Editorial —

DANGEROUS PROPAGANDA

The Amalgamated Metal Workers and Shipwrights Union recently published a booklet, "Australia Ripped Off", which should only be read by those supporters of democracy who are not susceptible to apoplexy. It is directed at the innocent, the ignorant and the gullible, and for others who have bothered to read it, it is not sufficient to express anger and contempt in the bar or the home and then leave it at that. Dangerous propaganda needs to be exposed for what it is and countered where it matters.

Support given to the booklet by media commentators should lead us to recognise that "Australia Ripped Off" is dangerous propaganda if only because much of what it says is true once the emotive rhetoric has been stripped off. It will gain wide support for its conclusions because many of its basic assertions appear justifiable. The false basic assertions will be easily overlooked.

The following article "AMWSU proves figures can lie", is irrefutable in exposing the staggeringly false statistics on which the main argument is based.

But if we were to restrict our response exclusively to attacking the AMWSU position, we should fall into the trap of further polarizing public opinion. We should be playing into the hands of the AMWSU leadership whose success depends on promoting the
"us and them" attitude.

The difficulty lies not in identifying faults in our society but in combating repugnant solutions. It is a battle for the minds of men and the AMWSU are demonstrating beyond doubt that they know how to fight. The only way to counter effectively the promotion of one philosophy is to promote a better alternative philosophy.

IPA is one organization, perhaps alone amongst the "distorted" organs of the other side, whose publications reach a wide cross-section of 'working-class people' (a term used in "Australia Ripped Off" to promote 'class' conflict). IPA exists to promote harmony in Australian society through the promotion of a free enterprise philosophy which benefits all Australians, and those trade unions who are listed among our subscribers need all the help they can get. If our work is worthwhile we need very much more support — there are many potential subscribers who could help to counteract the effectiveness of extreme left-wing influences by subscribing to our funds and distributing our literature.

THE PAMPHLET Australia Ripped Off, 250,000 copies of which are being distributed by the Communist-led Amalgamated Metal Workers and Shipwrights Union (AMWSU), claims that workers have been ripped-off by "the rich and big business", who own the country's wealth.

Its remarks have been endorsed by the Deputy Leader of the ALP, Lionel Bowen, who said at its launching, "Australia Ripped Off is a publication to be doubly welcomed for its content and for its source ..."

There is a danger that the mythology perpetuated in this pamphlet will become the prevailing orthodoxy of the Labor Party and the trade union movement.

Are its claims justified? What does the AMWSU actually propose? Where does the AMWSU fit into the scene?

The following article seeks to answer those questions.

1 In reviewing "Australia Ripped Off", The Age (18.4.79) had this to say:—
"For all its crudities, it fills an information and opinion gap. It should be distributed widely in schools, especially in those that receive literature from that distorted organ of the other side, the big-business-sponsored Institute of Public Affairs."
The AMWSU's new pamphlet, *Australia Ripped Off*, makes the populist claim that the wealthy, "the rich and big business", are ripping off the workers who actually produce the nation's wealth, and calls for a program of nationalisation, increased taxation to "soak the rich", workers control of industry, and a centrally planned economy.

One would require the space of a full edition of News Weekly to analyse the pamphlet in detail, but its major theme is that 

"In Australia:
* the wealthiest 1% of population owns 22% of the total wealth;
* the wealthiest 5% of population owns 46% of the total wealth;
* the wealthiest 10% of population owns 60% of the total wealth;
* 50% of Australians own less than 8% of the total wealth;
* the richest 2000 people in Australia own as much as the poorest 2¼ million Australians."

**Assertions repeated**

These assertions were repeated, without qualification, by Lionel Bowen, the Deputy Leader of the Opposition, at the launching of the pamphlet at the AMWSU offices, where he extolled it in the following terms:

"This is a book guaranteed to make people take stock of what is really happening in their country.

"It is based purely on facts, on the reality, all well-sourced and documented and available for verification, if anyone still doubts the magnitude of the scandal."

While *Australia Ripped Off* makes many other detailed assertions, its entire credibility as a work of research stands or falls on its description of the division of wealth in Australia.
The division of wealth itself divides into two sections:
(i) assets;
(ii) income.

Obscure journal
There are no wealth statistics collected in Australia, so where did the information come from?
The source of information from which the pamphlet's statistics are extracted is the obscure Marxist *Journal of Political Economy*.

Although the AMWSU does not say it, this publication is produced by Marxist economists from a number of universities and colleges.

According to Mr Bowen, the statistics have been drawn from an examination of Australian estate duties, and the conclusions extrapolated to cover those sections of the community which do not pay death duties.

The falsity of the assumption inherent in this statement is staggering.

Estate duty provides no basis on which the total disposition of wealth can be determined.

Principal asset
For instance, exemptions are granted where the whole of the estate passes to members of the family, up to a limit of $40,000, or $90,000 for a surviving spouse.

The principal asset acquired by most people in Australia is their own home, with an average value in the vicinity of $35,000.

About 70% of Australian households live in homes which are either owned outright, or are being purchased.

Yet home ownership is virtually excluded from estate duty.

*Australia Ripped Off* also ignores superannuation funds which hold $7000 million for employees.

These are contingent rights in property, simply awaiting retirement before they “rest”.

(Significantly, the Communist leadership of the AMWSU has declared its opposition to union involvement in “super” funds.)

To this must be added the fact that many people dispose of their assets to family, or create companies which own their assets,
in order to avoid death duties.

**Family trust**

The result is that, although the annual number of deaths in Australia is over 60,000, the annual number of estates on which duty has been paid is a mere 14,000.

Mr. Bowen himself once indicated that he had a family trust. Hence Mr. Bowen’s own estate duty will not be a sufficiently accurate reflection of his own share of Australia’s wealth to enable statistical deductions to be drawn.

When these factors are taken into consideration it is obvious that estate duty cannot be used to determine the wealth of different sections of Australian society.

But an even more fundamental objection can be raised to the use of the concept of “assets” as a measure of real “wealth”.

Most farmers, for example have substantial assets, the face value of their land running into hundreds of thousands of dollars.

