

## Vista Lecture Series

### Maintaining a Civil Society

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While there has been much debate about what constitutes a civil society, today I want to argue that the most important attribute of a civil society is equality between its citizens; and that policies which reduce inequality to the maximum extent possible are likely to be the most effective in improving general well being and reducing civil strife.

Obviously, equality has many facets including equality before the law, equality of political power, equality of access to a society's goods and services and equality of income and wealth. All of these are based on the underlying assumption that we are all equally worthy – believers might invoke divine inspiration and add, "before God", while those of a humanist disposition, like me, prefer to rely on thinkers such as H.G. Wells and George Orwell, whose attempts to make sense of the second World War led them to agitate for a universal declaration of human rights based on the premise of respect for the dignity and worth of all human beings.

While I will touch on various forms of equality, I will argue that it is extremely difficult to achieve any of them in the absence of reasonable levels of equality in income and wealth and that conspicuous income inequality may have seriously distorting effects on community wellbeing.

It may, in some respects seem the least obvious candidate for attention; indeed some may see it as a rather outdated objective. It is certainly often overlooked in public discussion about solutions to our social problems. What focus there is, tends to be on absolute levels of poverty rather than the relative position of citizens. Indeed, recent political and economic ideologies, especially in the Anglophone communities, have tended to discount income equality as an appropriate objective for social and economic policy; some clearly see income inequality as an inevitable consequence of economic growth.

My interest in this subject was renewed when I became aware of the burgeoning evidence that unequal communities have poorer health, poorer education outcomes and higher crime rates than more equal communities. Less well known than the established relationship between income and health, the effects related to overall *distribution* of income. Cross-national and

intra-nation studies suggested a relationship, not just between income levels and life expectancy, but also between **income distribution** and life expectancy: the greater the gap in income between the rich and the poor in a given society, the lower the life expectancy and the greater the incidence of illness.

For example, in his study of national income inequality among eleven industrialised countries, Wilkinson<sup>1</sup> reported a correlation of -0.81 between indices of inequality and life expectancy after controlling for gross national product per capita. He illustrated this point with the contrasting experiences of Britain and Japan which in 1970 had similar income distribution and life expectancy but since then have diverged significantly. Japan now has the highest life expectancy in the world and the most egalitarian distribution of any country on record. Conversely, in Britain income distribution widened following the Thatcher experiment in the mid 80s and mortality among men and women between 15-44 years actually increased.

Comparable research within the United States using state level data<sup>2</sup> also revealed significant correlations between the percentage of total household income received by the less well-off 50% and overall mortality rates. The researchers also found that income inequality was significantly associated with age specific mortalities and rates of low birth weight, homicide, violent crime, work disability, expenditure on medical care and police protection, smoking and sedentary activity. They also reported that increases in life expectancy in the 80s, experienced by all the states, were less substantial in states that had greater inequality at the beginning of the decade.

These differences in equality were paralleled by relative investments in human and social capital and the authors concluded that "economic policies that increase income inequality may have a deleterious effect on population health" (p 1003). In an interview with the New York Times announcing the key findings of his research, Kaplan said that "The evidence...suggests that the increased death rates in those states are not due simply to their having more poor people. Income inequality seems to be increasing mortality rates among non-poor people as well."<sup>3</sup>

A similar study undertaken at much the same time used a different methodology to determine the effect of income inequality on all cause and

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<sup>1</sup> Wilkinson, R.G. Income distribution and life expectancy. *British Medical Journal*, 1992; 304: 165-168.

<sup>2</sup> Kaplan et al, 1996, op cit., p 1003.

<sup>3</sup> Pear, R. Researchers link income inequality to higher mortality rates. *New York Times*, April 19, 1996.

cause specific mortality<sup>4</sup>. The index of income inequality used, the Robin Hood Index, was positively correlated with age-adjusted mortality and, as with the Kaplan study, this association remained after taking account of poverty. The effects were also evident for infant mortality, coronary heart disease, malignant cancers and homicides and strong associations were generally found between the inequality index and causes of death amenable to prevention and medical intervention.

