Howard Government to modify many of its policy preferences, especially in the areas of industrial relations, health and welfare policy. Changes in these areas have also forced the Government to take account of widespread opposition to continuing reform. Despite these difficulties, the overall thrust of Coalition policy has undoubtedly been a consolidation and extension of Labor's liberalising and globalising agenda. The Howard Government has further liberalised the industrial relations system, extended privatisation, shifted the focus of the tax system from direct to indirect taxation, and rationalised the welfare system and made it more punitive. In social and health policy, the Coalition appears to be waiting for the opportunity to extend its programme of reform.

Despite differences in emphasis, there is a new bipartisanship in Australian economic policy – economic liberal rather than protectionist. The election of a Labor Government *could* involve the development of a more elaborate and protective social policy framework to accompany the current policy direction. A change in government, however, would not result in the de-globalisation of the Australian economy. Neither political party in Australia advocates a shift in direction away from economic liberal globalisation. The new policy consensus does not yet

¹⁴ Lenore Taylor (1995) "PM Admits Gap Between Rich and Poor has Widened", *Australian*, 6 October, p. 2. For a sympathetic view of Labor's social policies, see Francis Castles (1996) "Australian Social Policy: Where are We Now?", *Just Policy*, 6; for one less so, see Lois Bryson (1996) "Transforming Australia's Welfare State", *Just Policy*, 6.

have the universality of the protectionist consensus that existed for most of the twentieth century. Although there has been much popular concern about the course of policy in the last 20 years, there is no political force that is currently capable of challenging the new orthodoxy. What does exist is a rear guard action, a conservatism of the left and right, to maintain traditions of Australian egalitarianism in the face of far-reaching economic and social policy changes.

But is there really a need? Surely, the remarkable story of Australian growth – the Australian economy grew by 51 per cent between June 1991 and June 2003¹⁵ – would provide sufficient wealth for all.

Widening Inequality and Deepening Poverty in Australia

There is much controversy about the measurement of inequality and poverty in Australia.¹⁶ In a period of fundamental structural change, it would be surprising if there were not substantial changes to social outcomes. Governments throughout the developed world have aimed to increase the outward orientation of their economies and to maintain low inflation. There has been a general shift in attitude of even supposed left-wing governments to unequivocal support for business and, in particular, profitability.

At a broad level, there has been a significant shift in the wage to profit ratio. The share of wages in total factor income was 54.4 per cent in 2002-03 compared to 61.5 per cent in 1974-75. The share of profits was 25.0 per cent in 2002-03, the highest level since 1959-60.¹⁷ These shifts were engineered by the Labor Government with the active participation of the union leadership in Australia.¹⁸ The explicit aim of Labor through its Accord with the Australian Council of Trade Unions was to lower real wages in Australia in exchange for

¹⁵ Author's calculations based on Australian Bureau of Statistics (2003) Australian System of National Accounts Table 1. Gross Domestic Product And Associated Statistics (5204.0) (available at <http://www.abs.gov.au/ausstats/abs%40.nsf/lookupresponses/24fd4d48443cff63ca256dd4007bc534?opendocument>).

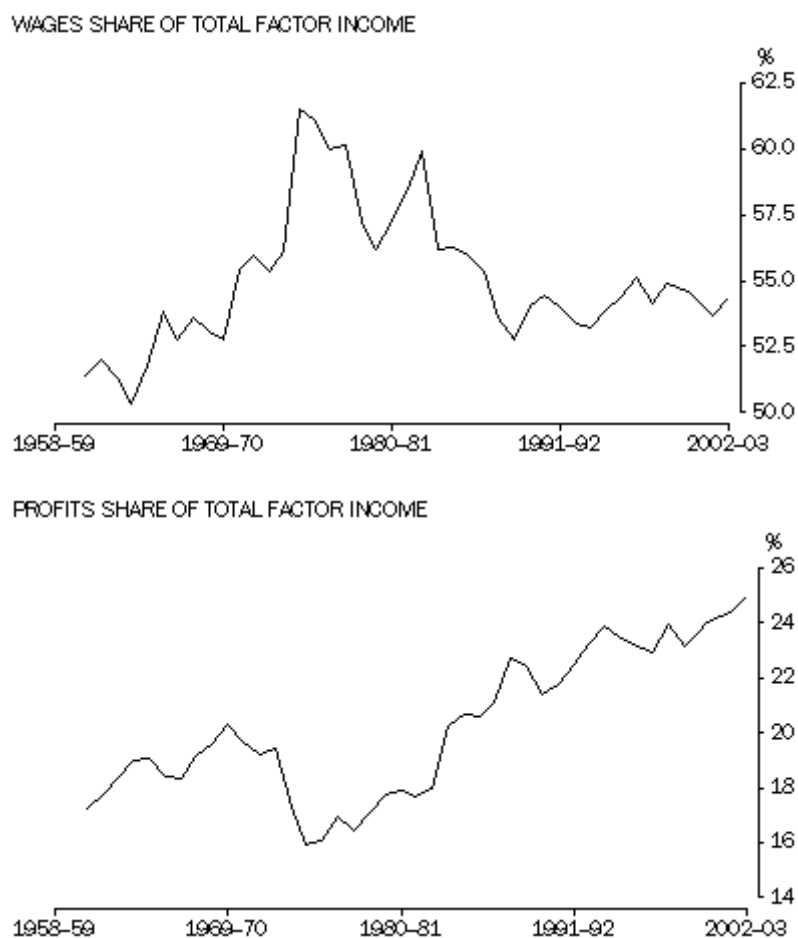
¹⁶ For discussion see David Trigger (2003) "Does the Way We Measure Poverty Matter", Discussion Paper No. 59, November, National Centre for Social and Economic Modelling.

¹⁷ ABS (2003) *Australian System of National Accounts 2002-03*, (5204.0).