Whether face value is disposable value, and how far face value is reflected in real income are two quite different matters.

In bad seasons, farmers with assets of millions of dollars have zero or even negative incomes.

This might be unknown to officials of the AMWSU, whose incomes are guaranteed, and indexed against the ravages of inflation.

Disposable income, rather than the nominal value of assets, must be a key component in looking at the distribution of wealth.

**Simple reality**

The simple reality is also evidenced in the difference between the nominal asset value of churches and schools, the land on which they are built, and the disposable income arising from them, which is usually negligible.

The Income Tax Statistics tabled annually in the Budget papers, and the Bureau of Statistics’ income and household expenditure surveys give an indication of the real picture, which is dramatically different from that presented by the AMWSU.

Both show that there is a wide income spread, but that most of the working population does not fall within the bracket of the poor and “dispossessed”, but falls quite clearly within the middle
Income bracket.

Income Tax statistics show, for example, that only 0.1% (one person in one thousand) has a taxable income of over $50,000 a year, and only 1% earn more than $25,000 annually.

Blue collar 'aristocracy'

Rubbing shoulders with politicians, company directors, senior executives and senior public servants who fall into this group are, surprisingly, members of the blue collar aristocracy — members of the Amalgamated Metal Workers and Shipwrights Union on the Bass Strait oil rigs, miners on the Utah open-cut mines in central Queensland and some AMWSU members working the lucrative iron ore mines in Western Australia.

Not far behind them are the wharfies, most of whom are in the $15,000-$20,000 bracket, while those in the container depots not infrequently exceed $20,000 per annum.

The Bureau of Statistics' Survey of Household Income shows that the highest household incomes are to be found in Canberra, where the figure of average weekly household income is 40% above the national average, simply because of the combination of high public service salaries and the high incidence of two-income families.

Not surprisingly, these figures and sources are never mentioned in Australia Ripped Off!

Reckless

There are many other occasions in the pamphlet on which half-truths and outright falsehoods are used to make a point.

It begins with the assertion that the Federal Government has been responsible for "the removal of a thousand or so jobs every week..."

That's false.

A brief look at the Bureau of Statistics employment figures shows that the total number of jobs available has remained stationary in recent years.

Higher unemployment has been caused by the larger number of people seeking to enter the workforce.

The responsibility of a trade union movement for maximising unemployment by fighting — successfully — to break the indexa-
tion guidelines, thus increasing labor costs, and by making them prohibitive compared with the costs of new technology is flatly denied.

However, speaking at the AWU Convention in February this year, Mr. Hawke said unions would have to accept some responsibility for the unemployed.

"Increasingly I think we are going to understand that we will have a responsibility to those who are not in the work force..."

"We are going to have to think about what sort of things we can do to try to ensure that, as far as we can, we create work opportunities for those who are coming along after us"", he said.

Elsewhere Australia Ripped Off quotes a CSIRO officer as pointing to the fact that, whereas nine people out of ten were able to afford to pay off a home ten years ago, the number was now two out of ten.

Basic cause

It neglects to mention that the basic cause is the crippling interest rate, linked to the inflationary explosion of 1973-74 caused by the Whitlam Government, ably assisted by the Amalgamated Metal Workers and Shipwrights Union, which obtained Mr. Whitlam’s commitment to emasculate the Arbitration Act as a condition of financial support before the 1972 election.

Australia Ripped Off has the expected blast at investors, completely ignoring the fact that investment provides the risk capital on which new jobs are created.

Australia Ripped Off is not only based on a mass of false and tendentious statistics which are a disgrace to any union, but it studiously ignores any real social analysis of the structures of economic power in Australia.

Never was the bankruptcy of Marxism as a system of analysis better illustrated.

Reality

The reality is that real power in Australia is concentrated in comparatively few hands.

Effective control of the "commanding heights" of the economy is now in the hands of massive corporations, some national, some multi-national; giant unions, of which the AMWSU
is the shining example; and the bureaucracy.

Between them, they fix wages, prices and taxes.

This is the real economic system, as distinct from the mythologies perpetuated in *Australia Ripped Off* and various economics textbooks.

The ineffectiveness of governments, shown most recently in the truckies’ blockade, the paralysis of the Arbitration Commission and the endless capitulations by employers, who are able to recover costs through the Prices Justification Tribunal are the inevitable consequences of this economic system.

**Concentration of power**

It should be obvious that there is no solution to the problem while the economic and political structures continue to facilitate the concentration of power.

Only a radical restructuring of the economic basis of society towards the small unit in business, government and unions can reverse the trend towards the corporate state, of which the AMWSU is an integral part.

There are disparities of wealth in Australia, just as there are in every country of the world, including the Soviet Union and China.

The Australian case has already been the subject of several serious studies, including those by Professor H. Edwards of Sydney University and two research economists at the University of New South Wales, Professor N. Kakwani and Dr. N. Poder.

Much of the case put by the AMWSU pamphlet is based on a paper by a junior economist at the Kuring-gai College of Advanced Education in Sydney, Mr. P. Raskall.
In March 1978 Sir David Derham, Vice Chancellor of Melbourne University, suggested that in the future Australian Universities might well have to become more financially independent if their "high" ideals and educational objectives were to be maintained at world standards. During an address to the Institute of Directors Sir David said; "The Universities have become very largely financially dependent upon one Government with very little capacity to raise money themselves .... Whether or not it is desirable, it may be possible for other educational institutions to be run by Governments — even by Government Departments. If the high aims I have indicated are to be achieved, however, it is not possible for Universities to be run by Government Departments".

IPA shares Professor Derham's concern about the universities being "tools" of one Government, ultimately financially dependent upon Canberra for growth and direction in higher education. We strongly believe that the universities (indeed for that matter all tertiary educational institutions) ought to re-establish some autonomous authority in order to raise at least part of their funds by independent means. Although the Williams Committee of Inquiry into Education and Training (which reported in March), did not present the Australian Government with a blue print for the future funding of higher education, it did suggest in its long list of recommendations that "...the proposed Centre for the Study of Post-Secondary Education include in its program a study of the feasibility of a fee system (in higher education) based on costs, and appraise the financial basis of Professor Blandy's proposals for reform." (i.e. proposals for the reintroduction of fees in higher education.)

