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Catholic Family Services

Communities (Families and Other Folk) into the Future

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Thank you very much indeed and good morning to everybody.

And thank you to Rhonda. May I pay a tribute to Rhonda – and indeed all of you here who are community leaders for what you've done.

The task has been magnificent, and most is yet to come.

If I can just add one or two things that I do that are not on the CV that Rhonda has. It has been a great pleasure for a number of years to be a patron of Vision Australia and of St Paul's Cathedral Appeal Fund, to work with youth suicide groups.

I'm an old-fashioned member of a church, and have to say to you that churches are doing a fantastic job – they're doing almost 8% of what they could and should do in modern society.

Thank you for wresting me away from my examination load at the present time, and time-series econometrics, to which I will return and indeed I am presently working on the theory of orthogonal hexagography…

OK – there's four parts to this – you're the fourth bit – the first one is: as an academic, I wanted to try and find an economic theory of community. There wasn't one, so I invented it, I'll give it to you.

Secondly, I do want to do what Rhonda has asked me to do, and that is to say a few things about how we look ahead because in everything we do – in our families and in our lives and in our community work – we must look ahead. And I think there are some crazy ways to do it, and some sensible ones.

Next, I'll give you my assessment of where we are going looking at, as you'd expect an economist to say, the demand and the supply for community. And then finally – there's you, and that's interaction, and that word will come up again.

So here we go to the theory of community. I define community; this is quite original this one; as a grouping of humans for interaction. And in that sense, what do we do?

We live together, we work together, we play and fight together. And there's an alternative – we could be perfectly self-sufficient hermits and have nothing to do with any human interaction.

And some people want that way and maybe they should – that is the antithesis of community.

Furthermore it can be co-operation and it can be conflict. And if we look at the examples of biological communities like ants and bees, we can learn a lot.

The left-wing interpretation is that it is a wonderful thing to see them together. The right-wing interpretation is that they didn't need the government to organise themselves.

There's an economic example and that is that the notion of production in the most physical, mundane, materialistic sense is a co-operative act and economists use things like production functions which are on the screen here [refers to PowerPoint presentation] saying that the quantity of production functionally depends on the amount of capital and machinery, labour, technology and time.

And examples of further community work are of course villages which, in medieval times were brought together for security reasons.

And sport – that's another example coming together. And welfare, worship, meetings like this group, and government itself, is an example of a co-operative.

Now what is the demand for community?

There are several motivations – the dominant ones in my assessment are:

- The security motive – we want protection,
- Companionship – we do want more than just our own company,
- Help and assistance – there are people who, for various reasons, do need assistance from various members of their communities, and.
- Entertainment.

These are some of the main demands as to why we are not hermits.

On the supply side, there's two ways of doing it. One is that without anybody telling you, there can be a spontaneous emergence through volunteerism and other charitable work of the provision of community.

The other one is – someone says: "You can't trust people to do enough and we need to bring in incentives or laws or compulsions to make community. Experience is: you probably need both.

Trends to date are that we are, as Fiona (Smith) has already adumbrated, we are looking towards an area in which the need for community is rising far more rapidly than the supply of it and that I think is an emerging potential crisis.

We could stop there because that is the summary of everything. However, I wanted to take this opportunity to tell you how good it is – isn't the economy great!!

Oh yes! Growth in 2 to 4%, real, seasonally-adjusted, without statistical discrepancy, in constant prices, as collected by the Australian statistician who will be on in a moment (ABS' CEO Dennis Trewin).

We were best in the west, but we've lost our little prize at the moment.

No recession in 14 years – hasn't it felt terrific, don't you feel jumping out of your skin! And none in prospect.

Yes, now inflation – this will cheer you up a lot – very very important; inflation has been within the bounds, microscopically detected, by the "Reverse Bank of Australia", within the bounds of 2 to 3%.

And interest rates have been kept very very low; if you've got any money you'll get almost no return on it – that's fantastic!

(Australia has) One of the highest credit ratings – we've recently just had a top ranking from the OECD for index of competitiveness.

In addition to that, big budget surpluses – isn't it fantastic.

Now one message for the welfare communities is that we can have good-meaning governments who if they neglect the economy can end up damaging people who need welfare control, without necessary reference to the 1970s.