In interpreting the data, the authors concluded that "the size of the gap between the wealthy and the less well off- as distinct from the absolute standard of living enjoyed by the poor- seems to matter in its own right" and suggest that "policies which deal with the growing inequities in income distribution may have an impact on the health of the population" (p 1004).

What are the likely explanations for these relationships between income inequality and poor health? It may be as Kennedy and others<sup>5</sup> suggest, that "income distribution may be a proxy for other social indicators, such as the degree of investment in human capital". The authors further speculated that communities, which tolerate gross inequalities in income, may be the same ones that undermine social goods such as public education and health care. Reinforcing this interpretation is the demonstration<sup>6</sup> that in the U.S. those states with the greatest income inequality are also the ones with more violence, more disability, more people without health insurance, lower spending on education and literacy programs and poorer educational outcomes. In other words, people in these communities lead more difficult lives.

In reviewing of the international literature on health and income inequalities, Wilkinson<sup>7</sup> concluded that "life expectancy in different countries is dramatically improved when income differences are smaller and societies are more socially cohesive" and that "social, rather than material, factors are now the limiting component in the quality of life in developed societies". The lessons are obvious: those decisions which increase inequality in our society are not only likely to create a great sense of unfairness and injustice; and they are likely to make us all sick.

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<sup>4</sup> Kennedy, B., Kawachi, I. and Prothrow-Stith, D. Income distribution and mortality: Cross sectional ecological study of the Robin Hood index in the United States. *British Medical Journal*, 1996, 312: 1004-1007.

<sup>5</sup> Kennedy et al, 1996, *Ibid.*, p 1006.

<sup>6</sup> Kaplan et al, 1996, *op cit.*

<sup>7</sup> Wilkinson, R. (1996) *Unhealthy Societies: The Afflictions of Inequality*. London: Routledge, p 1.

It is worth noting that, to date, the relationship between health outcomes and income inequality (as opposed to low socio-economic status) within Australia has been little studied. However in international comparisons - with the conspicuous exception of mental illness and other social variables - Australia sometimes appears as an outlier.

After more than a decade of research on the effects of inequality, Wilkinson<sup>8</sup> concluded – and he is far from alone in this - that “a wide range of problems associated with relative deprivation.... are all strongly related to one factor— societal measures of income distribution.” We know now that data from a range of countries and within countries show that “the societal scale of income inequality is related to morbidity and mortality, obesity, teenage birth rates, mental illness, homicide, low trust, low social capital, hostility, and racism.” Wilkinson and Pickett’s latest work<sup>9</sup> shows that poor educational performance among school children, the proportion of the population imprisoned, deaths from drug overdoses and low social mobility can be safely added to this list. The international research is consistent in showing that “greater income inequality is associated with a higher prevalence of ill health and social problems in a society as a whole.”

The conclusion that inequality is socially destructive is not novel; close observers of the human condition have often pointed to the apparent association between inequality and impoverished social relations. More systematic research has documented the association between inequality and symptoms of civic discord such as distrust, poor social capital, hostility and racism. Analysis of data from 38 countries<sup>10</sup> and from among the U.S states<sup>11</sup> reveals substantially lower levels of trust where income differences are bigger. In the less unequal states 10% or 15% felt they could not trust others; this rose to 35% or 40% in the more unequal states. Similarly, hostility scores in random samples of people from ten U.S. cities<sup>12</sup> were significantly related to income inequality as were racist attitudes and beliefs; people held more racist attitudes and beliefs in states where income differences were large.<sup>13</sup>

It is important to understand that the established relationships between income inequality and health and social problems are not trivial: there are

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<sup>8</sup> Wilkinson, R & Pickett, K (2005) *The problems of relative deprivation: Why some societies do better than others.* *Social Science & Medicine*, 65, 1965-1978.

<sup>9</sup> *Ibid*, p 1967

<sup>10</sup> Uslaner, E (2002) *The Moral Foundations of Trust.* Cambridge: Cambridge University Press.

<sup>11</sup> Kawachi, I., Kennedy, B., Lochner, K., & Prothrow-Stith, D (1997) Social capital, income inequality and mortality. *American Journal of Public Health*, 87(9), 1491-1498.