The following article argues for the reintroduction of some form of payment for a university education in the light of the current major problems confronting universities and the changes occurring in the composition of the student body.

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The explosion in university education

Few Australian industries could boast a post-war growth record superior to that of the universities. Since the early 1950s we have seen the number of universities rise from 8 to 19 and the number of annual enrolments expand from 28,000 to 160,000. Population growth partly accounts for the remarkable development of university education; however, whilst Australia's population over the last 25 years has risen by a factor of less than 2, and the population in the 17-22 year age bracket (the group which has contributed the bulk of the student body) has risen by a factor slightly over 2, university enrolments have grown sixfold since 1953.

Twenty-five years ago there were 1,000 Australians in the labour force to each bachelor degree conferred in a year. Today there are 200. Adding on the full-time and part-time teaching staff to the
student body together with the huge administrative apparatus that has to be maintained, we have an industry requiring hundreds of millions of dollars in government subsidy for its sustenance each year. In 1978-79 the Australian Government will spend $800 million in its budget on the universities (which includes monies spent on student assistance). That amounts to $5,000 per university student, almost 1/3 of total budget outlays on education and equivalent to 8 cents in every dollar of personal income taxes collected by the Federal Government in the 1978-79 financial year. Eighty-five per cent of the universities' operating costs (which make up 92 per cent of the total cost of subsidizing universities) consist of payments for academic and other university staff salaries. Taxpayers are entitled to feel disgruntled about having to confer such a large annual entitlement on an industry which recently has been failing to live up to community expectations.

Equality of opportunity?

The abolition of tuition fees for tertiary education in 1974, together with the introduction of generous and comprehensive student allowances, made university (in fact all tertiary) education freely available for the first time to every young Australian with the requisite academic qualifications. Few countries in the world are more generous in their support of university students than Australia. Students pursuing their first degrees are not expected to contribute any significant amount to the cost of their education.

But equality of opportunity has not apparently paved the way to universities for greater numbers of intellectually-gifted Australians from working class backgrounds or from disadvantaged environments. Indeed, far from reducing inequalities of opportunities in higher education, free university education has enabled more and more "average" and "upper" income households to despatch their children to the universities. A recent study on the changes in the social make-up of university students since 1974 had this to say: "We can safely infer that not many upper class students of mediocre ability have been replaced by able lower class students. At worst the abolition of fees can be seen as a further benefit to the economically advantaged by transferring funds from the average taxpayer to a student body drawn to a great extent from the more affluent sections of society".

The Williams Inquiry also endorsed this

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1 The study was undertaken by the Australian Vice Chancellors' Committee and entitled, "Students in Australian Higher Education: a study of their social composition since the abolition of fees."
view and it would seem likely that since 1974 tax subsidized growth in higher education has been a regressive force in income distribution. Evidently it has effectively transferred educational resources away from lower income households to those persons who will eventually come out near the top of the income ladder.

The graduate glut
At a time when slow economic growth prevents much growth in private sector employment opportunities, the overall supply of graduates in the "professional" labour market is exceeding the demand for them. Some university qualifications are now overrated as job tickets due to general oversupply of many professional skills and because our economy is simply unable to absorb in the professional stream the numbers of graduates being produced annually.

It is unfortunate that, until very recently, tertiary education authorities have been unbelievably slow to react to the labour market's requirements of graduates. The problems of oversupply and lack of demand, apparently now prevalent even in the medical profession, show clearly that the university system as it is presently administered (i.e. from Canberra) is totally unresponsive to changes in the labour market. With no financial commitment required on their part for higher education, many successful HSC holders proceed "merrily on their way" to university only to discover unhappily at the end of their travail that professional employment in their area of qualification has become practically impossible to secure. These graduates' expectations (unrealistically fostered by a university education) of the "desired" professional career, collapse. Sights are lowered and whatever employment is currently available is accepted, however unrelated it may be to the graduates' university qualifications and training.

University authorities have exacerbated the problem of graduate underemployment by taking so long to restrict the intake of students into faculties such as teacher education, even though the present oversupply of teachers was imminent several years ago. If students were given a chance to exercise financial control over their educational options, one wonders whether university authorities (who govern the inflow of students) might subsequently react with greater assiduity to the falling demand for various professional skills in the community and to the related declining standards of learning in some university courses. For example, it is conceivable that if a university education had to be paid for by the student through, say, a portable tuition voucher, (specifically used to pay for university resources), higher education would then be "consumed" like any other traded goods or services offered in the market place. Dissatisfaction with the standard or style of education in a particular faculty could be promptly registered by a student withdrawing his paid-for voucher and transferring it elsewhere. A voucher system could introduce market discipline into higher education. It would force university authorities, particularly teaching staff, to be accountable (in setting educational standards, applying teaching methods etc.) to the customer, the student, the one for whom the service is provided.

Clearly labour market forces (or for that matter any market influences) have not been allowed to act as a brake on the output of graduates. The Federal

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2 The idea of introducing vouchers into education as a means of allowing market forces to influence the allocation of resources in education, has been raised by IPA in Mr. W.D. Brookes's Presidential Address in 1978. The address, "Lawmaking, Bureaucracy and Vouchers", was printed in IPA Review, October/December 1978.
Government's complete financial control over universities has hindered higher education's response to Australia's changing manpower requirements. This is because the allocation of government funds to universities bears little relation to the demand for graduates in the labour market. Rather, Government grants are closely tied to the size and mix of the student body and to the numbers of new enrolments. Politics, not economics, governs the distribution of taxpayers' money to the universities. Is it surprising therefore, that we are presently oversupplied with teachers, engineers and others professionally qualified, that many graduates are unable to find work at their appropriate task level, and that increasing numbers of graduates are seeking to prolong their courses or alternatively opt out of the labour market altogether? Of the graduates who do obtain full-time employment, over half are retained within the government and education sectors whilst less than a quarter are employed in the private sector in industry, commerce or professional services.

