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OBJECTS

The Institute of Public Affairs is a non-profit educational organisation financed by business enterprises and people throughout Australia to study economic and industrial problems. It was launched in 1943. The basic aim of the I.P.A. is to advance the cause of free business enterprise in Australia. In pursuit of this aim it is endeavouring:

1. To inform the Australian public of the facts of our economic system and to raise the level of economic literacy in Australia.
2. To work always for a full and friendly understanding between employers and employees and for good relations throughout industry.
3. To study the means by which private business enterprise can be made to operate better in the interests of all sections of the Australian people.
TO OUR READERS

Ever-increasing taxes and excessive bureaucratic regulation are putting an impossible burden on the productive sector of the economy. The theme of “Big Government” is tackled by a number of contributors in this “Review”.


The I.P.A. has argued many times in recent years that income restraint must start at the top. In the commentary section of this “Review” we look at the symbolic significance of cuts in public service salaries made by the West Australian Premier, Mr. Burke.

Monstrous railway deficits are a major reason why Governments are finding it so hard to contain their taxes and charges. Professor Swan and John Nestor of the University of New South Wales analyse the runaway deficits in Victoria and New South Wales.

Articles on shopping hours and youth unemployment show up the adverse consequences of government interference with the market.

I.P.A., with the help of prominent academic and international contributors, is focussing on issues which are dear to the heart of those who believe that the way to prosperity is through free enterprise and smaller government.

Two other important public issues are given attention in this “Review”. Allegations of bias in the A.B.C. have been in the headlines recently. Ken Baker examines this question by reference to three A.B.C. current affairs programmes. Professor Rufus Davis of Monash University looks at the criteria for evaluating Australia’s Constitution.

We believe “Review” is putting views which do not receive sufficient attention in public debate. “Review” has a circulation of about 21,000 copies and we hope to expand our readership still further. You could help us by letting us know the names of individuals that may be interested in receiving our publications.

Rod Kemp, Director
Changes to the I.P.A. Council and Committee

The I.P.A. is pleased to announce that Sir James Foots, Sir Eric McClintock, Professor John Rose, Mr. John Elliott and Mr. Kevan Gosper have joined the Council of the I.P.A. Sir James Foots and Sir Eric McClintock are respectively Presidents of I.P.A. (Queensland) and I.P.A. (N.S.W.).

I.P.A. Councillors, Mr. Charles Goode, Professor John Rose, and Mr. Gerald Niall, have joined the Executive Committee.

A policy has been adopted whereby one-third of the Committee will retire each year. Accordingly Mr. Peter Bunning, Mr. David Elsum, Mr. Doug Hocking and Mr. Norman Robertson have announced their intention to retire from the Executive Committee.

The I.P.A. thanks these Committee members for their work on behalf of the I.P.A. and looks forward to their continued contribution to I.P.A. as members of the Council.
EDITORIAL:
Mr. Hawke and Economic Leadership

In foreign policy Mr. Hawke has displayed leadership in trying to bring his Government into line with our national interests. He should now use his considerable skills to ensure that sections of his party, the trade unions and the wider community face the realities of our economic situation.

The pre-eminent task of government at this point of time is to promote the recovery of the private sector of the economy and to increase employment: upon this all its energies should be concentrated. The key importance of the private sector in the process of recovery was indeed recognised in the final communique of the Summit. The communique stated:

"The preservation of the private sector as a profitable operating sector is essential to Australia’s well-being and to encourage job-creating investment both from within Australia and abroad...To achieve the growth in GDP and employment on which the nation’s prosperity will depend, increased profitability is now essential if new investment is to be created at an effective level."

But until these wise and good intentions are given expression in practical policy measures, this essential part of the communique will amount to no more than a pious declaration.

Four fundamental steps are necessary if business investment is to be stimulated and unemployment reduced. These steps will also help put the economy in a position to take full advantage of the world economic recovery, when that occurs.

They are:
- a continuing freeze on money incomes;
- substantial tax reductions;
- cuts in public expenditures;
- the reduction of penalty rates, minimum wages for juniors and of untenable wage supplements such as the 17½ percent holiday loading.