¹⁸ Braham Dabscheck (1995) *The Struggle for Australian Industrial Relations*, Melbourne, Oxford University Press, 1995. See also Paul J. Keating (1985) "Speech to Institute of Directors", *Commonwealth Record*, 2-8 September, p. 1533. This was a theme Keating constantly reiterated when speaking to business audiences. See also Paul J. Keating (1988) "Address to the Asia Society and American/Australian Society, New York", 4 October, pp. 4-5. In 1993, Keating argued that: "Corporate profits before tax and interest over the last decade were much higher than in the 1970s ... Wage restraint was a major factor in lifting the corporate profit share to high levels around 17 per cent, after it had fallen to a low of 12.4 per cent in the September quarter 1982". Paul J. Keating (1993) *Investing in the Nation*, Canberra, AGPS, p. 27.

social and taxation advantages for workers.¹⁹ This effectively meant that social outcomes were, to a greater extent, directly reliant on government. This change occurred at the same time as policy-makers were arguing that government was being forced to do less. There is significant doubt that Labor sufficiently compensated for declining real wages.

Figure 1: Wages and Profits Share of Total Factor Income



Source: ABS (2003) *Australian System of National Accounts 2002-03*, (5204.0).

An analysis of the academic literature reveals wide-ranging and often contradictory assessments of what has happened to the detail of social outcomes in recent years. Such polarisation of assessments is evidenced by two accounts of poverty in Australia in the 1990s. A Smith Family/NATSEM study led by Harding found that poverty had increased from 11.3 per cent to 13.0 per cent during the 1990s.²⁰ Researchers for the Centre for Independent Studies (CIS) criticised this report for assessing poverty based on a figure of half of average

¹⁹ For an account of the various versions of the Accord see Conley, *Economic Discipline and Global Punishment*, ch. 6.

²⁰ Ann Harding, Rachel Lloyd and Harry Greenwell (2001) *Financial Disadvantage in Australia 1990-2000: The Persistence of Poverty in a Decade of Growth*, Smith Family/NATSEM. The Smith Family is a social welfare organisation, NATSEM is the National Centre for Social and Economic Modelling and the CIS is an economic liberal think tank.

income.²¹ The half average measure is more indicative of inequality and leads to a higher poverty figure because higher incomes have been rising much faster than lower incomes. However, as Harding points out, using the CIS's preferred figure of half of median income still produced an increase from 8.2 per cent to 8.7 per cent.²² Saunders and Tsumori from the CIS freely admit that inequality has risen but argue that "the poor don't get poorer simply because a few people get richer".²³

There are undoubtedly a wide variety of ways to measure poverty and inequality. Harding, Lloyd and Greenwell canvass a range of measures and find that on 12 different measures, poverty rose in 11 of them. Particularly significant is the measure of poverty including the cost of housing which increased the poverty rate to 17.5 per cent.²⁴ The official assessment of income inequality by the Australian Bureau of Statistics (ABS) since 1994-95 has gone from "no significant change" to "some possible rise in income inequality".²⁵ Interrogating the most recent ABS figures, Saunders argues that there has been a significant rise in inequality. Depending on the methodology used, it is evident that despite real disposable incomes increasing across the board, income inequality fell between 1994-95 and 1995-96 and then increased. From 1994-95, mean income in the top quintile increased by \$111 a week – more than 8 times the increase of \$13 a week in the lowest quintile. Since 1995-96 "almost half (47.3 per cent) of all the income produced by a growing economy was received by those in the top quintile".²⁶ As Saunders points out, considerable scope existed for the Howard Government "to improve the living standards of those at the bottom of the income distribution by putting a break on the large increases that have gone to those at the top".²⁷ It is clear that "some dimensions of inequality have grown *faster* since the mid-1990s than during the 1980s".²⁸ The major difference between the 1980s and the mid to late-1990s is that the middle (the third and fourth) quintiles have seen their declining income shares halted.

The CIS researchers point out that income statistics do not match consumption figures, providing evidence, they suggest, of the under reporting of incomes. As Krugman points out,

²¹ Kayoko Tsumori, Peter Saunders and Helen Hughes (2002) "Poor Arguments: A Response to the Smith Family Report on Poverty in Australia", *Issue Analysis*, No. 21, 16 January.

²² Ann Harding (2002) "Research Highlights a Nation Growing Apart", *Australian*, 25 February, p. 8.

²³ Peter Saunders and Kayoko Tsumori (2002) "For Richer or Poorer, We're Still a Lucky Country", *Australian*, 16 January, p. 11.

²⁴ Harding, Lloyd and Greenwell, *Financial Disadvantage in Australia 1990-2000*, pp. 18-19.

²⁵ ABS (2001) "Income Distribution 1999-2000 (Cat. No. 6523.0)", February and (2003) "Household Income and Income Distribution (6523.0)", July. Cited in Peter Saunders (2003) "Examining Recent Changes in Income Distribution in Australia", Social Policy Research Centre Discussion Paper No. 130, p. 7.

²⁶ Saunders, "Examining Recent Changes in Income Distribution in Australia", pp. 7-9. It needs to be noted that there are two Peter Saunders writing on these issues in Australia with very different interpretations of the data.

²⁷ Saunders, "Examining Recent Changes in Income Distribution in Australia", p. 9.

²⁸ Saunders, "Examining Recent Changes in Income Distribution in Australia", p. 16.

however, under reporting of incomes does not just apply to the 'poor'.²⁹ Barrett, Crossley and Worswick argue that to get a better understanding of inequality it is necessary to focus on consumption rather than income because "utility is typically defined over consumption rather than income and that resources consumed in a period are not necessarily the same as those received in a period".³⁰ Their study period covers 1975 to 1993 and they find that, although under this measure inequality was less than for income, it had still risen. There are also, of course, problems with consumption/expenditure measures. Saunders proposes that a more satisfactory approach may be to combine income and expenditure measures into what he calls a "restrictive core poverty approach". Under this approach, the level of poverty is halved, but differences between family types "are more pronounced".³¹ Another possibility is to "incorporate direct observations on deprivation".³²

Many Australians have done well in the restructured Australian economy and it is to be expected that such 'winners' would be supporters of the economic liberal direction of policy. There is evidence to suggest, however, that Australians are worried about the rise in inequality. Pusey contends that many middle class Australians have significant concerns about the direction of policy and outcomes.³³ In 2000, Newspoll reported that 83 per cent of people surveyed believed that "the rich are getting richer, and the poor are getting poorer" and 70 per cent said that "they would prefer the gap between rich and poor to get smaller, compared with 28 per cent who would rather see the overall wealth of Australia grow as quickly as possible". A majority believed that the distribution of wealth was less fair than it was in 1990, compared with 10 per cent who believed it was fairer.³⁴ Such figures give some indication, at least in principle, of the desire for greater equality in the Australian community.