Standards of learning

Last year Professor Lauchlan Chipman of the Australian Council of Educational Standards expressed dismay at the apparent decline in standards of education in some courses at Australian universities. He claimed that over the last twenty years at the University of Melbourne there had been a reduction in the amount of work required to obtain a pass degree in an Arts course in the order of 25 per cent.

Whether in fact the general standards of learning at Australian universities have fallen as significantly as Professor Chipman intimates is clearly debatable. Nevertheless a number of academics do agree with Professor Chipman. They maintain that as universities have opened their doors to increasing numbers of students, the pursuit of intellectual excellence and the mastering of the written and spoken word, (Professor Derham's "high" aims) have been sacrificed by educational authorities intent on increasing enrolments, maintaining pass rates and building up their university empires dependent on Government funds. Some leading academics are now openly admitting that educational standards in the courses which they teach have declined as course enrolments have increased. Evidence, they say, of this undesirable, apparently irreversible trend may be found when investigating course entrance prerequisites, student examination and assessment procedures and general course work and study requirements. In each of these important standards of university education there has generally been a loosening up of the academic requirements of students. In engineering faculties it has been publicly acknowledged that rigorous selection procedures in courses have been lacking and that consequently students of less than satisfactory quality have gained admission.

The changing composition of universities

The proportion of Australia's population in the 17-22 year old age group (which currently makes up 58 per cent of total university enrolments) is falling. Demographic estimates, which assume low fertility rates in the future, forecast a declining number of Australians in the young, previously "university oriented" age groups. In recent years there has been an increase in the proportion of part-time students and students of mature age at

\[1\] In the Partridge Report of the Post-Secondary Education Committee of Inquiry (Victoria 1978), several submissions from members of the academic staff in engineering schools expressed doubts about the quality of the courses provided in some engineering schools, "especially those obliged to accept students of low academic standards in order to maintain enrolments." (direct quote from the Report, Editor's emphasis added.)
universities. In 1978 37 per cent of all enrolled students were part-timers, probably a higher part-time quota than ever before. Of all university students nearly 1 in 5 are now 25 years or older. At some universities a quarter of the students are over 25 years of age. By comparison, in the early 1960s only 1 student in every 10 was older than 25.

Until recently Australian universities were primarily regarded as a bridge between secondary school and professional employment. On this premise the Australian community has supported free tertiary education. It has allowed taxes to be used to sustain universities in the belief that every young Australian would benefit from higher education by securing suitable professional employment at the completion of studies. But times have changed. Economic circumstances and the failure of universities to respond to changing circumstances cast doubt over the present value of many graduate qualifications. Taxpayers now have a right to question whether they should be required to shoulder fully the financial burden of tertiary institutions which in many cases are producing graduates whose skills are simply not in demand.

Furthermore, in future, if the universities and other tertiary institutions such as the colleges of advanced education, are going to provide more and more for the part-timer or for the mature student who wishes to remain in the continuous education stream, the Australian Government has a responsibility to the community to answer questions of fundamental importance to the development of higher education.

For instance:

1) Are the present claims of university (higher) education on taxpayers justified, particularly in the light of some of the shortcomings of university education? (as previously discussed.)

2) Is the present system of funding university (higher) education justified? If the maintenance and growth of universities require rising levels of taxation, can the public be expected to fully sustain such a system of higher education?

3) If the community is not getting value for its money why doesn't the Australian Government introduce new funding arrangements to lighten the burden on taxpayers?

The recent Williams Committee failed to provide the answers to these questions. The Federal Government, none the less, has an obligation to taxpayers to do so and without additional committees of inquiry, to do so promptly.

The case for a reintroduction of university fees

Free university education means that taxpayers subsidize the tuition costs of all undergraduate students irrespective of the student's income, age, need or academic performance. This universal right must now seriously be reconsidered by the Australian Government on equitable and economic grounds.

As Professor Blandy states in the Williams Report: 'The reintroduction of fees and means tested student allowances would be more egalitarian, reduce the budgetary burden and the frivolous use of costly services while restoring some financial autonomy to institutions'. The reintroduction of fees, perhaps on a means-tested basis, would ensure that taxpayers on low incomes would not have to subsidize (at least not to the same extent as under the existing system) the cost of educating the children of taxpayers on higher incomes. A system of (repayable) loans to students which subsidized a large part of the total cost of providing university education might be a more economic,
less regressive means of funding higher education.

Reducing the claims of higher education on federal budget outlays in 1979-80 ought to be a major objective of a responsible Government whose economic formula for recovery ultimately depends upon reining in the budget deficit. But most importantly, by having to pay for a university education instead of receiving it as a gift, students themselves would benefit as well as the community, because a much more careful evaluation of the costs and benefits of tertiary courses would then need to be made by students wishing to utilize fully their education and training in a rapidly changing technological age.

Some universities, perhaps those institutions reaching world class standards in intellectual studies and research work, may be worthy of support by the community through taxation. These universities would be devoted to the advancement of scholarship by research and teaching, to the pursuit of rational investigation in the interest of community progress and to the training of people destined to become the professional and intellectual leaders of society. But for the majority of universities, many of which will be admitting a much larger contingent of mature age students and others who merely wish to further their education in fields unrelated to employment prospects, the public will not be as willing nor feel obliged to wholly support students who should be meeting at least part of the cost of their higher education.

The future of the universities, their freedom to pursue their own objectives, will be directly related to the means by which further development of higher education is financed. Alternative methods of raising funds, (perhaps within the private sector) independent of governments' taxation programmes, could well be sought by those universities who wish to reduce their dependence on politicians and bureaucrats.