By far the most important single step the Government can take to assist the unemployed is to remove the dead-weight burden of taxation from the community’s back. Instead, quite incredibly, the Federal and State Governments are devoting a large part of their time to thinking up ingenious ways to increase the burden still further.

Incredibly, governments are devoting time to thinking up ingenious ways of increasing taxes.

With the economy deep in recession, profits possibly at an all-time low and unemployment at a record post-war high, this amounts to economic insanity. It goes to show how remote governments and
their armies of bureaucratic advisers have become from simple economic realities and the needs of the market place. There can be no strong and lasting improvement in the economy unless the enormous load of taxation and the multiplicity of bureaucratic regulations, which are suffocating the economy, are reduced.

**Mini-budget**
Far from going any way toward meeting this need, the "Mini-budget" did precisely the reverse. The reduction of the prospective budget deficit was achieved not so much by cutting expenditure as by imposing still further tax increases. Where the "Mini-budget" was directed at expenditure, the cuts were made in the highly controversial area of pensions and superannuation, but with the glaring omission of the outrageous and insupportable retirement benefits enjoyed by politicians and public sector employees. (In the last three years over half of public service pensions were granted on grounds of ill-health (invalidity)). No government will gain the trust and confidence of the people until the totally unjust discrepancy between public and private sector retirement provisions is removed: nor will it deserve to. The discrepancy demonstrates, in a single glaring instance, the extent to which Australia has become a bureaucratic dominated society.

**The incontestable arguments for reducing taxes should be obvious, but they do not appear to be so to those in government circles.**

The incontestable arguments for reducing taxes should be obvious but as they do not appear to be so to those in government circles, they will be set down briefly here.

**Reducing taxes**
First, lower taxes are necessary to increase market demand (and thus employment) — as distinct from the artificial stimulus to demand from more government spending.

**About the last thing the ailing private sector needs at the moment is any kind of control over its prices.**

Second, lower taxes will contribute to the containment, if not the reduction, of business costs, assist the all-important need for strengthening Australian competitiveness at home and overseas, and encourage business.

Third, lower taxes are necessary to take some of the heat out of the economically destructive demands for higher incomes.

In a nutshell, reduced taxation is an indispensible ingredient of the medicine needed to revive the ailing private sector.

The other inescapable pre-condition of economic recovery is a continuation of the wages and incomes "freeze" until the end of 1983. The Government, has indicated a willingness to support some increase in wages before the Arbitration Commission and is perpetrating an even greater folly by lending its weight to an early return to the absurd system of wage indexation — a proven recipe for self-perpetuating inflation. It is frequently said — and not only by the Government — that it is unreal to persist with a freeze on incomes until the end of the year. That
may be so. But it is even more unreal to contemplate wage increases while the Australian inflation continues to far outstrip that of our main overseas competitors. If Australia is to derive full benefit from the world economic recovery — which now appears to have commenced — Australian costs must be made as competitive as possible with world costs. This indeed is the whole nub of the matter.

In addition, in order to promote employment among those most in need — the youth of the community — penalty rates and minimum rates for juniors need to be reviewed. For too long now, governments and economists have ignored a basic tenet of classical economics — that is, the relationship between the demand for labour and its price. There is no doubt that unemployment could be significantly reduced if young people were allowed to work for wages which they and employers would find quite reasonable.

Economic revival

One counter-productive aspect of the Summit was the agreement to institute a prices surveillance authority. About the last thing the ailing private sector needs at the moment is any kind of control over its prices: nor does it need an additional bureaucratic authority on top of the multitude that already exist. Not that price control or price surveillance, call it what you will, is any good at any time. If we haven’t learned this by now from the economic history of the post-war period — will we ever learn it?

Mrs. Thatcher’s great achievement is that she has gone some way towards obtaining acceptance of basic economic realities by the British people.

If the Hawke Government is to achieve an economic revival it must somehow bring the Australian people back to earth. The simple economic truths underlying prosperity need to be stated and re-stated: that wealth is not a Heaven-sent dispensation, that it is created out of the hard work, enterprise and ingenuity of the people themselves, not by governments and politicians and their big battalions of bureaucrats; that standards of living cannot be improved by passing laws or by increasing welfare benefits which we cannot afford, but only by the efforts of the people themselves. The curse of our times is “big government” and wholly excessive bureaucratic interference in our lives.