The Howard Government also aims to downgrade concerns about poverty by arguing that because poverty is not increasing significantly no government action is required. In dismissing the findings of a Senate Inquiry into Poverty that concluded that 3.5 million Australians live in poverty, Howard explained that:

²⁹ Paul Krugman (2002) "For Richer", New York Times Magazine, 21 October (available at www.nytimes.com/2002/10/20/magazine/20INEQUALITY.html).

³⁰ Garry F. Barrett, Thomas F. Crossley and Christopher Worswick (2000) "Consumption and Income Inequality in Australia", *Economic Record*, 76(233), pp. 116-138. The authors do not measure "households consumption of public goods (such as recreational and cultural facilities) or non-cash benefits (such as education and health care)". Ibid., p. 136.

³¹ Peter Saunders (2004) "Towards a Credible Poverty Framework: From Income Poverty to Deprivation", *SPRC Discussion Paper*, No. 131, January, p. 12.

³² Saunders "Towards a Credible Poverty Framework", p. 17.

³³ Michael Pusey (2003) *The Experience of Middle Australia: The Dark Side of Economic Reform*, Melbourne, Cambridge University Press. See also R. G. Gregory (1993) "Aspects of Australian and US Living Standards: The Disappointing Decades 1970-1990", *Economic Record*, 69(204).

³⁴ Mike Steketee (2000) "Unhappy Days are Here Again", *Australian*, 17-18 June, p. 22. See also Paul Kelly (2000) "Rhetoric is No Remedy for Inequity", *Australian*, 21 June, p. 13.

There is little doubt that the low levels of unemployment Australia is now enjoying mean that more and more people have work. That doesn't mean that there aren't people who are living in poverty. It doesn't mean that there aren't people who are missing out, if I can use that expression. Of course there are. *But it's very important to get this income distribution thing in perspective.* To the extent that any gaps have widened, it has been that people at the top – there are more of them, and they're doing better. It's not that there has been an inadequacy of support at the bottom. It's fair to say that the rich have got richer, but the poor have not got poorer.³⁵

This assumes that existing levels of poverty were and are not a problem, that those slightly above poverty lines are living adequately by community standards, that prices of essential services have not increased faster than wages, that housing affordability has not shifted many out of areas they would like to live, and so on.

The contention of many others is that, while poverty may be of some concern, inequality is not. But perceptions of poverty are closely related to inequality: what is available to the majority of citizens shapes perceptions of deprivation. Poverty, even in an 'absolute' sense, is 'relative' over time and space. For example: absolute poverty today in Australia is different from what it was 50 years ago, and there are differences between rural and urban Australia and between Australia and Sub-Saharan Africa. Most importantly, rising inequality is a problem because it divides societies and opens up the possibilities of eventual reactionary responses to economic and social problems.

Advocating greater equality does not imply being in favour of slowing the growth process. Rather, *the major concern is that the growth should lead to lower levels of poverty and inequality.* Opponents of economic liberal reforms argue that policy changes made in response to structural economic weaknesses and globalisation have led to an increase in inequality and to increased insecurity for those less able to take advantage of the opportunities provided by liberalisation. They argue that attempts to compensate the losers, so integral to Labor's reform agenda, have been inadequate.

Saunders alleges that supporters of liberal policy changes imply that attempts to improve social outcomes have a negative effect on growth and that therefore a bit of inequality can help to increase the growth rate. He counters that: "The view that growth in inequality has been the *only* (or even primary) cause of Australia's economic growth thus seems highly implausible, lending weight to the argument that Australia could have chosen less inequality if it had

³⁵ John Howard (2004) "Joint Press Conference With Brendan Nelson", Canberra, 11 March (available at www.pm.gov.au/news/interviews/Interview744.html). Emphasis added. Howard was commenting on The Senate Community Affairs Reference Committee (2004) *A Hand Up Not a Handout: Renewing the Fight Against Poverty (Report on Poverty and Financial Hardship)*, Canberra, Commonwealth of Australia.

wanted”.³⁶ It is this view, however, that economic liberals dispute, pointing to the ‘new realities’ of globalisation. Just what these impacts are continues to be contentious.

Impacts of Globalisation on Inequality

Just as there is some agreement that inequality (although not poverty) has risen in Australia, “[t]here is a broad consensus that income inequality has risen in OECD countries since 1980”.³⁷ There is, however, no consensus over the culpability of globalisation in this rising inequality and about the possibilities of government ameliorating negative social outcomes. What is the relationship between globalisation and growth? Does increased trade bolster growth and therefore lower poverty? What about investment? What is the role of technological change and should it be considered as intricately related to the process of globalisation? Should the focus be on trade, finance and investment or on the impact of liberalisation? In sum, the major issue is how to assess whether globalisation is the causal variable. There are a number of ways to measure the impact of globalisation and how we define globalisation is obviously going to have significance for our perception of its impact.

