The Hollowing of the Middle Class

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Michael Pusey
THE EXPERIENCE OF MIDDLE AUSTRALIA: THE DARK SIDE OF ECONOMIC REFORM
CUP, $36.95pb, 272pp, 0 521 65844 6
$99hb, 0 521 65121 2

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S THE GREAT WHITE MIDDLE CLASS endangered in Australia? If it is, does it matter greatly? Michael Pusey answers ‘Yes’ on both counts. He argues that we are seeing a ‘hollowing out of the middle’. If he is right, this hollowing out has significant consequences. Both major political parties have spent decades courting the wannabe middle class — from Robert Menzies’ ‘forgotten people’ to Gough Whitlam’s outer suburbanites, and from Mark Latham’s ‘aspirational’ voters to the recipients of John Howard’s tax welfare and handouts for private schools. A significant contraction of this constituency would create political shock waves. In addition, the decline of the middle class would throw an interesting light on our current prime minister who, more than anyone since Menzies, has represented middle-class values and aspirations while championing the radical economic restructuring that Pusey sees as leading to the decline of the middle class.

But is Pusey right? This often baffling and occasionally enlightening book is based on surveys and interviews with ‘middle Australians’, but it is poorly organised and sometimes produces evidence that seems flatly to contradict the conclusions Pusey wants to draw. Perhaps it is this unevenness that causes CUP to keep puffing the book as being from the pen of the ‘best-selling’ author of the ‘ground-breaking’ Economic Rationalism in Canberra (1991). Noam Chomsky proclaims on the front cover that it ‘should become a central component of public debate’, while a veritable A-list cast fills the opening page with ‘advance praise’: Robert Manne and Bob Brown are amongst those answering the call; so too are Elizabeth Evatt and Will Hutton. Publishers are entitled, even obliged, to do the best they can to push a book into the public domain, but all this puffing and puffing seems to be protesting too much.

Pusey argues three things. The first is that the middle class is being hollowed out and knows it, and that its experience of constraint shapes its dissatisfied and resentful views about politics, about others and about economic reform. The second is that this decline has been caused by the process of economic reform — the economic rationalism that Pusey described in his earlier book. His third argument is that the middle class largely opposes this economic reform agenda, is deeply suspicious of big business and economic rationalism, and remains committed both to ideas of fairness, equity and public purpose, and to the idea that governments have a responsibility to achieve these things. Indeed, the most cheering aspect of the book is its argument that the middle class is morally committed to justice and the common good, though this begs the question as to whether it would vote for it if ever presented with the option. All this makes for a compelling story, as a moral allegory about what Pusey calls ‘the dark side of economic reform’, but compelling is not the same as convincing.

The first of these arguments is the foundation stone of the book, but it is a rather wobbly one. Pusey argues that middle incomes have contracted, so that ‘the inclusive broad middle class of the Menzies era … [is] “hung and drawn” between the rich and the poor’. The problem is that this decline is not easy to show. Pusey quickly reviews some of the studies of income distribution in Australia. These invariably show that the rich are getting richer. That much is widely accepted, but are the poor getting poorer? By the time the Howard government came to power in 1996, there was some evidence that the poorest were at least treading water, as a result of tightly targeted welfare payments. But there are increasing numbers of working poor, and since 1996 — as the wages of the weakest have been driven further down, as unions have been further weakened and as the poor have been subjected to relentless badgering to get them off welfare — life at the bottom is worse. And when we recall that 850,000 Australian children live in 435,000 families without any work, the trials of the middle class — who speak loudly through this book about their disappointments and stresses — start sounding a little hollow.

In any case, the middle tends to keep slipping from view. Pusey quotes Ann Harding, one of Australia’s most expert commentators in the field of income inequality, to show that during the 1990s inequality had increased. The bottom ten per cent were poorer, while the top ten per cent had accumulated more. There may ‘to a lesser extent’ have been a decline in income for the middle twenty per cent. Note, though, that this is about income, not wealth such as home-ownership. Pusey then, rightly, complicates the picture by recognising two important points: that ‘governments on both sides of politics have provided large tax breaks to families’; and that ‘two-income families have been winners, while single-income, two-parent families with children are the losers’. But he proceeds to ignore these qualifications about tax breaks and about property. This is getting confusing, and hardly establishes that the ‘middle Australians’ Pusey interviewed were doing it tough. We would need to know how many of his interviewees were ‘winners’ in two-income families, and how many were receiving generous family tax breaks. Two-thirds lived in Sydney — a fact that is referred to, with exquisite delicacy, as Sydney being ‘somewhat over-represented’. So we need to know how many are accumulating equity in expensive property. Home-ownership has always been a central value for middle-class people, and it was one of the rocks upon which was built their influence in our political culture. For the
ownerships of a home, they would sacrifice much, expect government subsidies and talk at great length. Yet property and family income arrangements are both left out of this picture of the ‘hollowing out of the middle’.