However, there's been an overreaction. We should be very proud that we've got $10bill surplus – that's $10bill we could've spent on welfare and other things without going into debt that we didn't; no-one makes that interpretation.

So of course, the budget as the government will tell you is totally in control, as they feel in Canberra. Well somehow you have the feeling I'm going to say "But".

Well, right-o, here we go. There's even more good news first – real GDP per head 28% higher; young people can be delighted by looking up that real gross domestic product – the availability of goods and services per head.

The quality of products is even better, and technology enables us to do all sorts of things we couldn't do. We can dial up the world – isn't that fantastic? And with this technology it is – of course – the end of back breaking work.

But, here's the hanging "but" – there is another slant on this.

Obviously, point one – one in 20 people who are registered as being capable and who are seeking work do not get it. That's still not enough. And we know there are discouraged workers who are not in that statistic.

Now here's a hanging "classical point". In 1969, if you converted the annual earnings of an adult worker into a house you could get half the house. Today you can get a grown-up bathroom, or a very big toilet – one-ninth of the house and when you take tax out of it it's even worse.

So all of a sudden we can make a subjective suggestion from the objective statistic that doesn’t make the economy look quite so good: it is hell for young people – even the more successful ones – to believe that they have attitudes and abilities that do not get them a house.

Now here’s some other factors as well which many of us see firsthand – youth suicide, living alone, social stress indicators – some of the things Fiona (Smith) mentioned.

Part B – you’ll be glad we’re at the end of part 1 ... lunch before two o’clock is the forecast …

This is how you can look ahead – guessing and instincts. And just remember that 57.2% of all statistics are made up on the spot, like that one.

There is a lot of guessing and instinct, and it is not necessarily to be despised. There are people who have a feel for the evolution of various organisms and companies and social groups – and their feeling of where its going, which isn’t formalised, is to sometimes be respected.

The formal ways are two – first of all extrapolation: you form some sort of mathematical projection based on the past and explicit assumptions, like the ABS projections which you’ll hear in a moment.

And then you can model them, this is the next way we do, we try to find things that determine what is going on, and some of them go off the rails from time to time – and here’s an illustration based on five famous forecasting flops.

First of all – getting rid of Franklin. In 1936 the Republican Party in the United States, of which he was not a member, decided to do a survey … but it was a telephone book survey completely overlooking the correlation between wealth, income, telephone ownership and voting propensities.

They though they had 79% of the vote – in the end, they got 42% of the vote and FDR was returned.

The moral is: check your sources – you can't survey everything, that becomes a census. But when you do a sample, make sure it isn't a ridiculously biased sample.

Second example, a foreign funding fiasco with Freddie.

Freddie Laker was one of the most pioneering, entrepreneurial leadership-type people that you could find in modern industrial history except he made a crucial mistake in overlooking his economics by having a major expansion of his Skytrain enterprises in Britain with cheap airfares and holiday packages by funding it from United States loans at 6%, unhedged, completely exposed.

But this was nice low interest rates and the only thing that could happen was that North Sea oil would take the exchange rate stronger so he would give up less and less pounds to repay it.

He overlooked interest rates that went from 6% to 17% in seven months – I'll say that again, from 6% to 17% in about six months in 1979. That was the end of him, because he was paying about two-and-a-half times as much as he expected and with more pounds and not less as the exchange rate moved.

And that's the third (example), I've already dealt with.

The fourth is the FX fiasco we had in Australia where the foreign exchange traders overlooked the GST introduction in the year 2000 and the Australian dollar plunged a bit.

Some people may not know or have remembered, that it's only a little over two years since the Australian dollar was trading at 47c US. So there's an example – when you look ahead, some things are more "wobblable" than others and you have to take that into account.

Then one, more in your area, December last year – the "cast-iron guarantee" that the number of people that would take up the health safety net would be limited and they could maintain the budget proprietary of that.

There's some theoretical tips of looking ahead, let's put it into practice by looking at this community futures.

Here's the government view first of all – very unhelpful this – "Growth will be 3.5% forever, inflation will be 2.3% forever, unemployment will stick around 5%, there are technical assumptions about interest rates and exchange rates."

