AUSTRALIAN AFFLUENCE AND THE LEFT

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Oh Lord, won’t you buy me a Mercedes Benz
My friends all drive Porsches, I must make amends
Worked hard all my lifetime, no help from my friends,
So Lord, won’t you buy me a Mercedes Benz

Janis Joplin, 1971

In recent years the Australia Institute — or more particularly its Executive Director, Clive Hamilton — has been advancing a view about Australia’s level of affluence and its implications. As a flow-on perhaps of his interesting and useful work on the Genuine Progress Indicator (Hamilton 1997), in which he rightly questions the use of GDP growth as a measure of wellbeing, Hamilton has extended his concerns to a point where he now questions a number of important presuppositions of the political left. This article takes issue with the main direction of Hamilton’s argument about what Australia’s affluence means for the left. We argue that, at the level of theory, the ‘affluenza thesis’ fails to take account of some central insights of political economy; and, at an empirical level, is silent on or indifferent to a number of developments.

The affluenza thesis has been developed in a series of Australia Institute papers (Hamilton and Mail 2003; Hamilton et al., 2005), an important speech to the left members of the national ALP and union movement (Hamilton 2002a), newspaper articles (Hamilton 2002b, 2003a & 2004), two recent books (Hamilton 2003b; Hamilton and Denniss 2005), and a recent essay (Hamilton 2006). Key points in the thesis are:
“The dominant characteristic of contemporary Australia is not deprivation but abundance” (Hamilton 2002a: 2; Hamilton 2003b: xv; Hamilton and Denniss 2005: 18; Hamilton 2006: 2);

people across the income strata believe themselves to be financially struggling at the same time as the empirical evidence demonstrates that real incomes are increasing;

“sustained increases in living standards for the great bulk of working people have so transformed social conditions as to render social democracy redundant as a political ideology” (Hamilton 2006: 7); and,

the defining problem of modern industrial society is not injustice but alienation, and the central task of progressive politics today is to achieve not equality, but liberation (2006: 32).

In a line of argument that can in some ways be traced back to Galbraith’s Affluent Society (1958), first published in 1958, Hamilton and his co-authors are effectively restating the view “that we live in a rich society, which nevertheless in many respects insists on thinking and acting as if it were a poor society” (Johnson 1964: 166).

We have no criticism of a contemporary statement along these lines if it is made with due regard to important developments and can sufficiently account for contemporary problems such as the persistence of public squalor amidst private opulence, the strongest theme of the Affluent Society — and a theme entirely consonant with the aims of a left politics. At times, the affluenza theorists give regard to public squalor amidst private affluence, but in passing over matters of distribution, allocation, and the wealth formation process — indeed, at some times consciously rejecting these matters — they fail to see the on-going relevance of a left politics in an age of (relative historical) plenty.

In a speech to the National Left ALP/Trade Unions Conference in May 2002 Hamilton set out to ‘confront some of the most entrenched ideas of the left’. He dismissed the role that class plays in contemporary society:

[The left] remains wedded to a view of the social order defined by class, exploitation and inequality…[Further,] social democrats
and democratic socialists have a psychological predisposition to believe that the mass of people are suffering from material deprivation (2002a: 2).

Would that it were true that there were an Australian political party dominated by some of the traditional left traits that Hamilton sees.

It should be acknowledged early in this critique that Hamilton has made a number of telling points: he has identified an increasingly individualistic culture; a propensity to wasteful behaviour, encouraged by consumerism; the phenomenon of over-work; a trend towards ostentatious and unaffordable housing; and, more generally, the development of a woeful level of private debt. Further, there is much about his analysis that can be seen as a secular version of a Christian social critique of the acquisitive society, and support for the intuition that a life primarily devoted to seeking material gratification is destined to be an unhappy one. Had Hamilton’s argument been along these lines, while not being so quick to dismiss the assumptions and premises of a left politics, we would have little to quibble with. In extending his critique to the dismissal of an on-going role for class analysis, and in questioning the existence of significant inequality, exploitation and deprivation, however, Hamilton and his colleagues considerably over-reach the argument. The result is that an accurate picture of contemporary Australian capitalism is obscured.