<sup>12</sup> Williams, R., Feaganes, J. & Barefoot, J (1995) Hostility and death-rates in 10 U.S cities. *Psychosomatic Medicine*, 57(1), 94.

<sup>13</sup> Kennedy, Kawachi, Lochner, Jones, and Prothrow-Stith (1997), *Op cit*.

ten-fold differences in homicide rates; six-fold differences in teenage birth rates, sixfold differences in the prevalence of obesity, fourfold differences in how much people feel they can trust each other, five- or ten-fold differences in imprisonment rates and three years difference in the average length of life.

This evidence strongly suggests that the problems which bedevil our societies and which are constantly in the news – indeed those which bring down governments - are likely to be better addressed by tackling inequality rather than by discrete policies designed to tackle each of these issues separately: policies designed to reduce violent crime or to raise children’s educational performance as if there were no links between them.

Many of these social problems, which are related to income inequality, are about human perceptions and behaviour; income inequality has psychosocial effects, probably as a result of chronic stress and the unpleasant experience of relatively low social status. Rather than providing ever more prisons, doctors, health promoters, social workers, educational psychologists, and drug rehabilitation units, in expensive and probably largely futile attempts to offset the problems of relative deprivation, it may be cheaper and more rewarding to tackle the underlying inequities directly.

### **What does all this mean for us?**

What is fascinating about the research is that it shows that the more egalitarian countries (usually Japan, Sweden, Norway and other Scandinavian countries) perform well on most measures while a similar group of more unequal countries (including the USA, Portugal and the UK) tend to have poorer outcomes. Australia sits somewhat uncomfortably toward the wrong end of this distribution and shows signs of heading further south.

Most Australians still hold the view that ours is, or should be, an egalitarian society. Indeed, there are some who would argue that egalitarianism is the value that defines us. While there are signs that more and more Australians are uneasy about the widening of income and wealth gaps, many of us still appear to accept the boast made by our leaders that ours is a nation of equals where the ethic of a “fair go” is the norm governing our private and public relations. But is this really so?

This comfortable assertion is increasingly at odds with the data. Researchers generally agree that inequality amongst Australians is increasing and that

egalitarianism itself may be under threat as a defining social objective. In fact research shows that since 1979, income inequality in Australia has been increasing at faster rate than in comparable developed countries such as France, Germany, Italy, the U.K. and the U.S<sup>14</sup>. And I think it matters.

Although we are collectively more wealthy than we have ever been, we are also a less equal society than we have ever been.

The historic roots of our egalitarian ethic lie in a pragmatic commitment to sharing the wealth of the country and the benefits of productivity – the “wage earners welfare state.” However, in recent years, most Australian workers have not received their fair share of the rapid productivity growth and, as a result, the dispersion of incomes has become more unequal.

In international terms, comparing the top 10 per cent and the poorest 10 per cent of households, Australia's income relativity is about 12.5 to 1, according to the latest UN data<sup>15</sup>. On this basis, Australia is the sixth most unequal society among the thirty member nations of the OECD. This puts us behind only Mexico (25:1), Turkey (17:1), the USA (16:1), Portugal (15:1), and the UK (14:1).

Changes in the incomes of particular sub-sets of the Australian community also show a trend toward greater inequality. For example, in 1990 the average incomes received by the chief executive officers of large Australian corporations were 18 times average workers' earnings; by 2004 they were 63 times greater. Similarly, in 2005-6, the wealthiest fifth of households accounted for 61 per cent of total household net worth ( an average of \$1.7 million) while the bottom fifth accounted for only 1 per cent of total wealth ( an average of \$27 thousand). So the wealthiest fifth of Australian households are over 60 times wealthier than the least wealthy fifth.<sup>16</sup> The claim that Australia is an egalitarian society sits awkwardly with these economic facts.

As the National Centre for Economic Modelling reported recently, “Although they did increase in real terms, incomes at the bottom of the income spectrum rose somewhat more slowly than for the middle between the mid 1990s and 2002-03, resulting in higher poverty rates and rising income inequality.”

Egalitarian values are also under threat in the welfare system, in the declining progressivity of the tax system and in reduced non-cash benefits which flow from expenditure on health, housing and education.