Talented people who do not have the means to pay for a university education must not be deterred from seeking higher education by prohibitive fee payment schemes. However, reducing government subsidies and severing the connection between higher taxation and growing public expenditure on universities would lessen the universities' dependence on one Government. Market forces could then exercise a much greater influence on the students' choice in post-secondary education.
New Booklet

PARTNERS IN INDUSTRY

On Tuesday, May 9th, the Federal Minister for Productivity, Mr. Macphee, the President of the ACTU, Mr. Hawke and the Director-General of the Confederation of Australian Industry, Mr. Polites, collectively launched a booklet produced by the National Employee Participation Steering Committee, which sought to bring employers and employees closer together in industrial relations. Hailed as a "first" of its kind, "Employee Participation: A Broad View", urges employers and employees to identify industrial problems in a spirit of co-operation and thus create a climate in which disputes can be avoided. In Mr. Hawke's words the booklet is "a constructive, positive means of pointing us all in the right direction".

IPA also would like to be acknowledged as one of the early major contributors in the advance towards establishing partnership between employers and employees in Australian enterprises. Our last two special booklets — "Everybody's Business" and "Partners in Industry" respectively — have both attempted to set out the areas of common interest and concern that exist amongst all Australian workers in industry.

"Partners in Industry" — which IPA printed early in 1979 and which has received a favourable response from many employers — specifically promotes the concept of better communication at all levels within enterprises. Although we have received many orders for this booklet — over 6,000 in fact in about six weeks — we have not received nearly enough support in terms of bulk orders from large companies to make this booklet the success that we feel it deserves. We would hope that many more companies, particularly those who are contemplating the introduction of company reports to employees, will order and distribute "Partners in Industry" as widely as possible to their managers and employees. Class sets of the booklet are available to schools at a discounted price.

PRICES:
1 to 9 copies: 30 cents per copy, plus 20 cents postage per order.
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Phone: 63 6558
A GREAT CHANGE HAS STARTED

You might call it, yes, a great cultural revolution. But the real kind of revolution, when common sense tells enough people they've got to change their ways, and they have the technological means to do it. Unexpectedly, and most desirably, in almost all of Asia east of Pakistan food production is rising and human fertility is falling. Contraception and high-yield grain are producing, at last, a change in the general human condition.

This common-sense revolution is taking root in societies with ancient Chinese, Buddhist, Hindu and Malay civilizations, but not those where Christianity or Islam hold sway in the countryside. In most Catholic or Moslem villages, where a large family is equated with a man's worth and masculinity, little has changed. The Vatican's opposition to contraception, and the rise of Moslem fundamentalist groups all through the Islamic world, have helped to freeze attitudes in these hold-out regions.

Elsewhere, chiefly in Asia's villages, four changes are happening at once. First, contraception is becoming more widely accepted. In places as widely scattered as India's Kerala state, Sri Lanka, China and Indonesia's Java and Bali, annual population growth rates have plummeted from 2½-3% in the late 1960s to 1-1½% now, mostly in the past five years. Elsewhere, though less spectacularly, fertility is declining for the first time in recent history.

Second, modern scientific farming techniques — high-yield, fertiliser-intensive, fast-maturing wheat and rice strains, multiple cropping and year-round irrigation — are spreading fast, and are being accepted. Good harvests have eased food shortages. Even in two of Asia's poorest regions, both with some of the lowest rural incomes and densest populations on earth, rice production is going up rapidly — in Java by 4% a year, in Bangladesh by 5%.

Third, swollen great cities are disgorging some of their inhabitants. In a reversal of the long march out of the countryside and into the cities, armies of peasants are leaving Jakarta and Calcutta to return to the villages which can once more feed and employ them. India's planning commission has ordered a study of this new phenomenon.

Lastly, the national economies of these largely peasant societies may be beginning to reflect the change. A World Bank report in September said that the non-oil-producing developing countries had expanded their economies by an average of 4.9% in 1977 (and those between South Korea and Singapore by 6-12%), against 3.5% for the developed nations. Their exports rose 14% in 1977 and their current-account deficits fell to $22 billion from $37.2 billion in 1975.

Paradoxically, the unsettling effects of rapid population growth may have been the catalyst which broke down the ingrained attitudes of long-settled communities of people living off the land. With village populations doubling every 30 years or so, their inherited design for living lost coherence, causing mass migration to the cities, social alienation, rising violence and even political upheaval. But the villages could not, by themselves, come to grips with population growth, because the necessary contraceptives and high-yield grain were not available to them until the late 1960s.

It seems to have been in the past 10 years that the villagers managed to get to
grips with the problem, the past five years being decisive. China, for example, did not get the new seeds until 1973 and 1974, when 30,000 tons of American-developed, Mexican-bred seeds were quietly shipped in from Pakistan and Australia. In Java, villagers bitterly resisted contraception and scientific cultivation as recently as 1973; now they take both for granted.

China now leads the world's peasant societies in transforming traditional agriculture through irrigation, multiple cropping, pest control and waste recycling. But scientific farming gives India an even greater farming potential than China (or the United States, for that matter).

Modern farming is rapidly moving east from Islamic-influenced north-western India into the Ganges plain towards Bengal. But while Punjabi peasants have been getting richer faster, making a shift from subsistence agriculture to mechanised modern farming in little over a decade, their ideas of male superiority have prevented fertility falling much. Spectacular falls in birth rates are instead moving up from the subcontinent's south. In largely Buddhist, poverty-ridden Sri Lanka, and India's poorest, most densely populated but best educated and most matriarchal state, Kerala, birth rates have quite suddenly plummeted by up to a quarter.

Although most of the Moslem world has not joined the new trend, parts of it have been affected. In some of Egypt's villages, for instance, a pharaonic women's lib seems to have surfaced among peasant women fighting for greater equality. The same pattern of rising productivity and falling fertility is emerging, if slowly. On the islands of Java and Bali, where the new rice has given Indonesia the highest per-acre yields in tropical Asia, the annual growth of population has dropped from 3% to 1.4% (and to 1.2% in East Java and Bali alone), while food production has risen 3% in the past 10 years. In rapidly industrialising east Asia, the picture is even better.

None of this cultural adjustment would have been possible without the technology needed to bring it about. Years of patient research went into producing the Mexican-bred wheat and the Philippine-bred rice. The Rockefeller and Ford foundations and many individual scientists and technicians and their institutions deserve credit for patiently slogging away, despite all the pessimism of the economic technocrats addicted to doom-laden computer forecasts.