Mrs. Thatcher’s great achievement is that she has gone some way towards obtaining acceptance of these simple realities by the British people. A nation that refuses to confront the often unpleasant facts of life is doomed to second-best, to wallow despairingly in the mess of its own making. Australians are not like that: all they need is leadership, and the right policies.
I.P.A. Commentary

Senate: Protecting the people's purse?

The overwhelming desire of Australians for an easing of the tax burden has struggled to find a satisfactory political expression. All parties have responded to the cry for lower taxes in their election promises. But, in government, pressures from the bureaucracy and vested interests have meant that political parties have tended to give greater emphasis to spending, rather than honour pre-election tax-cutting commitments: benefits to special interests are concentrated and visible, while the costs to taxpayers are widely diffused and often invisible.

The bias of political systems towards greater public spending seems endemic in most Western democracies. In the U.S. there has been a major constitutional debate on how to correct this bias (the balanced budget amendment), but in Australia, even those in the Liberal Party who are concerned with constitutional issues, have failed to make this imbalance in our system a matter for constitutional consideration.

Nevertheless the position is not entirely without hope. There are indications that Australia has within its Constitution an institution which, given appropriate party representation, can respond to the desires of the tax-payer for reduced taxes. The institution is, of course, the much-criticised, much-abused Senate.

The Senate has become increasingly prominent in barring the way towards higher taxes. All political parties in recent years have acted to strengthen this aspect of the Senate's role. At the start of the 'seventies Senator Murphy (ALP) went to pains to emphasise the Senate's right to reject money bills. The 1975 constitutional crisis exercised this right. In 1981 the present Attorney General, Senator Evans, spoke strongly in defence of the Senate's right to oppose some of the proposed increases in sales taxes. Recently, the Democrat and Coalition parties have voted down revenue legislation. The Constitution itself provides for this checking role by refusing the Senate the right to initiate money bills but giving it the right to throw them out.

The increasing public support for the Senate may well be linked to the prominent role this Chamber has taken in rejecting some of the proposals for new taxes coming up to it from the lower house.

Professor Don Aitkin, in his book, Stability and Change in Australian Politics, reports the results of nationwide surveys of public attitudes conducted in 1969 and 1979. In 1969 a bare 51 percent of people positively wanted the Senate retained and 35 percent had no opinion at all about what should be the fate of this august institution. Ten years later there had been a clear increase in support for the Senate. 60 percent now wanted it retained; the number with no opinion had fallen to 22 percent.

Professor Aitkin's studies also throw light on changing attitudes to taxation. In both surveys he asked people to choose between reducing taxes or spending more on social services. In 1969, before the welfare explosion of the 'seventies, 71 percent supported more welfare spending and only 26 percent tax cuts. By 1979 the picture had dramatically changed — only 36 percent preferred more welfare spending against 59 percent who wanted...
tax cuts. Clearly there was a feeling that the "welfare boom" had gone far enough.

The Senate, unencumbered by bureaucratic advice, has listened to the taxpayer and acted. State upper houses have sometimes been able to do the same. No wonder governments want to weaken and get rid of the upper houses: and no wonder the people want to retain them!

The Media: Slipping in one direction

The clash between theory and reality is particularly evident in the field of media studies.

Frequently in media textbooks we find theories built on the assumption that because the media are predominantly privately owned in Australia they must inevitably be biased in favour of private enterprise, political conservatism, the establishment and so on.

As the title of Humphrey McQueen's book Australia's Media Monopolies suggests, the most important question about the media for McQueen, is who owns them. Once that is answered it follows, according to the author, that Australia's media will have an insidious bias towards defending the interests of a capitalist ruling class.

Another variant of this view is put by Henry Rosenbloom in Politics and the Media. "It is virtually impossible," Rosenbloom writes, "to distinguish where the media's self-interests end, and where the establishment's self-interests start....the power of one is the power of the other". Rosenbloom then sets out to expose an alleged conservative bias in the media and its links to corporate interests.

But how relevant to an analysis of media bias are assumptions such as these? Recent articles suggest that we ought to pay more attention to other factors, such as the values held by journalists themselves.