**Public Squalor Amidst Private Affluence — Again**

Consider the implications of debt. J K Galbrath’s juxtaposition of private affluence and public squalor is powerfully evocative. Yet, fifty years on, there is a problem with reading the signs of affluence. The affluenza theorists do not seem to be interested in the corollary of their accurate and valuable statements about the high levels of private debt. Besides the serious implications of Australia’s level of private debt — such as its unsustainability, its upward pressure on interest rates, its unstable effect on the economy — there is an implication that goes more directly to Hamilton’s analysis: were it not for the level of private debt, Hamilton’s claims about the magnitude of material abundance would quite simply
fall away. To put it more bluntly, an abundance arising from unsustainable debt is no abundance at all.¹

The other side of the coin is the extent to which proponents of the affluenza thesis play down the inexcusable levels of real deprivation that plague sections of Australian society. While the affluenza theorists do recognise that poverty exists, in over-stating levels of material security, and under-stating levels of insecurity, they see economic inequality as a secondary or marginal political issue. However, contrary to Hamilton's pronouncements, it is a reality that the left must continue to emphasise.² Moreover, in the event of a serious downturn in the business cycle, the situation would emerge in which the present, supposed levels of abundance would be recognised as an abundance of the wrong goods and services in the wrong sectors. In other words, we would return to traditional problems associated with the allocation process. What would become much more apparent in that situation is the degree to which public policy for the last two decades has delivered a reprehensible level of public poverty, along with misallocation of resources within the private and household sectors.

Take, for example, the current lack of political will to restrict the speculative, less-productive rentier sectors, as opposed to others sectors that are more central to long-term infrastructure and employment generation (derived extensively though not exclusively from the Keynesian multiplier effect). The combination of capital gains tax reductions from 1999, with wasteful negative gearing provisions, are examples of the distortion of ‘investment’, which will have detrimental consequences well into the future. Public policy that reduces——or worse,

¹ See Bramble (2004) for a related argument.
² For a detailed analysis of Australian poverty and the importance of placing it firmly back on the political agenda, see Saunders (2005). See also the Brotherhood of St Laurence’s submission to the Senate Inquiry into Poverty and Financial Hardship (2003: 3-4), which conservatively estimated that, in 2000, more than a million-and-a-half Australians were living below the poverty line. Finally, figures compiled for UNICEF found that 13% of Australian children lived in income-poor households—the ninth highest child poverty level of 23 OECD countries surveyed (ACOSS 2004: 2).
removes — land tax on non-residential property is another example of the misallocation process. Thus, while individual members of a society may or may not be generally profligate, to complain about the behaviour of individuals at the expense of an on-going socialist critique of capitalism is to shoot at the wrong target.

A serious critique can be made of the present Government’s fiscal stance that goes directly to the matters of public consumption and the transfer of revenue to finance private consumption, its unaffordable tax cuts, its scandalous use of public money for electioneering, its pork-barrelling throughout the electoral cycle, and, more structurally, its starving of the public sector and emasculation of social and physical infrastructure.3

It is not so much a matter of whether total public expenditure has grown adequately under the present Coalition Government as it is a matter of the Government’s increased transfers to the affluent. This relocation has come at the expense of carefully thought-through medium- and long-term government investment and at the expense of services to the needy.

More fundamentally, market capitalism remains unscathed by a critique focused on greedy or self-deluded individuals. A more powerful analysis of consumer capitalism is Fred Hirsch’s *Social Limits to Growth* (1976). Hirsch was concerned with the problem of how a social organisation responds to individuals’ wants, whether these wants are registered through political channels or through the market. According to his analysis,

> [the] problem is more prominent in the context of market capitalism, primarily because that system has been most successful at raising material productivity to the high levels at which positional competition and other externalities move from side issue to center stage, but also because …orientation of the market economy is *institutionally* focused on the wants of the individual in his isolated capacity. These are the wants it satisfies

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3 There are points at which the affluenza theorists acknowledge the role that political parties play in encouraging private profligacy, such as Hamilton (2002b), Hamilton (2004) and extracts of Hamilton and Dennis (2005). Our criticism is that this does not receive due emphasis.
best and these are the wants it explicitly encourages (Hirsch 1976: 106; emphasis added).