It all took money. The rich nations never produced the 1% of gnp that President Kennedy urged them in 1963 to give in aid to the poor world. The Americans are now down to a mean 0.22%, a bit better than the Japanese, but a mite stingier than the Russians and West Germans. Britain, at 0.38%, does better, but only Rumania, Sweden and Holland are just under or above 1%. Yet, somehow, foreign aid started the job.

The president of the World Bank, Mr. Robert McNamara, gave warning last September that a total of 600m people will be trapped in "absolute poverty" by the year 2000, below any definition of human decency. Perhaps. But if those 600m people can adjust their culture and find a design for living that really fits the late twentieth century — which is what is starting to happen in the villages of Asia — they will find ways not to go hungry, stay ignorant and sick, let their babies die or live short squalid lives. Times change and men, once they have the technological means and enough years to adjust, change with them.

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REKINDLING THE FLAME
 — the revival of liberalism

by
GREG LINDSAY

Greg Lindsay is a graduate in philosophy from Macquarie University and mathematics from Sydney Teachers College. While a teacher of mathematics, he founded the Centre for Independent Studies in mid 1976 and devoted most of his spare time to its development. At the beginning of 1979, he started work as its first full-time Director. The Centre for Independent Studies was formed to help analyse ideas in the fields of economics and the other social sciences with an underlying emphasis on the importance and benefits which flow from a free and open society.

When 'progressive' ideas are now those which all the more encroach upon individual liberty, remedial attempts to restore the free society in opposition to socialism and collectivism tend to fall broadly into two categories of action.

The predominant, and perhaps easiest to follow, is that of conservatism — resistance to change and a clinging to older values. To some degree there may be merit in this approach and historically the conservative opposition to drastic change has always formed a legitimate expression of mood and taste. However, the great flaw and thus one of the great dangers in conservative thinking is that it is unable to give an alternative to the direction in which society is moving. The complacency with which a conservative views established authority is part of the problem, for he is, as Hayek says, 'less concerned with how the powers of government should be limited than with that of who wields them; and, like the socialist, he regards himself as entitled to force the value he holds on other people'. It is little wonder that when the predominant ideology throughout the world today is, if not socialist, then decidedly interventionist, the conservative is dragged along a path probably not of his choosing. For while he may succeed in slowing down
some undesirable development, he is unable to alter the course and continuance of the trends.

The second path of action is that of liberalism (or latterly libertarianism — an explanation shortly). This thinking favours free growth, spontaneous evolution, and above all, individual liberty, but as an intellectual force for most of this century, liberalism has been all but dormant. This is hard to understand, particularly as it was the rise of the liberal intellectuals which led to the freedoms and high standards of living we now possess.

The work of such great minds as John Locke, Adam Smith, David Hume, Edmund Burke, Lord Acton and Alexis De Tocqueville set the stage for the modern western civilization and is the heritage of our free society.

Yet for the past several generations, the tide has been running away from the free society and to a more collective order, leaving perhaps little optimism for the future. This however, is now far from being the case, for there has been, particularly in the last ten years, a vigorous revival of liberal thought.

Historical antecedents

History has long recorded the rise and fall of civilizations. Without exception, these were fostered by aristocratic elites. In their endeavours to manufacture greatness for their societies, rulers and leaders spared little thought for the society's individual members. Citizenship was rare, and for the slaves and the serfs of the medieval welfare estates, any surplus created by their labours was expropriated.

With the break-down of serfdom, rulers devised other means for maintaining their dominance over individuals — punitive taxation, regulatory controls over labour, commerce and trade, and importantly, almost total control of land. This was long before questions of individual liberty, private property, freedom of enterprise and the free market had gained any intellectual significance.

With the English Revolution of 1688 and the emergence of a number of writers, notably philosopher John Locke, the right of an individual to his person and property became, for the first time, high political and moral ideals. The role of government according to Locke, was strictly limited to protecting these rights.

The liberating influence of Locke and later Hume, Smith and others, unleashed mighty forces for freedom as these classical liberals set to their task of bringing individual liberty, in all its interrelated aspects, to the fore. Human energy, enterprise and markets were to be set free to create and produce to the benefit of all. Taxes were reduced or abolished, controls and regulations eliminated from land, labour and capital alike. The entrepreneur was at last set free.

The paternalism of the Stuarts and Tudors, the mercantilism linking government and business in an alliance of privilege and an incredible muddle of restrictions were steadily broken down. The changes occurring in Britain soon aided in the transformation of colonial America into the world's first major limited government republic.

The western world was now entering a completely new phase; one where power was with the people — the power of the market. This true democracy was brought about simply by separating the state from the economy.

The decline

With the Industrial Revolution in full swing and standards of living increasing rapidly, the intellectual defences of the free society began to drop. The pursuit of 'equality', a vague but effective term inherited from the French Revolution (just
consider the horrifying crimes committed in the name of equality in that period), and the influence of Marx, more and more seduced the young intellectuals, who only a few decades before would have been the unbridled champions of liberty. The state, by effectively subsidizing the provision of university facilities, was also a major contributor to this change.

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The worker, instead of being shown the way to a more comfortable standard of living through the market, was convinced by the new intellectuals that he was being 'exploited' — like equality, a totally vague but ever so effective term. A new class war began, setting two groups of natural allies — employers and employees — against each other.

The ever increasing influence of the Fabians and Marxists moved governments again towards central control of the economy, but this time in a far more pervasive form. The intellectual influence of the classical liberals waned into insignificance.

Stirrings

Prior to the Second World War, a number of schools of economic thought were challenging orthodox opinion and vying for prominence. In Britain, the views of the Austrian F.A. Hayek were receiving attention, but the politics of the Great Depression made his theories extremely hard to apply simply because they did not offer easy solutions. The persuasive and genial John Maynard Keynes on the other hand presented a tidy prescription which promised to end forever the 'excess' of capitalism, consigning the peaks and troughs of boom and recession to economic history — or so the theory went. Hayek lost the battle to the 'politically more feasible' theories of Keynes, paving the way for a generation or more of macroeconomic attempts at economic regulation. The spectre of socialism was always present, particularly with the rise of the neo-Keynesians.