These are the two most important variables that business and community groups want, and the government makes technical assumptions – that means, they don't know where they're going or are not prepared to tell you, so they just assume they'll stay the same.

And the comment is that the "wobblability" of things are more realistic, and if you are looking ahead at the forces that bear on community, you need to bear in mind a few left-field factors and that nothing really grows with exponential growth – other than exponential curves themselves.

Here's just a couple of points to let you know where we are at the present time, and where we are going.

Wealth means – the net assets of persons, individuals and communities. And a good example is that young professionals tend to have high income and not much wealth. Widows tend to have a lot of wealth but not much income. And some local councils are doing a little bit to help them.

There are huge disparities in our community in wealth, even today. And these disparities are growing, and furthermore, there are shifts between age classes. Let me illustrate – "oldie wealth" first of all.

Oldies are living longer, well we've got these figures here and I think most of you know the life expectancy of the community is growing and the proportion of people over 65 is rising very rapidly under any scenario.

A second implication is that the sum of money potentially that can be passed on to the next generation – footnote, you don't need as much community intervention, perhaps – is now being messed up by three things: slipping, skipping and squandering.

Slipping means the wealth tends to slip away from them as they get older, as you go through the 80s and 90s.

Skipping means that the Boomers who expected to get the money are bypassed because the oldies say “you’ve got enough; we’ll give it to the next lot.”

And squandering – this group is a sitting duck for shonky investment schemes and bad management.

Here’s some supporting figures. This is the share of the population here in Australia which is over 65, and we can highlight that. I’ve ringed here that the proportion of their wealth was fairly similar to their proportion of the population.

But at the present time, its about double, and under the projections of the University of Canberra - and I’ve made a few adjustments myself – that share of the wealth in the hands of older people is ballooning much more rapidly; huge changes in what’s going on in our society in our community – our community shape is changing very very rapidly.

The wealth distribution is ballooning even faster than the population distribution and predominance of older people.

And this last column here is an indication of the potential sum – these are billions of dollars that are available for inheritance …

If we focus on the over-65s, the first quartile – that means the poorest 25% if you listed them in an array – the arithmetic mean wealth is $6000. You can imagine there’s a lot of negatives in it – that’s their wealth, not their income.

This means there is a huge potential problem here.

The second quartile is $135,000 – that’s the next 25%. If we go to the top one – the top one is $470,000. If we just go to the top fifth of the quintile, its $2.28 million.

And indeed you can break this down further and take a look at the deciles – the top 10% have got an arithmetic mean wealth of $55 million.

This is not an egalitarian society and I'm not saying that I want one because we probably need inequalities and the incentives to get ahead. But this is a long way from there and a big risk of those in the older categories being subject to misuse of their wealth.

We'll take a look at two other groups – the Boomers, (19)46 to 66 – I'm just in it; I've consulted my parents and been told I was conceived three weeks after Hitler was dethroned in Germany, and six weeks after their mortgage was paid off, and they won't tell me which one they were celebrating!

First of all, this group will enter the 65+ in 2001, but that doesn't matter so much because a significant percentage of them are retiring or have retired. A significant percentage of people who went through with me and who were accountants and lawyers and finance people were compulsorily retired at 52 and 55. And most of them didn't have any say in it even if they were managing partner.

This means there's nearly four million of them, and there's an increasing percentage who have this wealth, but great inequalities in it. And the crunch at the end is that very few of them have properly prepared for retirement – even the rich ones.

Let's move to the younger folk, and I'm very concerned about this group – and concerned about all groups. This young group – and they're the people I teach and the people I've taught recently. Thirty to 50 year-olds – that's six million of them.

Yes, more educated and some even know a bit, and they are much less likely to be married, parents or paying off their home. And this is the first time in Australian history that a generation has found it more difficult to achieve housing wealth than their own parents.

And unless they gain wealth transfers, this degree of frustration will increase.

So where's this going in relation to people with popular prognoses? I just draw your attention to one or two charts on this – you'll find this a little difficult to read, but I just want to pick out the bottom line: the percentage of the 30 to 34 year-olds who are or will never be married on the ABS series C projection – its around about 22% in 1991, it was 7% in 1950, 35% at the last census (in 2001) and projected to be 47.2%.