Hamilton recognises that Australians have become more selfish not in total political isolation but in the conditions of two decades of market ideology (Hamilton 2003b: ix). However, the political economic ramifications of this (all-too-brief) acknowledgement of the effects of market society are not followed through.4

The Missing Political Dimension

One such ramification is the way in which opulence creates its own problems (Johnson 1964: 183). Some of these — personal over-indulgence, for example — can and should be addressed at the level of the individual; but other problems of the opulent society, such as air and water pollution, blighted buildings, or the estrangement of housing from genuine community living and employment are clearly outside the individual’s control. The ways in which employment and unemployment relate to one another in a capitalist society are structural in nature. Hamilton’s identification of over-work is a case in point (Hamilton & Denniss 2005: 86-88). Significant levels of over-work are one direct result of policy-induced unemployment elsewhere in the labour market. A process thus applies whereby over-work is built on the deliberate under-utilisation of labour elsewhere in the market (on what Marx called the maintenance of a reserve army of labour).

Modern societies are complex, and require complex solutions. Despite Galbraith’s legitimate concerns, the long-term trend of societies as they grow more affluent is towards greater levels of public confiscation (through taxation) and a capacity for amenity, including amenity enhanced by government expenditures. To the extent that particular

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4 This is an odd omission, because in a different context Hamilton (2003c) has made a number of telling criticisms of the individualism and libertarianism of the New Left in the sixties and seventies, and how such aspects paved the way for the New Right.
governments pull against this tide, they ought to be criticised. But to
sheet home the blame for public squalor and general waste to individuals
is, at best, to give only part of the story, and, worse, to acquit the
culpable. In criticising the left for its continued adherence to concepts
such as deprivation, class, and exploitation, Hamilton would have it
discard the toolkit that allows a proper examination of the problems he
identifies. That there is over-consumption in Australia cannot be denied,
but it is more helpful to see this over-consumption as a product of
*increased inequality*. What is in one sense an unreasonable and an
unreasoned response is, in another, quite understandable in a society in
which the class struggle has been dismissed by the political parties.
Significant inequality will always breed relative deprivation. The
question has always been — and remains — how to politicise this
grievance in a way that overcomes the inequality.

What is new is the prominence of individualism in contemporary
Australia — a phenomenon that owes itself to the eschewal of class
ideas. As Nathan Hollier has recently written, the nakedness of class
domination is often obscured by cultural forms (Hollier 2004: xxvi).
Citing Connell and Irving’s seminal essay, Hollier demonstrates (xxvi-
xxvii) the subtle ways in which aquisitiveness is manufactured by the
ruling class:

> The texture of everyday life is interwoven with the structures of
private possession that underlie its power...The ruling class
disappears behind a veil of ideas that seem to come from the
society as a whole, and seem to represent a consensus of opinion.
Aquisitiveness and competitiveness are said to be natural, and it
becomes difficult for the common people even to formulate the
nature of their discontent, or to arrive at terms in which to
criticize their world.

It is not the continued adherence to an obsolescent class analysis that
prevents the left from seeing that consumption patterns are making its
approach less relevant. On the contrary, a good case could be made that it
is the very abandonment of class analysis by politicians nominally on the
left, centrists, and third way proponents that has given a growing number
of people nowhere to turn but to their individualist consumerism. If left-
of-centre politics is no longer seen as the democratic class struggle, voters will turn increasingly inward and defensive.

In any event, it is difficult to see how an approach based on the call for people to give up their wasteful ways can be politically sustained. There is a very strong case — stemming from thinkers as varied in approach as Marx, Veblen, Keynes, and Galbraith — that capitalism critically depends upon commodity fetishism. Hirsch, again, points to the way in which this occurs:

The process of economic growth is itself stimulated by the transmission downward through the income distribution of new and urgently felt wants derived from observing the opportunities that first became available only at the top (Hirsch 1976: 166).

While this process serves as an attempt to legitimise market capitalism, it ultimately proves disruptive to economic performance, damaging social infrastructure and producing costly side effects. Hirsch could see only limited value in raising public awareness of the problem, however. In his own words:

Public perception of the damage to society as a whole will help promote a social ethos, but will not be sufficient to secure it so long as individualistic behavior retains its legitimacy over the whole field of collective action (Hirsch 1976: 151).

