

# POVERTY

*Poverty is not merely deprivation; it means shame, degradation; the scaring of the most sensitive parts of our moral and mental nature as with a hot iron.*

Henry George

Like unemployment, from which it largely springs, poverty is nothing new. It too, has existed at all times and in all places. It has with unemployment a common cause.

Here is an intractable problem which defies personal effort. Only a major change in the economic and social environment can offer any prospect of substantially reducing and stabilising the numbers of people in poverty.

Australia is generally regarded as one of the world's most egalitarian nations. But there can be little pride in that when one contemplates the statistics of those below the poverty line. True, the line does not indicate the abject poverty which exists to such an appalling degree in many other countries. But measuring as it does a state of poverty relative to the average standard of living, it nevertheless indicates widespread and serious deprivation not least of the children involved.

The cash cost of family relief merges with that of sustenance for the unemployed and is a running sore to provider and recipient alike. The real cost is the loss to the next generation of children deprived not only of support but of preparation for their future. They will find it almost impossible to escape their environment.

Poverty arises from a number of causes perhaps most notably through chronic unemployment. It derives in part from the great disparity of mental, physical and moral attributes between the socially successful and the social failures which manifests itself in laziness, drunkenness and

family abuse. Then there is loss of the family bread winner through death, divorce or abandonment of family followed by a general inability to come to grips with today's economic and social dislocation.

These people will no doubt continue to justify the statement that "the poor ye have always with you". But that glib statement must not be used to justify setting aside the great need for, or rejecting the great possibility of, ameliorating the hurt to millions of people whose poverty arises from causes over which they have no control. Yet this is precisely what thousands of students and humanitarians have done over a long period.

Published by the Centre for Independent Studies as Occasional Paper 21 from the Centre's Social Studies Programme, Professor Max Hartwell's paper on "The Long Debate on Poverty" deals with English poverty but in words which are equally applicable to Australia; "Whether or not it be true that the poor will always be with us, it is certain that English poverty as a subject of inquiry has been with us for a long time. From the massive debate on the Old Poor Law in the early 19th century, and that on the working of the New Poor Law after 1934, through the great surveys of Mayhew, Booth and Rowntree to the Royal Commission on the Poor Laws of 1905 to 1909, to the numerous surveys on urban poverty of the inter-war years, to the discussions of Titmuss and Beveridge at the time of World War 2, to a host of modern writers, English politicians, social scientists, humanitarians and historians - all have surveyed, analysed, measured and explained poverty, have moralised endlessly about it, and have suggested remedies for it. But the subject has an even longer history.

Colquhoun pointed out in his "*A Treatise on Indigence*" of 1806 that "many of the ablest and best men whom this country has produced have, in the course of the last two centuries, employed their thoughts and

communicated their ideas on the means of ameliorating the condition of the poor "without producing" he added, "any salutary arrangement calculated to remedy the excessive evil.

"The problem of poverty was also a matter of concern-practical and theological of the medieval church, of the canonists of the middle ages and of Tudor statesmen. The longevity of the debate, its failure to explain poverty, its failure to produce a remedy for poverty, its political overtones, its attraction for some of the most influential social thinkers, indicate perhaps that poverty indeed will always be with us, as an inexplicable and insoluble problem."

When a statement of that kind is supported by two pages of bibliography dealing with studies on poverty from the middle ages to the present day one is *almost* obliged to accept that nothing can be done about mass poverty except through the continued destruction of peoples' independence and self esteem as they are turned into perpetual mendicants.

*But I would certainly deny that poverty is inexplicable or insoluble. We need to take a new look into the causes of poverty in depth and with unbiased mind.*

In his paper Professor Hartwell goes on to say "The causes of poverty have been seen differently at different times in history but three main causes have been identified: the meagreness of nature, the unfairness or inefficiency of human institutions and individual choice or weakness".

And then again "*If, on the other hand poverty was the unnecessary consequence of human action and could be attributed to a particular arrangement of human affairs it should be possible to change that arrangement and remedy poverty*" {Italics are mine}.

It is not nature which withholds her bounty. There is

some truth in individual choice or weakness being responsible. Hartwell's third main cause illuminates the scene! Poverty is undeniably attributable to a particular arrangement of human affairs. It must then be possible, albeit through superhuman effort, to remedy poverty.

In later comment on "The Land" I make the case that poverty results from a particularly inequitable instrument of human affairs and only a major change in the economic and social environment can offer any prospect of substantially reducing and stabilising the numbers of people in poverty, to say nothing of reducing the burden on the taxpayer as more and more people surrender themselves to dependence on "government" support.

## INFLATION

There are still other consequences of original error which exacerbate the effects of poverty and spread suffering throughout the community.

We have deliberately, if unknowingly, created inflation having obviously lost any capacity to draw valid conclusions from observable facts. Debt, personal, corporate and national is at crisis level.

There is no circumstance under which inflation is not a powerful incentive to spend now rather than save by investment. In recent years there has been an ominous rise in major corporate failures and the domino effect in bankruptcy of smaller companies and loss to small investors has brought with it a general loss of confidence. That is a serious attack on the economy which runs on confidence.