Now, some of them will be in relationships, but the degree of isolationism, one way or another, is increasing.

Let's have a look at some of the demographic inferences – relatively more people living outside of formal or any king of relationship and with greater prospective loneliness and depression, the incentive to exercise or interact and enjoy the fruits of companionship is already less, and moving more in that direction.

And I don't think there's an optimal tax policy that's going to change that, but there's something.

This one shows there is an increasing proportion of the Australian population will not and not ever will ever be owning its own home. An increasing proportion of the homes in Australia are occupied by people who don't own them and never will – that one, or any other.

The renting fraction is at 26.5% and about the same in 2001, and projected to rise to about 34% by 2026. That's partly my projections and partly the ABS.

Here's the one I wanted to focus on – I've picked out a couple of cohorts in he socio-demographic future and these ones are ABS figures based on various assumptions of continuity of where we've been going in the last 20 years in particular.

I pick out two groups in particular – 35 to 39 year-old females as lone parents; in other words, they have one or more children but not a partner with them. Five percent in 1986, 7% in 2001, rising to 11% in 2026.

They’re still small percentages but when you think in detail, that an increasing proportion where there is a high-risk category.

And the bottom one is even more dramatic – 30 to 34 year-old lone males; in other words, living in a dwelling by themselves, no partner, no children. Four percent in 1986, 5.5% in 2001, bang on 10% in 2026.

Now what do we infer from that? These are my inferences and I’ve put this down in a quotable way. I say we are destined for this – I’ll try and read this without a stumble:

Relatively more people living alone, with fewer children ,who are less likely to have are less likely to have both parents with them as children, in homes that are increasingly don’t own and with savings that are less likely than a generation before to afford them any chance of ever owning their own home.

Or, if I wanted a one-liner: its morbidity replacing mortgages.

Well that’s a pretty sombre outlook, so what are we going to do on the supply side?

Everyone wants accountability, but if organisations are crippled with conformity conditions then in economist terms: the excess of demand over-supply of community will accelerate and in this case, despite my confidence in the price mechanism of the oil market, there’s no price mechanism here to fix the discrepancy.

We are in potential crisis. In short – whatever you are doing, it’s going to have to be bigger.

Now there are some alternative futures – let’s look at some deviations.

One thing we can do is not what the government does – that is 3% growth forever, 2.5% forever …

Economic trends include a significant slump and revival.

I think this is a very good idea when you are looking at your own planning if you are looking at mundane things like cash or more worrying things like clients or things that see people involved or that you will have to deal with - there will be wobbles, there will be slumps and there will be revivals in the economy, and that's more realistic than what the government is doing.

The second element is technology. I could build scenarios in which the technology we have today we could completely eliminate the need for any school building.

It could all be done by people dialling in from home. What on earth we'd do with compliance and assessment I don't know, quite apart from human interaction.

We could get rid of shopping centres by home shopping, workplaces by all (working) at home.

And you've all seen the scary scenarios – they're sociologically repugnant but technology possible already today.

This is one of our futures.

Another one is, on my numbers - and I'm sure Dennis (Trewin) will support it – there's going to be a significant preponderance of older people who are fit and capable and are not doing enough.

So how do we marshal them to do more community? I don't know.

And the last one is – that communities in control, I say means, and I go to the brain part of what Fiona (Smith) had to say to you, understanding before action.

Let's not get overly emotional about this stuff like wealth distribution and so on but let's be realistic about it – it is huge and there is considerable wealth and wealth potential, time and time potential, to do more with community.

Especially with leadership – I do not think that leadership means this [refers to PowerPoint presentation] … however it is a good incentive of the value of a carrot.

And I say to you, as I look back on all of this, that we do have a potential problem; I thank you for what you've done, but fear not – the future is not all bad news.

The TBS – and I've found something to be happy about – the TBS has shot up from about 8mm in Frank Crean's day in 1983 to over 300mm today and I think is booming ahead … oh, the TBS is the "Thickness of the Budget Speech" and its just absolutely booming, and anyone who thinks that we've got the paperless office has got a long way to go.

Thank you.