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<sup>14</sup> Burtless

<sup>15</sup> United Nations 2006, 335-6

<sup>16</sup> ABS 2007, 5.

## Education and Equality

I want to turn now to consider education, which is one of the most important areas adversely affected by income inequality and where inequality has been reinforced rather than mitigated.

Paradoxically, some trend data suggest that in communities characterized by growing economic inequality the educational performance of the children of high-income earners actually improves (they get more resources overall) while the achievement of the children of the less well off steadily declines. The same research shows that where spending on primary and secondary schooling was increased the educational attainment of low-income children did improve, but such efforts were not sufficient to prevent inequality growing, thus further undermining the future chances of children from less privileged families.<sup>17</sup>

Nonetheless, there is little dispute that the universal provision of quality education is one of the keys to reducing inequality and enhancing people's opportunities to participate in the economy and the society.

In the first instance, public expenditure on education operates as a so-called non-cash benefit, like services in health and housing, and has an equalising effect on after-tax income distribution. Assistance to families in the form of government-subsidised services increases the income families have to devote to other consumption.

These benefits are particularly important for Australians in the bottom thirty per cent, increasing their after-housing final income by at least 30%. Since the 90s, the distribution of such non-cash benefits has become more skewed towards higher income households. This can be attributed in part to reduced spending, relatively speaking, on public goods.

Education is also vital in improving life chances and reducing inequality in the long term, particularly by improving access to employment and conferring higher income earning capacity. It also opens people's lives to enriching and enjoyable experiences.

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<sup>17</sup> Mayer, S. (2001) How Did the Increase in Economic Inequality between 1970 and 1990 Affect Children's Educational Attainment? *American Journal of Sociology*, 107(1), 1-32.

Over the last 50 years, Australia has had a strong commitment to a high quality public education system. This commitment looks increasingly fragile.

By international standards, Australia still has average to high standards of education, but there is substantial educational inequality. And at least part of this inequality can be attributed to the education levels, occupation and income of students' parents. Indigenous students and those from rural areas are particularly disadvantaged. Gifted students from poorer families are less likely to achieve their full potential.

It is clear that students from poorer families start behind the eight ball and are not given enough extra assistance to overcome things such as:

- poor study conditions at home;
- less encouragement by parents whose own experience of schooling has been marred by low achievement;
- language and cultural barriers;
- absence of books and other educational resources at home;
- attendance at schools with poorer facilities, a more diverse school population including more children with behavioural and social problems and teachers working under pressure; and
- lower expectations of their capacity.

International comparisons show bigger gaps between the best and the worst performers in Australia than in other developed countries. OECD data confirm that on measures of literacy, the poorest performing students here do worse than the poorest performing students in high ranking countries, including most of Europe. And the relationship between reading ability and social background is also more marked in Australia. In education performance, we are one of the most unequal countries in the developed world. This finding points to inequalities in the functioning of our education system and a failure to compensate for pre-existing disadvantage.

Investment in public education rose impressively during the 70s and 80s and then stalled. For example, in the 70s 5.6% of GDP was spent on education, a figure which had been reduced to 4.5% by the end of the 90s and to 4.3% by 2005, despite significant increases in population and education participation. The most recent OECD report found that Australia's government spending on public education as a percentage of GDP is now the second lowest among

developed nations. Investment in the all-important pre-school years is especially low by world standards and there are too few early intervention programs for at-risk families.

Until recently the participation rate of lower socio-economic groups in post-compulsory schooling, including universities, was increasing. School retention and completion rates, after growing rapidly, petered out in the 90s and our levels are now well below those of countries such as Canada.

Of more concern is the failure to close the socio-economic gap in performance and school retention, especially for males. The gap may, indeed, be widening. A similar trend to lower participation is evident in vocational education and training for the most disadvantaged.

As many commentators have argued, one reason for this gap is the increasing advantage enjoyed by schools which educate the better off. Reduced grants from the Commonwealth and the failure by State governments to make good these deficits have restricted funding to public schools. Simultaneously, the previous national government poured money into the wealthiest private schools at the expense of the government school sector.