In an increasingly individualist society there is increased competition for positional goods. In place of redistribution, individuals rely on acquiring positional goods and other material goods over time. Indeed, in the absence of redistribution, this process intensifies. Meaningless consumption, of both positional and non-positional goods, increases as a proportion of total consumption. Hirsch — a reluctant socialist —

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5 In Hirsch’s formulation, positional goods are those that an individual acquires because of their inherent scarcity and because of the (perceived) advantage they offer over his or her peers. Exclusive private education cannot be attained by all, simply because of the nature of that good. In this setting an increased emphasis on individualism will lead to intensified consumption of non-positional goods.
posited that the solution was to reduce higher incomes and remove scarce goods and services from the commercial sector. These measures would be part of an overall shift towards making capitalism less ‘institutionally focused on the wants of the individual in his or her isolated capacity’ (Hirsch 1976: 106). The traditional concepts relied on by the left in such a setting have an on-going role to play.

Another problem is that the affluenza thesis is preoccupied with income, rather than a combination of income and wealth. There are inherent problems with measuring poverty without considering the consequences that mortgage repayments and rents have for disposable income (and thus privation levels). So too in lauding individuals who have chosen to ‘downshift’ Hamilton fails to mention, let alone to analyse, inequality of wealth. It is a fairly obvious suggestion that a family living in an Australian capital city with an annual income of $80 000, remitting a considerable component of its household disposable income on rent or mortgage repayments, is considerably less ‘affluent’ than a ‘downshifting’ family (of identical size) with an annual household income of $60 000 that owns its own home. Wealth—especially housing—needs to be central to any serious analysis of affluence, particularly as it relates to the discretion available to some households and not others.

Not only does Hamilton fail to acknowledge this point, but he reprimands the thousands of Australian families who genuinely suffer what he derides as ‘mortgage stress’.7 Nowhere in his analysis does Hamilton attribute Sydney’s rising property expenditure to structural change stemming from a myriad of factors associated with financial deregulation or more general policy direction. Rather, according to Hamilton (2006: 28), ‘mortgage stress’ is a result of individuals’ ‘desire to

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6 ‘Downshifting’ is the practice followed by individuals who decide to switch their employment pattern to a lower-paid job in order to enjoy the benefits flowing from less stress, more leisure, more time with family, a more fulfilled life, et cetera.

7 Taking Sydney as an example, mean property values for established homes in the metropolitan area now exceed $500 000. In March 2006, average mortgage repayments were $398 per week (CHFA 2006:1). With the average full-time adult ordinary gross-earnings at $1035.90 per week (ABS 2006), mortgage repayments now exceed well over 50% of average weekly net earnings.
satisfy their escalating acquisitiveness'. This analysis is not too dissimilar from the neo-liberal world-view that attributes structural ills not to the systemic nature of capitalist economies but to individual behaviour.

Another systemic issue relates to the degree to which the state influences the wage—profit—taxation shares. Instruments outside individual control, such as taxation, for example, do influence the degree to which certain classes, groups and individuals enjoy affluence. Left thinkers have long acknowledged this point, seeking the implementation of progressive and broad-based taxation that appropriates a portion of both intra- and inter-generational wealth that in turn impacts upon the public-private relationship. It is for this reason that, if the ills besetting contemporary capitalism are to be ameliorated, collective public policy measures, administered by the state, must continue to play the commanding role. These include, at least, measures that:

- raise Australia's total taxation to average OECD levels;
- reintroduce tax on land holdings;
- eliminate dividend-imputation credits that permit owners of capital to minimise tax on share yields;
- introduce annual tax on large asset holdings; and,
- introduce inheritance taxation.8

Social problems — and thus solutions — associated with wealth formation, income, affluence, public squalor and individual privation are determined principally at the macro or state level, and not, as Hamilton seems to suggest, at the micro level.

**Enter Historical Political Economy**

A remarkable aspect of the affluenza thesis is that it pronounces the novelty of age-old phenomena. What Marx called ‘decadent capitalism’ is exactly what we now have: an increasing orientation towards military

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and ‘security’ spending, real estate, financial speculation and luxury consumption. In this setting, income generated from value-adding production declines in proportion to interest, rent and regressive tax. The natural consequence of insufficiently paced and poorly structured investment is an increase in the level of structural and potential unemployment. To the extent that such a phenomenon has been allowed to occur (in conjunction with unsustainable private debt), Australian workers are arguably more vulnerable to the next international recession.