With the end of the Depression came a war 'for freedom'. The essentials of what freedom really meant were lost in the hubbub of wartime rhetoric as the world spent six years ridding itself of the fascist menace. An alliance with communism — the fascism of the left — which was to throw half of Europe into chains seems rather paradoxical now, but then of course socialism was intellectually respectable.

During the war, Hayek published his first major work outside economics. The Road to Serfdom, dedicated to 'the socialists of all parties', warned the world of a new serfdom, of a trend to collectivism disguised with the trappings of equality and justice. To some degree, he was crying in the wilderness, but the impact of the book was eventually to have profound implications for the future of liberalism. Following its publication, Hayek received innumerable invitations to lecture from the United States, Britain and Europe. In the course of these tours, he came across many isolated scholars in various disciplines who had clearly seen the importance of freedom in their own areas of expertise, but had not yet appreciated the wider implications of a systematic application of its principles. He proposed a meeting of these people in order that they may come together and clarify each other's thinking.

In April 1947, 36 of them met at a mountain resort in Switzerland. Following the meeting, the 'Mont Pelerin Society', named for the site of the first gathering, was formed. Some of the notable first participants were besides Hayek, Milton Friedman, Karl Popper, Ludwig von Mises, John Jewkes, George Stigler, Henry Hazlitt, Walter Eucken, Frank Knight, Leonard Read and
Wilhelm Roepke. It was perhaps the first positive sign that liberalism was indeed alive though its protagonists were so few and so spread apart. An exciting example of the application of liberal economic principles came a short time later when MPS member Ludwig Erhard in one stroke scrapped the wartime legacy of price control in Germany. Almost overnight, the German ‘economic miracle’ began. Sadly the Germans have strayed from this early example.

It would be unfair to ascribe the liberal revival to the members and meetings of the Mont Pelerin Society wholly, though they certainly must be acknowledged as having played a central role.

Consolidation

The 1950s and 1960s were years of consolidation, research and writing. In the USA the Foundation for Economic Education (FEE), established by Leonard Read in 1946, was now beginning to spread its message throughout the country and to some parts of Central and South America, particularly Guatemala, Venezuela and Brazil. Read fought to gain acceptance for the work of such people as Mises who had effectively been ‘sent to Coventry’ by the American intellectual establishment, unable to get any permanent academic appointment. The work of the people at FEE and of those it influenced would later be central to a revived libertarian movement in America. The use of the word ‘libertarian’ rather than liberal has become necessary as ‘liberal’ in America, has now almost the opposite sense to its traditional meaning. An American ‘liberal’ would be as Schumpeter called them ‘those pink socialists’.

Within the University of Chicago, a small market oriented group led originally by Frank Knight was developing. Milton Friedman and George Stigler were later to become famous for their work, Friedman more so with his ‘monetarism’. Hayek too was at Chicago as Professor of Social and Moral Science. The spread of ‘Friedmanite’ economists throughout the world and the influence of their thinking in the late sixties were critical elements in a redirection of intellectual work to a free market.

In Great Britain, perhaps further down ‘the road to serfdom’ than any other western nation, successful farmer Antony Fisher helped establish the now prestigious Institute of Economic Affairs (IEA) in 1957. With its founder Directors Ralph Harris and Arthur Seldon (both still firmly at the reins), the IEA, against almost incalculable odds, set about a task of intellectual reconstruction. That they have been successful was testified to by Milton Friedman recently when he said that ‘the young in this country are far more likely to be attracted by the free market doctrines that are so effectively presented by the Institute of Economic Affairs than they are likely to be by the standard socialist pap which still dominates university reading lists’.

In California, the Institute for Humane Studies (IHS), formed by F.A. Harper in 1961, was instrumental in forming an academic base for classical liberal values, the Austrian school of economics, independent education and so on. The IHS sponsored many of the well known liberal scholars in both the USA and overseas and provided fellowships, library facilities, publication outlets and held seminars and conferences with the aim of refining liberal (libertarian) thought. People who have worked at the IHS include Hayek, Murray Rothbard, Ludwig Lachmann, Gottfried Haberler, Arthur Shenfield, Max Hartwell and many others.

The numbers of books supporting the free market, a liberal social order and
liberal democracy increased heavily during this time. Notable were Hayek's *The Constitution of Liberty* and Friedman's *Capitalism and Freedom*.

The 1960s also saw a significant breakdown of the theories of Keynes. The 'stagflation' (inflationary recession — impossible under Keynesian rules) of the last years of the decade and the early years of the next gave a great impetus to Friedman's monetary theories. A re-evaluation of the economics of Hayek of nearly 40 years before and the other 'Austrians' also began. The stage was now ready for the next decade during which a renewed flowering of liberal ideals would once again take hold. This move would gain added strength from many young adherents alongside those who had held the 'torch' in isolation for so long. As well, many older scholars would turn their backs on the collectivist trends of the ideologies they once supported.

**A decade of vigorous growth and influence**

Perhaps the event which gave the greatest momentum to the surge of work in the late seventies was the award of the Nobel Prize in Economic Sciences to Professor Hayek in 1974. The news of the award was greeted with astonishment and disbelief in the established, and especially Keynesian, intellectual circles. Suddenly Hayek was no longer 'that extinct dinosaur' of a forgotten age. At Hillsdale College in Michigan that year, the Mont Pelerin Society devoted its time to the work of Hayek and his contribution to the fight for the free society.

In the USA, the small libertarian movement was experiencing solid growth. The publication and national distribution of Murray Rothbard's *For a New Liberty*, and David Friedman's *The Machinery of Freedom*, focused attention on a vigorous and quite militant group of defenders of the free market and social libertarianism. Their defence of liberty in all areas of human conduct was impassioned and unbridled. In 1975, Harvard philosophy professor Robert Nozick won a National Book Award for his *Anarchy, State and Utopia*. His challenge to the egalitarianism of most orthodox political philosophy brought a new breath of life into a body of thinking growing ever more cloistered by Marxism. The debates his work initiated are still contributed to learned journals throughout the world.