Dollar and Kraay argue that in the developing world increased trade has spurred growth, which has in turn reduced poverty and inequality.³⁸ Weller and Hersh argue to the contrary that “trade in a more deregulated environment lowers the income share of the poor” and that capital and current account liberalisation has “hurt the poor”.³⁹ Lundberg and Squire find that:

greater openness to trade is correlated negatively with income growth among the poorest 40 per cent of the population, but strongly and positively with income growth for all other groups, in a sample of 38 countries between 1965 and 1992. The costs of adjustment are borne *exclusively*, by the poor, regardless of how long the adjustment takes.⁴⁰

Reuveny and Li argue that globalisation and democracy should be studied together to understand income inequality.⁴¹ Based on reviews of the literature, their initial hypotheses are that more democracy should lower inequality, that trade and investment should increase inequality in developed countries and lower it in developing countries, and that foreign

³⁶ Saunders, “Examining Recent Changes in Income Distribution in Australia”, p. 9

³⁷ Christian E. Weller and Adam Hersh (2002) “The Long and Short of It: Global Liberalization, Poverty and Inequality”, Economic Policy Institute Technical Papers, p. 6.

³⁸ David Dollar and Aart Kraay (2002) “Spreading the Wealth”, *Foreign Affairs*, January/February. See also World Bank (2002) *Globalization, Growth and Poverty: Building an Inclusive World Economy*, World Bank and Oxford University Press.

³⁹ Weller and Hersh “The Long and Short of It”, pp. 1 & 16.

⁴⁰ Reported in M. Lundberg and B. Milanovic (2000) “Globalization and Inequality: Are They Linked and How?”, World Bank, p. 1 (available at www.worldbank.org/poverty/inequal/abstracts/milanov.htm).

⁴¹ Li and Reuveny, “Economic Openness, Democracy, and Income Inequality”

financial capital should increase inequality because countries engage in liberal reforms to attract capital.⁴² They find that: “democracy reduces the level of income inequality ... trade openness is associated with more equitable income redistribution within countries, FDI is associated with greater income inequality, and foreign financial capital inflows have no statistically significant effect on income inequality”. Their overall contention is that: “economic openness may improve or worsen income inequality, depending on its type”.⁴³ The most important factor in doing something about inequality remains government action.

Alderson and Nielsen investigate the relationship of globalisation to the ‘Great U-Turn’ in 16 OECD countries. They argue that the “recent experience of some industrial societies suggests radical reversal of the Kuznetsian scenario of the declining inequality with development”.⁴⁴ They find that between 1967 and 1992, “direct investment and North-South trade have played a role in the determination of income inequality. Our results suggest likewise for immigration”.⁴⁵ They argue that their findings give credence to arguments that globalisation increases inequality by exacerbating deindustrialization, weakening labour bargaining power, expanding the percentage of income going to capital and intensifying the divide between skilled and unskilled labour. They also argue that for the OECD countries as a whole, the “strongest effect on inequality corresponds to [the percentage of the] labour force in agriculture ... The next two most important factors are institutional: union density and decommodification ... Next come two globalization factors: southern import penetration and [FDI] outflow”.⁴⁶ However, they contend that globalisation is a more important factor in explaining inequality over time within countries that experienced a rise in inequality: “Thus for countries that experienced an inequality upturn during the period, the upward inequality trend may be attributable in substantial part to aspects of globalization we have distinguished, primarily North-South trade and FDI outflow, and to a lesser extent immigration”.⁴⁷

Moller et al. disagree that globalisation is a significant factor, contending that developing country exports, capital mobility and immigration, do not “explain variations in poverty rates across [advanced capitalist] countries during the latter third of the twentieth century”.⁴⁸ Their study considers pre- and post-tax/transfer poverty. They avow the importance of de-industrialisation and unemployment in pre-tax/transfer poverty and the significance of welfare state generosity and constitutional structure in post-tax/transfer poverty. In conclusion, they stress:

⁴² Li and Reuveny, “Economic Openness, Democracy, and Income Inequality”, pp. 577-583.

⁴³ Li and Reuveny, “Economic Openness, Democracy, and Income Inequality”, pp. 593-4.

⁴⁴ Alderson and Nielsen, “Globalization and the Great U-Turn”, p. 1246.

⁴⁵ Alderson and Nielsen, “Globalization and the Great U-Turn”, p. 1284.

⁴⁶ Alderson and Nielsen, “Globalization and the Great U-Turn”, pp. 1286-7.

⁴⁷ Alderson and Nielsen, “Globalization and the Great U-Turn”, p. 1288.

⁴⁸ Moller et al., “Determinants of Relative Poverty in Advanced Capitalist Democracies”, p. 39.

the importance of polity in reducing levels of poverty, which is largely created by economic structures ... the more generous the welfare state, the greater is the extent of poverty reduction. In addition, long-term incumbency of left parties affects poverty reduction positively by giving the tax and transfer system a particularly redistributive profile.⁴⁹

What these perhaps obvious conclusions highlight is something that is often submerged in the globalisation debate – explicit efforts to reduce poverty continue to make a difference. Popular support for parties with the goal of redistribution continues to matter.

As many writers point out, the problem occurs in determining the direct impact of globalisation: correlations are no proof of causation. Lundberg and Milanovic argue: “whether inequality goes up or down while globalisation proceeds is no proof of causality.”⁵⁰ Smeeding also maintains that “globalisation is one force among many which accounts for widening income inequalities in the rich countries of the OECD.”⁵¹ He highlights the fact that:

social policies, wage distributions, time worked, social and labour market institutions, and demographic differences all have some influence on why there are large differences in inequality among rich nations at any point in time. In contrast, trade policy has not been shown to have any major impact on economic inequality.⁵²

According to Dollar and Kraay, there is “no evidence whatsoever of a systematic relationship between changes in trade and changes in inequality”.⁵³ Henry also argues the case for uncertainty about the relationship: “Even the direction of the impact of globalisation on income distribution before taxes and transfers is not clear cut, depending on the country's starting point, its comparative advantages, and the nature of its international economic links”.⁵⁴ Many of the same authors, however, appear keen to claim at other times a role for globalisation in reducing poverty and inequality.⁵⁵

Adding further to the difficulties of assessing the relationship between globalisation and social outcomes is the fact that the impacts of globalisation may not always be *directly* measurable. For example, while it is possible to measure the impact of capital account liberalisation on inequality within nations,⁵⁶ it is more difficult to measure the wider impact of financial

⁴⁹ Moller et al., “Determinants of Relative Poverty in Advanced Capitalist Democracies”, p. 44.

