The evidence suggests that a general increase in real income, once the most rudimentary needs are satisfied, does disappointingly little for people’s sense of wellbeing.

BY KEITH HANCOCK

In the Commerce faculty, the people who contributed most to my education were Joe Isaac, Jean Polglaze, Jim Cairns, Don Cochrane, Frank Davidson, David Rowan, Alan Boxer, John LaNauze, Wilfred Prest, Ken Rivett and Dick Downing. I owe much to those people. Joe Isaac – my dear friend, who is here today – was the reason why I chose the London School of Economics to do my PhD. I credit Wilfred Prest, along with Max Crawford, with my getting a travelling scholarship from the University. It was Dick Downing who introduced me to the ACTU, where I helped them prepare for a basic wage case and gained an ongoing interest in wage fixation. When I left Melbourne to go to London, I had an expectation of returning here as a lecturer in economic history once I finished my PhD, but at the crucial time there was no such lectureship. The University of Adelaide offered me a lectureship in economics, and I worked under the inspiring leadership of Peter Karmel, a Melbourne graduate of the 1940s. I have spent the rest of my life in Adelaide.

I congratulate all of today’s graduates. Yours is a significant achievement. Economics is now much more difficult than it was in my day. If the
same is true of the other disciplines which you have studied, you have ploughed a hard row. My congratulations and good wishes also go to your partners and families for the support which they have provided to you.

**Comparisons with the late 1950s**

I want to avoid pontificating, but I would like to reflect on the kinds of worlds and societies into which graduates emerge. The distinctive features of my time – the later 1950s – included full employment and an age structure of the population which was as favourable to people of my generation as it could possibly have been. With the large generation of babyboomers coming along behind us, we had both the abundance of job opportunities which their demands afforded us and also the assurance that these babyboomers would be called upon, in one way or another, to support us as we aged. The economy and productivity were growing at decent rates. Older people such as my parents still talked about the depression of the 1930s, but my colleagues and I thought that Keynes had made their fears obsolete. On the negative side, there were the ever-present threats and effects of the Cold War, which poisoned political debate and outcomes. A side-effect of full employment seemed to be continuous inflation. The gender divide remained evident in many ways – the break-through which seemed to occur during the war had all but been obliterated.

You face a different set of realities. As new graduates, you enter a more fiercely competitive world of work. You do not have a babyboomer generation coming along behind you to create an excess demand for your services; and you, with the rest of your cohort, face the burden of supporting – in one way or another – the babyboomers in their old age. The Cold War is history, but instead we have the consequences of racial divisions and hatreds, including terror, which are no less a source of foreboding and are equally destructive of constructive policy. There is also the contentious issue of climate change. If mainstream science is right, it may not have much effect in my lifetime but will be an ever-increasing problem in yours. Full employment is now a goal rather than a reality. Inflation is no longer much of an issue. Productivity in Australia has risen by a factor of three since the time of my graduation. Material living standards have risen, too, though the benefits have been diluted by widening disparities of income and wealth. Standards of health are, despite the widespread and no doubt justified worries about obesity, much higher than they were a half-century ago; and this is evident in a remarkable rise in life expectancy. The gender divide has not vanished, but it is gradually succumbing to continuous assault. Not least among the signs of change is today’s predominance of women in the population of recent graduates.

The off-the-cuff comparisons that I have been making amount, then, to a good news-bad news story. But when all is said and done, I envy you for the future that you have ahead of you. If I could take a half-century off my age, I’d gladly do it. But all things considered, it is as well that people do not have that option.

**Incomes and wellbeing**

Real incomes in this country, on average, are higher than they have ever been. The same is true of many other countries, but not all. Does this mean that people are happier than ever before? When I was an undergraduate, the language of happiness was not acceptable among economists. Over the past 10-20 years, this inhibition has been jettisoned by a significant proportion of the profession. Exploration of the relation between material resources and happiness is an inter-disciplinary pursuit, involving economists, psychologists, sociologists and neuroscientists.

The fracturing of disciplinary borders is a welcome development, for the arbitrary partitioning of knowledge and inquiry means that the total is less than the sum of the parts. But the evidence seems to suggest that a general increase in real income, once the most rudimentary needs are satisfied, does disappointingly little for people’s sense of wellbeing. The explanation for this which commands the most acceptance is that people are more strongly influenced by their relative than by their absolute incomes and consumption.
standards. If this is right, it militates against the doctrine that the rising tide lifts all boats – a doctrine which is invoked to tell us that issues of distribution are of secondary importance.

Are we, then, destined to endure a perpetual rat race in which people such as yourselves strive continuously to get ahead but end up, on average, little happier than you would have been if there had never been a rat race? I don’t know the answer, but the possibility is high enough for me to doubt the wisdom of treating social goals of more equal distribution and greater security as secondary to the pursuit of ever-rising income and wealth.

But for yourselves, there is the question of how fast you want to run the rat race. As I said, I don’t want to preach. You may find satisfaction in competitive success. I hope, however, you will not ignore the potential satisfactions of leisure, culture, family and public service. You are not going to be poor, and you can afford to contemplate the benefits and satisfactions of a balanced life. Whatever your choice, I wish you well.

Emeritus Professor Keith Hancock AO, was Vice-Chancellor of Flinders University during 1980–87 prior to becoming a Presidential Member of the Australian Conciliation and Arbitration Commission (later the Australian Industrial Relations Commission).