Between 1995-6 and 2001 the Commonwealth cut the Government school sector's share of funding from 42.2% to 34.7%, although the enrolment share declined by only 1.9%. As a proportion of GDP, expenditure on the government sector was static while it increased by 21.6% in the non-government sector. Federal Government funding for non-government schools ballooned to an estimated \$4.74 billion in 2004-05, so that some of the wealthiest schools now operate with 200% of the resources available in government schools. The former Government's funding policies and the SES funding formula were the major contributors to this reverse discrimination – and we're told it's not likely to be changed any time soon.

Such disparity in resources will almost certainly lead to even greater inequalities in performance. Instead of front-end loading the schools who deal with the most disadvantaged and systematically assisting those most likely to benefit from extra expenditure, the reverse has happened. Indeed, government ministers have fanned parents' apprehension about the quality of public schools, with excited claims about falling teaching standards and poor values.

The result has been a drift of students from government to non-government schools which has further concentrated higher SES students in the private sector and in schools in more affluent areas. These trends inevitably lead to increased concentrations of academic under-performance which are compounded by the selection and exclusion practices of some of the schools in higher demand which result in the more costly and difficult students being sent to the government system.

Too many schools keep up their “standards” by washing their hands of those who often really need help. In my view, no school should receive taxpayers funds unless it is prepared to be fully accountable for those funds; to provide programs for all students, no matter what their ability; to allow students to choose whether or not to sit university entrance exams, and to retain all students who are enrolled until the end of their schooling, developing appropriate programs for managing those with severe social and emotional problems. And funds should flow to schools on the basis of need.

Ken Boston, former head of Education in NSW, makes the case that “choice”, a value that is sometimes given precedence over equality, should never be driven by the fact that some schools are underfunded. In his view, and mine, the “overriding priority of national and state governments should be to provide universal access to first-class public education while respecting the right of parents to choose non-government schools and supporting them on the basis of need.”

As a former Education Minister and university lecturer, I am convinced that education, as John Ralston Saul has argued is the “single most important element in the maintenance of a democratic system. The better the citizenry as a whole are educated, the wider and more sensible public participation, debate and social mobility will be....Highly sophisticated elites are the easiest and least original thing a society can produce. The most difficult and the most valuable is a well-educated populace.”

Mass public education is costly, but citizens of modern societies have been willing to pay these costs because they have been convinced it is in the public interest; that there are public as well as private goods. Investment in public education is now under challenge and resources are stretched to the limit.

Schools can either perpetuate or redress disadvantage. They work daily with young people who are disadvantaged in various ways and they are also a crucial means of reducing such disadvantage. Schools must work with

disadvantaged students to offset the practical, psychological, cultural and economic impediments to their education. They must also seek to confront the complex social causes of inequality. They need resources for both of these tasks and the necessary commitment from governments. The entire nation's well-being is in jeopardy when young people are not able to participate fully in education or when their schooling is narrow and unsatisfying.

Inequalities in education persist: inequalities in retention, access, performance and subject choice. Most of these are linked to socio-economic status, gender and race, an outcome that should challenge our sense of ourselves as an egalitarian society.

Perhaps at least as problematic is the accelerating segregation of our education system – segregation by income and religion. Education has a vital role in maintaining social, cultural and religious tolerance. Building mutual respect and tolerance towards others is critical and best achieved by close contact, not by occasional visits to exotic locations. Public provision of education is a way to bring children of different backgrounds together so they experience first hand the lives of others and learn to like and respect them, not matter what their background. As Tony Vinson has reminded us, “The acceptance by the system of all comers and the opportunity afforded for developing mutual understanding between groups is vital to our times.”

Our education systems should cultivate the ability of people to see themselves, not just as members of some narrowly defined region or group, but “as human beings bound to all other human beings by ties of recognition and concern.”<sup>18</sup> Such an ability, never more needed than today, obviously depends on understanding others' needs and circumstances with some degree of precision. We need, what Nussbaum calls “the narrative imagination”: the ability “to think what it might be like to be in the shoes of a person different from oneself, to be an intelligent reader of that person's story, and to understand the emotions and wishes and desires that someone so placed might have.”<sup>19</sup>

Through such acts of empathic imagination we can gain insight into the lives and experiences of others, which may be difficult to otherwise penetrate, especially when various forms of segregation are embedded in our social arrangements – and in our schools.