⁵⁰ Lundberg and Milanovic, “Globalization and Inequality”.

⁵¹ Timothy M. Smeeding (2002) “Globalisation, Inequality and the Rich Countries of the G-20: Evidence from the Luxembourg Income Study” in David Gruen, Terry O’Brien and Jeremy Lawson (eds) *Globalisation, Living Standards and Inequality: Recent Progress and Continuing Challenges*, Proceedings of a Conference held in Sydney 27-28 May, Reserve Bank of Australia and Australian Treasury, p. 201.

⁵² Smeeding, “Globalisation, Inequality and the Rich Countries of the G-20”, p. 179.

⁵³ David Dollar and Aart Kraay (2004) “Trade, Growth and Poverty”, *Economic Journal*, 114, p. 27.

⁵⁴ Henry, “Globalisation, Poverty and Inequality”, p. 15.

⁵⁵ For a critique, see Branko Milanovic (2003) “The Two Faces of Globalization: Against Globalisation as We Know It”, *World Development*, 31(4), p. 676.

⁵⁶ Weller and Hersh, “The Long and Short of It: Global Liberalisation, Poverty and Inequality”.

globalisation on the policy-making process. How do we measure the impact of financial market preferences on government policies and in turn on social policy? Global financial markets have a huge impact on a wide range of policies and attitudes about the viability of redistribution.⁵⁷

Governments have been increasingly pressured to avoid policies that cause negative financial market reactions and exacerbate volatility because instability in capital and foreign exchange markets can create difficulties for both governments and firms alike. Rising interest rates deter investment and excessive exchange volatility may discourage exporters, especially smaller companies and those without financial expertise. Adverse reactions in financial markets can severely negate the benefits of expansionary policies, especially in relation to the costs of borrowing. In general, financial market pressures have helped to bolster domestic claims about the need for lower taxation on capital gains and higher incomes and for cutting government spending, especially on policies of redistribution and social services.

Keohane and Milner argue that financial market concerns about Leftist governments act to limit their ability to extend borrowing to a greater extent than governments of the Right.⁵⁸ This explains why social democratic governments have often been so keen to court and give advantage to financial market actors. Many economic policy-makers and commentators see the discipline of a globalised financial system as an unequivocally positive development, forcing governments to abandon 'unsustainable' policies. This argument has been well used in Australia.⁵⁹ Supporters of financial discipline can even see irrational financial reactions as beneficial if they force governments to abandon 'inappropriate' policy choices. The persuasive substance of financial market discipline is well illustrated by Kelly's description of the Government's reaction to the 1986 currency crisis:

The currency crisis hit Australia on Monday 28 July when the ERC ministers were finalising the budget. Keating had his little Reuters screen on the cabinet table and kept pointing to the falling \$A rate ... The cabinet was infiltrated by a distinct mood of panic. Keating's banana republic warning had never seemed so real ... The response took two forms - immediate and budgetary ...

⁵⁷ Tom Conley (1996) "The Politics of International Finance", *Flinders Journal of History and Politics*, 18; Fred Argy (1995) *Financial Deregulation: Past Promise - Future Realities*, CEDA; (1998) *Australia at the Crossroads: Radical Free Market or a Progressive Liberalism?*, Sydney, Allen & Unwin.

⁵⁸ Helen V. Milner and Robert O. Keohane (1996) "Internationalization and Domestic Politics: An Introduction" in Robert O. Keohane and Helen V. Milner (eds), *Internationalization and Domestic Politics*, New York, Cambridge University Press, p. 18.

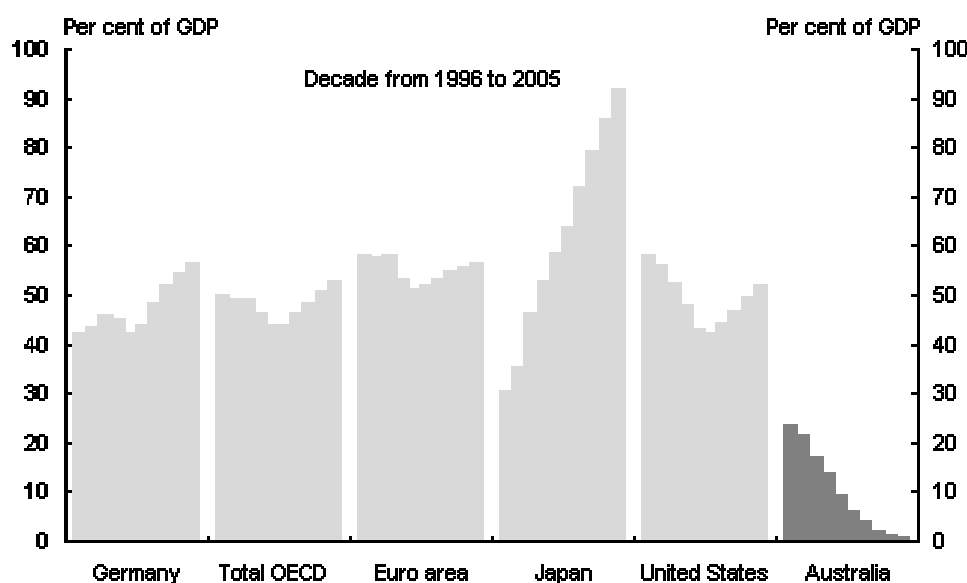
⁵⁹ See for example Paul J. Keating (1986) "Speech to Banking Summer School", *Commonwealth Record*, 10-16 February, p 173; (1986) "Speech to Australian Bankers' Association", *Commonwealth Record*, 16-22 June; Bob Hawke (1994) *The Hawke Memoirs*, Melbourne, William Heinemann, p. 236; Paul Kelly (1994) *The End of Certainty: Power, Politics and Business in Australia*, 2nd Edition, Sydney, Allen & Unwin, ch. 4; Michelle Grattan (1994) "The Float: An Economic and Political Discipline", *Economic Papers*, 13(1), March, pp. 42-43; Economist (1994) "Leaders Should be Used to Economic Understeer", *Australian*, 22 June, p. 11; Roger Hogan (1995) "RBA: Deregulation the Answer to Lobby Bias", *Australian Financial Review*, 28 April, p. 12.