David Bowman, a former editor of the Sydney Morning Herald, points out that newspaper proprietors simply do not have the control over the content of their newspapers that they once had. Bowman believes that the increased independence of journalists has benefited the political Left. A case in point is the media coverage of the last Federal election. "Even if (proprietors') enthusiasm for Mr. Fraser had been unbounded," he writes, "it is unlikely that they could have made their newspapers reflect it."

Although Bowman believes that the Press coverage of the campaign achieved a rough balance ("The gallery's shameless (ALP) partisanship of 1972 did teach some lessons"), he believes that the sympathies of journalists "are most likely to be with the Labor Party, whatever their commitment to the professional middle."

A similar view of the political values of journalists was put in an article in "The Weekend Australian" prior to the election, in which the author says of his colleagues on the campaign trail, "Most of them hope profoundly that Fraser will lose, largely because they are Labor supporters since university days....."

Interest in the political culture of journalists is not confined to Australia. A U.S. study published in The Public Interest (Fall 1982) focused attention on this question. The authors interviewed 240 journalists from America's most influential media institutions — including its major newspapers and television networks. For the purpose of
comparison, interviews were also conducted with a sample of executives from America's leading companies. The results indicate a pronounced left-wing bias among journalists — to the left not merely of businessmen, as one would expect, but of the general public. The authors summarise their results:—

"On economic issues they (journalists) are well to the left of businessmen. Although most are not socialists, they strongly sympathise with the economic and social policies developed by the left-wing of the Democratic Party during the 1960s and 1970s. They are also suspicious of and hostile toward business, are far more critical of American institutions than are businessmen, and are much more sympathetic to the 'new morality' that developed in the 1960s."

Most journalists in Australia, as in America, would recognise their professional obligation to remain as objective as possible in the reporting of news. Bias, however, is often unconscious and not easy for journalists themselves to detect, particularly when their political values are widely shared by colleagues. As one former managing editor, quoted in the U.S. study, notes:—

"Even though these people are professional, there's bound to be some slippage. The real problem is when they're so politically homogenous the slippage will be mostly in one direction."

Governments throughout Australia are facing serious budget difficulties. They are seeking, for the most part, to solve these problems by increasing their revenues rather than by taking the economically responsible route of reducing expenditure (although the Premier of Western Australia, Mr. Burke, as we discuss below, has taken some important 'symbolic' cost-cutting initiatives.)

Already prices in the public sector are rising at nearly twice the rate of the prices of goods and services in the private sector.

Over the twelve months to March 1983 public sector prices rose by over 18 percent, while private sector prices rose by only 10 percent.

In order to compare price trends in the public and private sectors the I.P.A. has calculated two consumer price indexes, based on the latest Australian Bureau of Statistics data. One is for goods and services whose prices are determined mainly by the public sector; the other for goods and services whose prices are determined largely in the market place.

Through steep increases in charges by government authorities and in specific taxes, governments themselves — Federal, State and Local — are adding significantly to Australia's high inflation rate.

In fact, since 1980-81 selected State and Local Government charges (for example electricity, water and sewerage) have risen by a huge 54 percent. This compares with a 25 percent increase in consumer prices overall during the same 21 months period.

The assumption that governments and their authorities can automatically index prices and charges in line with inflation is contrary to the spirit of the Economic
Summit; it imposes additional costs on private industry and individuals and will help lock Australia into a high inflation economy.

The discrepancy between the public and private sector price trends is in fact larger than the figures suggest, since some of the price increases in the private sector directly result from government action.

For example, the 2½ percentage points increase in sales tax introduced in the last Federal Budget contributed to price increases in many items originating in the private sector. Other increases in taxes and charges which would have significantly affected private sector prices include payroll taxes and energy prices.

Expenditure on 'public sector goods' accounted for only 18 percent of consumer expenditure but made up nearly 30 percent of the price increases in the past twelve months.

If Australia's menacing inflation is to be successfully combated, governments must set a positive example of restraint by putting their own house in order.

Premier Burke's public service

The cuts in some public service (and parliamentary) salaries, and reductions in public service employment, imposed by the West Australian Premier, Mr. Burke, will produce only limited budgetary savings. However, his action has great symbolic significance.