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<sup>18</sup>Ibid.

<sup>19</sup> Ibid, p 11.

In the past our inclusive public school system helped reduce inequality; now education appears to be reinforcing privilege and making it even harder for the kids of poorer Australians. The effects of income inequality are being amplified by our education policies.

## **Conclusion**

It seems fair to conclude that income inequality is both an index and a cause of social stratification in a society. We know that societies which have the greatest differentials in wealth and income are also the most unequal in access to other resources, including power and influence. Societies with wider income differences also have less social mobility; equal opportunity becomes an increasingly elusive goal.<sup>20</sup>

Societies with greatest income inequality are also the most likely to discriminate against minorities and to limit universal access to public goods, such as education and health services. The greater the inequality in wealth, the greater the social distance between citizens.

It is also typically more difficult for the least well off to move up the ladder and “elites” are more likely to exercise control and to dominate key positions of power. Inequality undermines social cohesion and weakens the bonds of co-operation. It makes democratic citizenship more difficult because some people are denied the resources – education, money and time, in particular – which are essential to exercise our democratic rights. Recent analyses of citizens’ political engagement in 24 wealthy democracies showed that greater income inequality reduced “interest in politics, views of government responsiveness and participation in elections”.<sup>21</sup>

Rising inequality presents a real threat to our collective well being, not just to the well being of those who are missing out. Rising inequality, especially in a society accustomed to seeing itself as fair, creates a nagging sense of unfairness and threatens social solidarity and stability. It undermines the perception that we are all equal.

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<sup>20</sup> Blanden, J., Gregg, P., & Machin, S. (2005) *Intergenerational Mobility in Europe and North America*. London: London Centre for Economic Performance, London School of Economics.

<sup>21</sup> Solt, Frederick (2004). Economic Inequality and Democratic Political Engagement. *Luxembourg Income Study*, No. 385

It can lead to bitter divisions and increase the psychological and social distance between the haves and the have nots. As Galbraith<sup>22</sup> has pointed out it can cause “the comfortable to disavow the needy” and it becomes easier to persuade people – as some governments have tried to do - that defects of character or culture rather than economic history cause the gap.

Conversely, economic equality makes people feel similar to others and more likely to identify with them. The more inequality there is, the greater the awareness of one’s position and the more acute the knowledge about whether one is a loser or a winner; while the rich may feel more secure, the poor become less hopeful.

There is also a clear danger that increasing gaps may weaken the willingness of those who have to share by concentrating more and more resources into hands less inclined to be willing. This tendency threatens the ability of the society to provide for the weak, the poor and the old and sparks bitter debate about welfare payments and other benefits which go to the most disadvantaged. A “winner-takes-all” mentality is encouraged. Inequality is accompanied by increasing pressure to withdraw resources from the public to the private domain – a deliberate policy drive under the conservative governments.

As de Tocqueville observed:

Individualism .....disposes each member of the community to sever himself from the mass of his fellows and to draw apart with his family and his friends, so that after he has thus formed a little circle of his own, he willingly leaves society at large to itself....Individualism, at first, only saps the virtues of public life; but, in the long-run, it attacks and destroys all others, and is at length absorbed in downright selfishness.”

Many have argued that growing inequality is likely to lead to a two tiered society, an “apartheid economy” in which the successful upper income groups live lives which are fundamentally different from those on low and middle incomes. Even Alan Greenspan has fretted that unequal incomes are “a major threat to... security.” Work on “social exclusion” and “the culture of poverty” illustrates how readily people can be trapped in a cycle of

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<sup>22</sup> Galbraith, James K. *Created Unequal: The Crisis in American Pay*, New York: The Free Press, 1998.

disadvantage and poverty across generations, attracting further scapegoating and marginalisation.

Perhaps it's time for us to renew our commitment to genuine egalitarianism and to restore the reduction of inequality as an important and achievable social goal for the benefit all of us.