Elsewhere in the USA, the increasing influence of economics schools in various parts of the country, notably Virginia, Chicago and UCLA has thrown out a challenge to orthodox thinking which cannot be met. A new generation of young scholars have completed work both of a theoretical and empirical nature debunking decades of economic 'macromancy'.

In Canada the Vancouver based Fraser Institute began work in 1975 with aims similar to those of the IEA. Their successes have been notable — three of their booklets becoming Canadian best sellers.

In 1976 the liberal revival was again given a tremendous boost by the award of the Nobel Prize for economics to Milton Friedman. This year was also significant for two other reasons: both the bicentenaries of the publication of Adam Smith's *The Wealth of Nations* and the American Revolution. That year, the Mont Pelerin Society held its meeting at St. Andrews in Scotland in honour of Smith.

In 1977, the Institute of Economic Affairs celebrated its 20th birthday. Arthur Seldon and Ralph Harris produced for the occasion, *Not From Benevolence ... Twenty years of economic dissent* and in it they documented the change of intellectual opinion that they at the IEA had been able to foster. In the twenty years of the IEA's existence, some 250 authors had...
contributed to their fight with an enormous outpouring of research studies and books on an incredible list of topics such as rent control, local government spending, inflation, free trade, competition, monetary policy and so on. Recently, the IEA has been a sponsor of the work of the ‘Virginia School’ in the ‘economics of politics’, or the theory of public choice.

Recent developments

Over the past year, the growth of liberal thinking has continued unabated. Former US Treasury Secretary William E. Simon in his A Time for Truth, in the strongest terms warned Americans, particularly those in business and government, of the threats to individual liberty and to free enterprise. He urged business to rush funds ‘by multimillions to the aid of liberty, in the many places where it is beleaguered’. Funds must go to scholars, social scientists, writers and journalists who understand the relationship between political and economic liberty and whose work will supplement and inspire and enhance the understanding and the work of others still to come’.

The Mont Pelerin Society meeting of 1978 was held in Hong Kong — perhaps the freest economy in the world. There, over 400 members and guests of the Society from around the world allocated time to reflect on ‘Is the Tide Turning?’ Opinions differed widely, but then that is a natural phenomenon for MPS meetings. What could be more characteristic of a liberal organization? The consensus was that, yes, the tide was turning. The optimism in some quarters was highly infectious and following the meeting probably all came away with the feeling that all the hard work of 30 years and more had been a small price to pay. Those present heard of France’s ‘nouveaux economistes’; the formation of the Free Market Foundation in South Africa; a private university thriving in Guatemala; the repeal of regulatory control (the US airlines for instance) in many parts of the world; the Californian ‘tax-revolt’ and similar moves elsewhere; an enhancing of opportunities for private education — the list could go on. The important thing to remember is that these are practical illustrations of what can happen once the intellectual support for such changes moves into full gear.

In Australia

Australia has not been left out of the liberal revival by any means. It would be fair to say, that given the opportunity, this country could be a leader and the pace-setter for many others. Some difficult decisions will have to be made and it is time to educate all Australians in order that they may understand the benefits which will flow to them from a free market.

Some of the positive signs of a growing awareness of liberal values can be traced to a number of sources. Perhaps the first great boost came with the visit here in 1975 by Milton Friedman. The influence of the monetarist economists had been growing for a number of years and Friedman’s visit focused attention on the monetary sources of inflation in a way that had not been possible previously. Inflation after Friedman became a matter of open public concern and ever since, governments have seen the dangers that lie within it and have attempted its control, though with varying degrees of success.

The following year saw the founding of the Centre for Independent Studies (CIS). From the start, the CIS has been predominantly academically based. In the early days the number of liberal scholars associated with the CIS was small. They included Lauchlan Chipman, Naomi Moldofsky, Lee Eckermann,
C.G.F. Simkin and Sudha Shenoy. The Centre at this time was conducting seminars and doing a little publishing. By the beginning of 1978 the number of scholars had almost doubled and at present those who have done work for the Centre and have indicated a willingness to do so number well over 50. The CIS is now moving into large scale publication of research and other material aimed at correcting an imbalance of ideas. Its first major book was \textit{Wage-Price Control Myth \& Reality}. Edited by Sudha Shenoy, it provided an historical and theoretical analysis of thousands of years of dismal attempts to control markets and to hold inflation through the use of price and wage controls.

For the future, the CIS plans to study issues such as rent control, compulsory agricultural marketing authorities, the housing market, the wages structure and so on. At all times emphasizing the beneficial role of a free market and individual liberty, the CIS will not be swayed from presenting its conclusions, though in many cases they will be seen as ‘politically impossible’ or ‘administratively impractical’. The intellectual defence of a free society will not be an easy task and given the right amount of support, the CIS will play a central role in that battle.

Late in 1976, Australia was visited by Professor Hayek. This visit helped to complete the germination of thinking begun when Friedman had been here the year before. Hayek, being more of the ‘all-round’ scholar, has latterly devoted most of his thinking to matters outside of economics. His thoughts on questions such as social justice, the legal framework for a free society and so on are to be found in his trilogy \textit{Law, Legislation and Liberty}, the third volume of which was released in April this year. The CIS is this year publishing a number of the lectures delivered by Hayek in Australia under the title \textit{Social Justice, Socialism \& Democracy}, with a short biographical essay of Hayek by Roger Randerson. Other developments aiding the liberal revival in Australia have included the establishment of an Australian Foundation for Economic Education, with aims similar to its American counterpart. Also, small groups of the discussion society type have been formed in various states. A David Hume Society and an Edmund Burke Society to name two.

If the intellectual battle can indeed be won, then there is much cause for optimism. In the past people have underestimated the power of the intellectuals in social change. The one group who did perceive clearly their role, were the socialists. To the extent that they understood the power of the intellectuals, they have been very successful. It is now time to show that better ideas can prevail, and it must be done very soon.