[I]t was decided that Keating would announce his more liberal foreign investment policy, ease the withholding tax provision, and that the Reserve would throw a lot of money to hold the dollar rate. It was Keating who synthesised these responses. The upshot was a stabilisation of the currency and a gradual rise ... At the same time the crisis led Hawke and Keating to reopen the budget deliberations to tighten fiscal policy even further.⁶⁰

Financial pressures have been seen as particularly important in the short-term disciplining of government and economic actors in relation to fiscal and monetary policies and also in relation to industrial relations and competition policy more generally.

Unequivocal assertions about the increasing disciplinary effects of international finance on states are complicated, however, by the fact that the ratio of rich-country government debt to GDP has expanded enormously during the supposed era of financial discipline.⁶¹ Increased financial market discipline on the expansion of public debt in OECD countries has just not happened. Australia's debt to GDP ratio has fallen markedly during the years of the Howard Government to 3 per cent, after reaching a high of 19.1 per cent of GDP in 1995-96.⁶² While there are many benefits of a low level of debt, the current low level of debt provides possibilities for significant new spending on improving social outcomes, if that were to be a goal of government.

Figure 2: General Government Net Debt Levels in Selected Countries



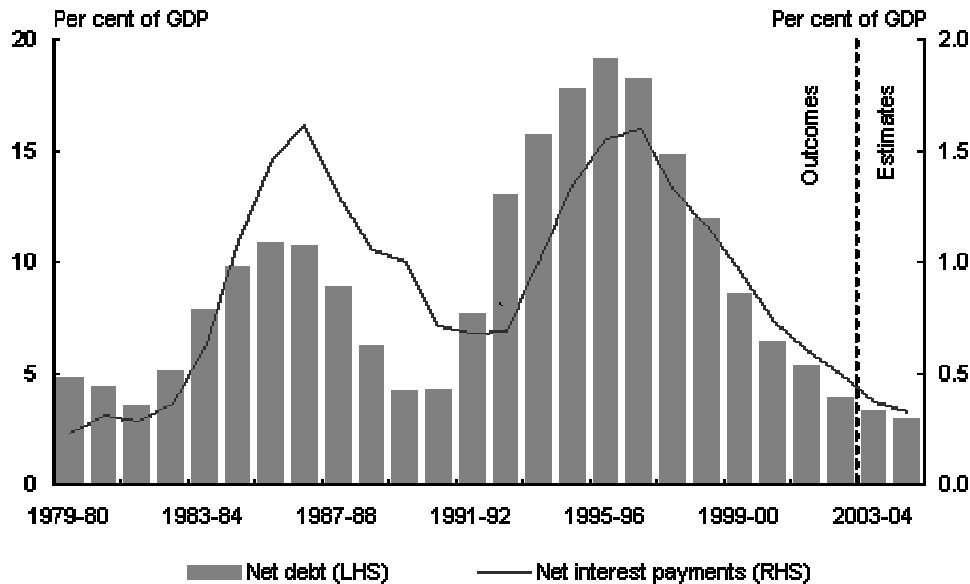
⁶⁰ Kelly, *The End of Certainty*, p. 220. The ERC was the Expenditure Review Committee of Cabinet.

⁶¹ Anonymous (2004) "The Rising Tide of Red Ink", *Economist*, 23 August, p. 56. See also Pam Woodall (1995) "Who's in the Driving Seat? A Survey of the World Economy", *Economist*, 7 October.

⁶² Treasury (2004) *2004 Budget Overview*, Canberra, Commonwealth of Australia, p. 2.10 (available at <http://www.budget.gov.au/2004-05/bp1/download/bst2.pdf>).

Source: Treasury (2004) *Budget Paper No. 1*, Canberra, Commonwealth of Australia, p. 1.6 (available at <http://www.budget.gov.au/2004-05/bp1/download/bst1.pdf>).

Figure 3: Australian Government general Government Sector Net Debt and Net Interest Payments



Source: Treasury (2004) *Budget Paper No. 1*, Canberra, Commonwealth of Australia, p. 2.10 (available at <http://www.budget.gov.au/2004-05/bp1/download/bst2.pdf>).

The increase in debt levels in many countries indicates that increased levels of spending have been possible. Even if expansionary policies were constrained, it would still be possible to redistribute wealth within a tighter fiscal framework. Conceptions of policy autonomy have shifted in response to the changing financial environment, but rather than being outrightly constrained by financial globalisation, governments continue to make trade-offs between financial stability and domestic priorities.

Constructions of trade and investment competition have also been used to argue that governments should be more liberal and more disciplined in all areas of policy, which generally means they should spend less on redistribution. Trade pressures have been used to make the case that protections for workers need to be downgraded and minimum wages abandoned. Undoubtedly, there is much evidence to suggest that trade liberalisation in Australia has led to a more dynamic, trade-focused economy: productivity growth has been significant and exports have expanded from around 15 per cent of GDP, for the 20 years

between 1960 and 1980, to over 20 per cent in recent years.⁶³ Freer trade brings many benefits to an economy, but it has many short-term and conspicuous costs. Increased competitive pressures lead to continual pressures for governments, industries and workers to adjust, but do not compel a reduction in the role of the state. States continue to mediate the effects of the world political economy and to shape the competitiveness of the domestic economic environment and firms. As Evans attests: “Existing cross-national statistics suggest that greater reliance on trade is associated with an increased role for the state rather than a diminished one”. Indeed, he argues the evidence appears to run the other way: significant state involvement “may even be a competitive advantage in a globalized economy”.⁶⁴ By providing infrastructure, education, training and health care, research and development support, effective legal structures and various types of industry assistance, states can bolster the competitiveness of firms. Further, as UNCTAD acknowledges, it is “through national institutions that the potential gains (or losses) from increased international economic integration are distributed”.⁶⁵ Trade competition does not force governments to cut social spending. In fact, spending may help to compensate the losers from reforms and buttress support for trade openness. Government actions can ameliorate the negative impacts of the reforms that deliver improved trade performance. Efforts are not likely to be made, however, if it is believed that globalisation makes increased spending counterproductive, unviable or a restriction on growth.