Pusey insists, in any case, that the condition of the middle class is not just ‘a function of small changes in … real incomes … For our purposes here it is always the larger symbolic social meanings that matter most.’ This is fair enough, for symbolic meanings matter a great deal and can turn our focus from the distribution of money to the distribution of sentiments and aspirations. But decline is not even all that evident in the traditionally plaintive and insecure expressions of middle-class people. Pusey’s ‘middle Australians’ seem at times to recognise that they are doing well. For example, they were asked to nominate which groups had been winners or losers during fifteen years of economic change. The results are presented in four ‘equivalent household income’ ranges (‘equivalent household income’ in effect means household income divided by the number of people it supports), so this gives an idea of the range of views of the richer and poorer middle class. The interviewees agreed, often by big majorities, that the losers had been wage and salary earners, small businesses, those on social security and public sector workers. But, when they were asked about themselves — namely ‘people like me’ and ‘people in the middle’ — only the poorest of the four income groups had a majority saying they too had been losers. The rest (over two-thirds of the sample) had clear majorities saying they had been winners. This might have been good news, even if it just meant the middle class are capable of honesty, but Pusey does not let it get in the way of his story that the middle class is being hollowed out, knows it and is angry.

Whether or not middle-class people are coping materially, they are not happy. Pusey constructs an interesting and important argument about their political and moral judgments regarding what is happening to Australian society as a result of two decades of bipartisan commitment to economic rationalism. The finer details of their sentiments reveal some interesting contradictions. They believe, very strongly, that there is too much inequality, that poverty is increasing and that a few rich people get too large a share. They believe (though they are rather lukewarm about it) that ordinary people don’t get a fair share of the nation’s wealth. But they do not believe (and in this they are quintessentially middle class) that government should do anything about it. Only minorities endorse redistribution to the poor or spending more on welfare if it means higher taxes. Similarly, the middle class still seems attached to the ‘old’, now largely demolished, Australian Settlement of wage arbitration, tariff protection and government provision of services. They are very strongly opposed to privatisation of public services, and they are strongly committed to wage arbitration and industrial awards. The latter view is particularly perverse, since they are also evenly divided in their support or opposition to ‘enterprise bargaining’ and ‘individual contracts’, which have been the Trojan Horses for destroying centralised arbitration.

Making sense of these contradictory views is a difficult task. I am not convinced the job is made simpler by Pusey’s beatification of the middle class as the representative of all that is opposed to ‘economic rationalism’. In effect, he makes a middle-class moral economy the metaphor for a world we have lost, now trammelled by economic reform. This is heart-warming to hear, but it is worth remembering that the middle class’s commitment to equity has been matched by its commitment to self-reliance, and its public-spiritedness by its introversion. With the growth of the middle class in the postwar full employment economy, its contradictory aspirations shaped our political culture. If, as Pusey argues, this meant ideas of civic purpose and social connectedness, we should also remember that the middle class has also affirmed its self-reliance, its property accumulation, its complaint against taxation and welfare, and its enthusiasm for private schooling.

All these middle-class virtues have been heavily supported by handouts from the state through subsidies, tax breaks and incentives. Menzies began many of them, in tax deductibility for dependent spouses and children, for private health insurance premiums and private school fees, and in his concerted efforts to keep home loan interest rates down. Howard has revived many of them, in family tax benefits, private health insurance incentives and private school subsidies.

Rather than just see the middle class as representing all that is public-spirited, good and cohesive in our political culture, we might also remember that it is often willing to be seduced to opt out of the public system, is acutely sensitive to paying taxes, and is ever ready to look after its own. So, if the middle-class centre of Australian society were to be thinned out, and its influence over our political culture were to decline, this might well be a good thing. The putative decline of the Great White Middle Class could be seen as having its own bright side.