Since the evaporation of the mythical resources boom of the '70s Australia has suffered a crisis of unfulfilled expectations. Those expectations found their way into the speculative carnival of the 80's in unwanted

business expansion and unearned increases in wages. Inflation and increased interest on mounting foreign debt soon followed.

For the employed, wages and costs rise roughly in synchronism leaving the general standard of living little worse for the rising costs but certainly no better for having more money in the pay packet. But the people who are painfully aware of the horrors of inflation are those on fixed incomes from superannuation, annuities and pensions and particularly the provident who provided adequately, as they believed, for retirement only to find inflation, the falling value of the currency, forcing them into dependence.

The rather dramatic fall in the rate of inflation in 1993 and since is more than welcome. But it comes at a high price in unemployment and retarded growth of the economy; nor is there anything to say that high inflation will not recur. It is prudent to recall the lessons we should have learned. Indeed the signs of rising economic activity in early 1994 brought with it warnings of rising interest rates, demands for wage increases and the probable return of serious inflation. Although 1994 saw inflation substantially contained, it is well to have in mind the forces within the economy which could again send it soaring.

Inflation compounds. To illustrate we may take a figure of 7% inflation with which we were relatively familiar in recent times. At that rate money loses half its purchasing power in ten years. No wonder we were so concerned at the ever rising costs of goods and services.

Some will argue that an increase in wages is essential to meet rising costs, some that rising prices are the consequence of increased wages. The argument is fatuous. It merely indicates that cause and effect change places regularly to create a vicious circle.

There can be one and only one solution to the problem of inflation and the falling standard of living. It lies in greater productivity, that is, producing more goods and services at lower cost by working harder, longer or smarter, perhaps all three with more efficient tools of production. Robert Gordon Menzies summed up the position simply when he said "The reason the dollar does less for us is that we do less for the dollar".

If we are unwilling to increase productivity, inflation will recur at an increasing rate, government will cream off greater revenues to be distributed in aid to the people who will certainly need it. The thousands on fixed incomes will lose their independence and national demoralisation is not an improbable outcome

Inflation, low though it may be now, will not go away by act of Parliament.

We must be doing something wrong.

## THE MIRAGE OF INDEXATION

In times past we surrendered to the Consumer Price Index - the cost of living - as a base for assessing income divorced from productivity and sought to protect our standard of living by indexing incomes. But the attempt to stay ahead of rising costs by demanding - and getting - increased wages is merely the counterpart of the dog chasing its own tail. We are not apt to be any more successful than the dog!

In the whole chain of production, from raw material to the saleable product, the dominant factor is wages. Since we are both producers and consumers increased wages paid to us as producers go directly into the cost of production for which we will pay as consumers. If we are then to demand more wages in compensation we lock ourselves into a vicious circle.

To put the matter in practical terms, a ten dollars

per week increase in wages will quickly find its way into the cost of production. Indeed the figure will be increased by all of the additional costs involved through charges on wages - payroll tax, superannuation levy, workers compensation insurance, provisions for long service leave, sick leave, holiday pay, holiday pay loading and more. There was also until quite recently a training levy but that was happily dropped as a complete failure.

But the purchasing power of the extra ten dollars in the workers pocket is immediately reduced by taxation, perhaps 30% for the average wage worker. Thus we now have something vastly less than ten dollars to buy goods increased in price by something more than that amount due to tax and employment on-costs. The standard of living falls as we push goods and services further out of our financial reach.

*The rise in prices is therefore, and necessarily, much more than the increase in wages.*

## THE LURE OF EASY MONEY

There is no pain about getting into debt. That comes later with the need to repay. It turns into anguish if you can't!

Lending money has always been the business of the financial institutions, but since deregulation of banking we have seen the most active and continuous campaign of packaging and selling debt. The advertisements sing a siren song "If you want a car or a trip overseas, see us about a loan. We are good sports with money" and so on. Thus have Australians been invited to live beyond their means. Unfortunately they have responded with some enthusiasm at least to begin with.

With personal debt rising sharply it must be assumed that much borrowed money is for consumption with some of it for imported merchandise fueling our

growing balance of payments deficit and adding to the external debt. The cash card system took the immediate pain out of buying. The interest rate on any unpaid balance brought the headaches.

With longer term personal debt there was the comforting thought that if inflation continued, the borrower would be paying off in depreciated currency. That hope has been substantially dashed by the more recent fall in the rate of inflation.

It is one thing to defend debt in comparative percentages and statistics. The reality is that Australians have committed themselves to a debt situation for which government sees relief only in depressing the economy and reducing the standard of living. Our burden of overseas debt absorbing 40% of our export income in debt servicing will go on into the future to be carried by the rising generation who will have had no hand in undertaking it and no enjoyment of its doubtful benefits!

There is another pernicious contributor to the Australian economic and social malaise. It is the tax regime.

The method of raising and disbursing the nations' revenue and the effect on the Australian economy and people will demonstrate very clearly the necessity for far reaching reform.