What is clear from the above review is the uncertain nature of the effects of globalisation on social outcomes. Differing aspects of globalisation have varying effects, but all are mediated through the framework of the domestic political economy. It is government that shapes the impact of globalisation, but this fact has been often overlooked in Australian debates about the impact of the international political economy.

Globalisation, Government and Inequality in Australia

There is no doubt that rich countries like Australia can afford to abolish poverty. The financial cost of doing so represents only a small fraction of our national income or gross domestic product ... Even an exaggerated estimate of the poverty gap thus represents less than 2.4 per cent of GDP, with the true figure probably below 2 per cent. We can thus pay to remove all

⁶³ ABS (2003) *5206.0 Australian System of National Accounts - Analysis and Comments*, September (available at <http://www.abs.gov.au/Ausstats/abs@.nsf/Lookup/51C21550F77FDEA8CA2568A9001393E9>).

⁶⁴ Peter Evans (1997) “The Eclipse of the State? Reflections on Stateness in an Era of Globalization”, *World Politics*, 50, pp. 67-68. See also Michael E. Porter (1990) *The Competitive Advantage of Nations*, London, Macmillan; Jonathon Michie and John Grieve Smith (eds) (1998) *Globalization, Growth and Governance: Creating an Innovative Economy*, Oxford, Oxford University Press.

⁶⁵ UNCTAD (1994) *World Investment Report 1994*, New York, United Nations, p. 119.

Australians from poverty if we want to: the fact that we don't do so is a matter of choice, not affordability.⁶⁶

The idea of globalisation has dominated debates about Australian political economy in recent years.⁶⁷ Reflecting trends in the international literature, many accounts have treated globalisation as a clear imperative forcing economic liberal policy change and an acceptance that governments should or must do less to structure egalitarian social outcomes. The impact of globalisation is seen as divorced from what happens in the domestic polity – that it is a new structural reality to which domestic politics reacts. This position is a form of (global) economic determinism, which downgrades the importance of domestic policy choices at the expense of an accurate analysis of the interaction between the state and international and domestic level variables.

Globalisation, constructed as an overwhelming constraint on *all* areas of policy, is useful for governments and interest groups that want to reduce the role of government in improving social outcomes. The 'domestic politics of globalisation' in Australia has involved efforts by policy-makers to open Australia to world political economic pressures and force domestic economic *and* political adjustment.⁶⁸ With assistance from a loose coalition of supporters of globalisation and economic liberalism, policy-makers have increasingly sold the message that there is a distinct limit to what government and the wider political process can achieve.

Political rhetoric has aimed to lower popular expectations about what is politically possible in a globalising world economy. The Howard Government has been adamant that in a globalising world economy, government must play a limited role in the determination of social outcomes. Howard argues that:

needs a new style of government, one which acts strongly within the realms of the possible, one with a disposition towards individuals finding their own solutions ... Only in this way will we have the strength to face the future, to face the challenges of globalisation.⁶⁹

Globalisation emerges as a framework within which all arguments about activist government can be confronted. The discourse of global constraint and state powerlessness is significant

⁶⁶ Saunders "Towards a Credible Poverty Framework", p. 2.

⁶⁷ See for example EPAC (1995) *Globalisation: Issues for Australia*, Canberra, AGPS; Bob Catley (1996) *Globalising Australian Capitalism*, Melbourne, Cambridge University Press; Anne Capling, Mark Considine and Michael Crozier (1998) *Australian Politics in the Global Era*, Melbourne, Addison Wesley Longman; John Wiseman (1998) *Global Nation: Australia and the Politics of Globalisation*, Melbourne, Cambridge University Press; Mark Latham (1998) *Civilising Global Capitalism: New Thinking for Australian Labor*, Sydney, Allen & Unwin; Lindsay Tanner (1999) *Open Australia*, Sydney, Pluto Press; Bryan and Rafferty *The Global Economy in Australia*; Boris Frankel (2001) *When the Boat Comes In: Transforming Australia in the Age of Globalisation*, Sydney, Pluto Press.

⁶⁸ Tom Conley (2001) "The Domestic Politics of Globalisation", *Australian Journal of Political Science*, 36(2).

⁶⁹ Howard cited in Dennis Shanahan (1997) "Strength, Not Size, Howard's Way", *Australian*, 6 May, p. 7.

and needs to be considered together with the material process of globalisation itself. Authoritative pronouncements and comprehensive efforts to persuade have important impacts in and of themselves, but dominant interpretations can also act in a self-fulfilling way as policy decisions based on such interpretations transform policy structures and coerce adaptation.⁷⁰ As governments act as though globalisation makes it more difficult to improve social outcomes, the result, unsurprisingly, is poorer outcomes. Such attitudes also contribute to greater acceptance of rising inequality as a natural phenomenon in a globalising world economy.

What governments say – the rhetoric they use, the overall discourses they contribute to – has a profound impact on the way debates are framed. The attitudes of policy-makers to the sources of poverty and inequality are pivotal to whether efforts are made to improve social outcomes for the poor. Alongside contentions about global constraints are efforts to blame the poor for their plight. Criticism of the unemployed as ‘job snobs’, indolent or as responsible for their own fate, helps to reinforce prejudices against the less fortunate. Such rhetoric aims to place the causes of poverty and inequality in the realm of the individual and to increase the acceptability of deteriorating outcomes. It is also an attempt to distinguish a deserving from an undeserving poor. As Howard makes clear: “Our belief in self-reliance and individual responsibility means we favour private initiative, competition and choice over government direction of resources and of society”.⁷¹

A Continuing Role for Government in Australia?