The problem is that, with the removal of the toolkit that would provide an accurate examination of Australia's social and economic ills, the affluenza theorists are forced to apply a reductionist analysis. To reiterate, they are forced to analyse and offer solutions at the level of the individual. To appreciate why this is unsatisfactory from a left perspective, it is worthwhile again to acknowledge Hirsch, who criticised the practiced form of Keynesianism for leaving the following moral problem at the micro-level:

Why should I adopt moral standards helpful to the system if the outcome of the system for me cannot be validated on moral criteria? True, the system is said to work out for people as a whole, compared with the alternatives. But I am not people as a whole, I am me; and unless the system can be shown to give me a fair deal in the only currency it deals in — material advantage — it can’t ask me moral favors (Hirsch 1976: 134).

Throughout history, privatised measures to address large collective problems have failed. Hirsch's specific criticism of Keynesianism points to an earlier contribution made by Garrett Hardin relating to the ‘tragedy of the Commons’ (1968). Hardin’s assumption is that individuals behave in ways that maximise their own interest. While the affluenza

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9 Hardin’s thesis is that a contradictory phenomenon exists as individual herders (acting in isolation) gain materially whilst at the same time the disadvantage is shared equally amongst all herders. The reason is that the material gain to the individual is constantly greater to the individual than his (apparent share of the collective) cost. This paradox innately leads all herders to suffer the same devastating fate.
theorists do not see atomistic self-maximising behaviour as the sole determinant of economic behaviour, this aspect of their theory does seem to be predicated on just such a premiss: their call to individuals to adopt a less affluent lifestyle can only work in a setting in which those individuals will not be foolish to do so, or not be thought of by others as foolish. It is utopian to ask people to be moral, or enlightened, while those who remain within the system (through choice or not) continue to be remunerated, both financially and in terms of status. Even on theoretical grounds, if there were large numbers of individuals opting out of the affluenza treadmill, the problem, as in Hardin’s commons, is that individual ‘solutions’ to large collective problems are implausible, as a social system is always greater in shaping economic and social relations than the sum of individuals within it. Thus the real problems that Hamilton describes cannot be addressed by appealing to individual moral virtuousness or even enlightened self interest (epitomised by the ‘down-shifters’). Countering consumer capitalism rests on citizens acting collectively to promote and obtain outcomes they could not otherwise achieve — precisely the ‘public good’ that the affluenza theorists desire.

Accordingly, if individual action outside a collective approach cannot advance society in any sustained way, we must return to the central tenets of a left politics to overcome the ills that beset contemporary capitalism. This will be based on an analysis of class structure — understood as structured inequality — and will include an explicit recommitment to redistribution and social justice. It also includes a re-emphasis on the state as a means to ensure that poverty and unemployment are eradicated, and to direct the wealth formation process.

We concur with Hamilton that Australians have come under enormous pressure to be more self-regarding (not in total political isolation but in the conditions of two decades of market ideology). It is, nevertheless, important to recognise indicators of a persistent collective ethos. Indeed, it is remarkable, given the actions and pronouncements of Australia's political class over the last two decades, that there is so much preparedness to forgo personal taxation cuts in exchange for social expenditure and that many people do continue to hold to economically egalitarian positions (Pusey 2003: 38-9; and Wilson et al. 2005: 101-121).
Conversely, a focus on affluence or abundance *per se* runs the risk of not seeing the forest for the trees. The *cynical manipulation* of (a precariously built) affluence is the more fundamental issue — a manipulation which produces particular forms of social and economic injustice in the contemporary Australian context.

**Conclusion**

We do not deny the serious problems identified by Hamilton: in addition to those already noted, he has produced very good evidence on the deluded views of the wealthy. Nor do we deny that there is an important distinction to be made between wants that are original within oneself and ones that have to be externally contrived (Galbraith pp.126-33), leading to what Galbraith called ‘the dependence effect’. Nonetheless, far from showing that the traditional concepts of the left — such as deprivation, class, and exploitation — have been rendered redundant by contemporary levels of affluence, our analysis suggests that a nuanced, eclectic left stance remains vindicated in its adherence to these (and other) concepts.

Although Hamilton and the affluenza theorists have correctly identified a sick society, they have misdiagnosed the illness. Capitalism itself, especially in its more neo-liberal manifestation, is the source of the illness. While capitalism continues to mutate, it persists in inflicting similar effects. The deleterious consequences can only be fully understood, and overcome, by using the left’s toolkit that the affluenza theorists urge us to discard.

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