How accurate is the contention that globalisation leads to a weakened state? Despite the contentions of many analysts that globalisation would force a reduction in the role of the state, it is clear that this has not occurred. Table 1 makes this point very clear in terms of total government outlays, current taxation and social outlays. Government’s ability to tax has not been reduced. The pertinence and power of fiscal policy remains in today’s globalised Australian economy.

⁷⁰ Conley, “Globalisation and the Politics of Persuasion and Coercion”.

⁷¹ John Howard (2004) “Address to the Committee for Economic Development of Australia”, Melbourne, 25 February.

	1961-1965	1966-1970	1971-1975	1976-1980	1981-1985	1986-1990	1991-1995	1996-2000	2001-2003
Government Outlays	23.1	24.9	27.4	31.0	32.8	34.8	33.0	35.5	34.8
Total Current Taxes	10.4	12.1	14.2	15.8	15.9	17.4	16.0	17.7	17.3
Cash Benefits	4.3	3.9	4.4	6.9	7.3	6.9	8.4	8.5	8.9

¹ Except for 2001-03.
Based on 5204.0 Australian System of National Accounts Table 8 Gross Domestic Product Account, Current prices (\$M) and 5204.0 Australian System of National Accounts Table 39 General Government Income Account, Current Prices (\$m). Ratios compiled by James Dentrinos Australian Bureau of Statistics, 5 year averages compiled by the author.

Arguments, therefore, that the state is weakened by globalisation are really arguments that the state *should* do less. Globalisation and liberalisation have placed pressures on government to at least maintain social spending because of increasing market inequality. According to the ABS: “In 1998-99, the gap in gross incomes received by the top 20 per cent of households (by gross income) compared with the bottom 20 per cent was reduced by one-third through the taxation and indirect benefits attributed to households.”⁷² Between 1984 and 1998-99, government benefits had the effect of negating much of the potential increase in income inequality. This was especially the case for the second and third income quintiles.⁷³ Despite constraints and attempts to lower expectations about the possibilities of policy, government action continues to be pivotal to improving social outcomes. At the same time, it is evident that these efforts have not been comprehensive enough to stop poverty and inequality from increasing. Indeed, there has been an increase in the percentage of non-cash benefits (government services, spending on health and education etc.) going to higher-income households. The value of benefits going to the bottom quintile increased by 37 per cent, while the value going to the top quintile increased by 47 per cent.⁷⁴

Policy-makers have aimed to remove their level of culpability. As Howard maintains: “Few Australians still believe that the answer to pressing social problems lies solely in the hands of government. Even fewer believe that simply spending more taxpayers’ money is the answer. That is why the Government has fostered the notion of a social coalition.”⁷⁵ Howard’s social coalition aims to downgrade the responsibility of government and to give precedence to non-government organisations:

⁷² ABS (2003) Australian Social Trends: Economic Resources – Income Distribution: Taxes and Government Benefits: the Effect on Household Income”, *Australia Now* (available at <http://www.abs.gov.au/Ausstats/abs@.nsf/Lookup/8C901B170F9B0A34CA25688800285CA6>).

⁷³ ABS (2003) Australian Social Trends.

⁷⁴ Harding, “Research Highlights a Nation Growing Apart”, p. 8.

⁷⁵ John Howard (2000) “Quest for a Decent Society”, *Australian*, 12 January, p. 11.

There is a role for the Government. There are things that governments can do that nobody else can do. There are things that governments do that you all wish they didn't do. I recognise that. But there are also some things that governments aren't very good at, and my experience has been that the coal faced delivery of human compassion and looking after those in society who need particular help, that kind of assistance is always best delivered by those who have the motivation and some kind of personal moral commitment to doing that kind of thing.⁷⁶

Conclusion

The argument of many policy-makers, business people and analysts in recent years has been that, in an economically liberal, globalised society where citizens increasingly succeed and fail on market terms, there is less room for concern about equality. The best that governments can do is to foster increasing self-reliance and self-provision. This paper has argued to the contrary that globalisation does not necessarily or directly lead to rising inequality. There can be no doubt that that governments face a multitude of domestic and global pressures and constraints and states and societies wanting to increase living standards have little choice but to engage with the global economy. However, the debate about globalisation and inequality obscures the most important variables in the determination of outcomes – government and societal choices. To understand the impact of globalisation on social outcomes, it is still necessary to focus on the impact of policy changes, rather than on globalisation as a stand-alone variable. The determination of the level of inequality in a society has more to do with domestic political struggles than with globalisation.

While governments may make certain policy decisions that have negative impacts on social outcomes, *there is no reason why they cannot make other policies to compensate for these impacts*. Social outcomes are determined through a range of policy areas. Globalisation does not force particular policy responses or reductions of spending on governments. Rather than being forced in an absolute way, what seems to be evident is that governments in developed country have abandoned the goal of greater equality in rhetoric and action. Governments could still ameliorate the negative impacts of market outcomes but, in recent years, they seem increasingly less willing to do so, often arguing that such efforts will impede the growth process.

The fact that government in Australia has abandoned the attempt to increase equality is more important than any impact of globalisation. Globalisation as an ideological and political construction is important as a constraint, but also as a framework to make the case that

⁷⁶ John Howard (2003) "Address at the Launch of the Queensland Deaf Foundation", Brisbane, 7 April (available at www.pm.gov.au/news/speeches/speech83.html).

egalitarian policies are no longer possible. Such aspects of globalisation are, of course, much more difficult to 'measure', but are no less important because of this. Attempts to improve social outcomes have given way to attempts to explain inequality. Scepticism should prevail about the contention that globalisation *compels* governments and societies to idly accept inequitable outcomes. It is even more doubtful that that the best response is to increase inequality by downgrading existing government efforts to improve social outcomes in the name of incentive and efficiency.

Alternative globalisation strategies are available for Australia: economic liberalism is not always the best strategy. For globalisation to continue in Australia and throughout the world, efforts must be made to ensure that globalisation creates benefits that are more widely distributed. Just as the concept of globalisation is contested and multifaceted so are the choices available to citizens and governments.

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