Mr. Burke has asserted two important principles, one of economic equity, and the other of public finance. First, the costs of the recession should be shared between the public and private sectors — not by the latter only. Second, controlling public service outlays is an essential policy for a government wishing to contain State Budgets. (Public sector wages and salaries account for some two-thirds of the States' current expenditures.)

Needless to say these two principles have been more honoured in the breach than in the observance by Australian governments in recent years.

In terms of employment, private sector employees have carried practically the full weight of the recession. In the last year over 110,000 jobs have been lost in the private sector. New South Wales and Tasmania have been the only governments to reduce public service numbers. In Victoria, by contrast, there has been an extraordinary increase in the numbers employed in the public service — about 8,000.

In a period of low profitability and stagnating demand, the policy of increasing taxes and charges to protect government employment and services inevitably has the effect of reducing employment in the private sector.

Premier Burke, runs one of the largest public services in Australia (relative to the workforce). But the problems he has identified are nation-wide. According to the O.E.C.D., Australia has one of the largest public sectors (as a percentage of the workforce) among major Western Countries. (Tables 1 & 2). We may also have one of the most costly.

A study carried out by the O.E.C.D. in the mid '70s indicated that the average earnings of public sector employees in Australia exceeded the average earnings of private sector wages and salary earners by more than in any other country examined. (Table 3). It appears that since
then the earnings advantage of the public service may have been somewhat eroded. However, this (relative) loss should be offset against the improved public service superannuation introduced in 1976.

In view of the high priority given by governments to improving teachers' salaries and conditions, it is of interest that a study prepared by the Union Bank of Switzerland shows that in Australia teachers are better remunerated relative to private sector employees, such as tool makers, than in other major industrial countries.

There may be sections of the public service — the most senior levels — which are paid less than their counterparts in the private sector.

Nevertheless, it is indisputable that government employment and government-funded employment (notably in the health and education areas) provides relatively large numbers of jobs for higher paid professionals and relatively secure employment. (See Job Creation Programmes for the Middle Class “I.P.A. Review” Autumn 1983).

It is time that more attention was given to helping the unemployed ‘tool-maker’ and his colleagues in the private sector. One important way governments can provide this help is by holding down taxes and charges. Premier Burke, along with governments in other States certainly has not achieved this goal.

But if State taxes and charges are to be eventually contained, government costs will have to be cut. Mr. Burke has provided a public service in focussing attention on the cost of the public service.

### TABLE 1

<table>
<thead>
<tr>
<th>State Government Employees (% of State Labour Force)</th>
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<tbody>
<tr>
<td>Western Australia</td>
</tr>
<tr>
<td>New South Wales</td>
</tr>
<tr>
<td>Victoria</td>
</tr>
<tr>
<td>Queensland</td>
</tr>
<tr>
<td>South Australia</td>
</tr>
<tr>
<td>Tasmania</td>
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### TABLE 2

<table>
<thead>
<tr>
<th>General Government Share in Employment (%)</th>
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</thead>
<tbody>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>Denmark</td>
</tr>
<tr>
<td>France</td>
</tr>
<tr>
<td>Germany</td>
</tr>
<tr>
<td>Italy</td>
</tr>
<tr>
<td>Japan</td>
</tr>
<tr>
<td>Netherlands</td>
</tr>
<tr>
<td>United Kingdom</td>
</tr>
<tr>
<td>United States</td>
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</tbody>
</table>

Note: Includes Federal, State and Local Government

### TABLE 3

<table>
<thead>
<tr>
<th>Ratios of Public to Private Sector Earnings</th>
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</thead>
<tbody>
<tr>
<td>Public Employee: Private Employee (1) Tool Maker (2)</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>Denmark</td>
</tr>
<tr>
<td>France</td>
</tr>
<tr>
<td>Germany</td>
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<td>Netherlands</td>
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<tr>
<td>United Kingdom</td>
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<tr>
<td>United States</td>
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</tbody>
</table>

Source: (1) O.E.C.D. Public Expenditure Trends, June 1978
(2) Union Bank of Switzerland. Prices and Earnings around the Globe September 1982.
The Reagan Experiment
by Peter Samuel*

Has President Reagan’s performance matched his rhetoric? A well-known Australian political and economic commentator, Peter Samuel, has given the President a pass mark on the results to date.

Before the end of the Northern Summer, President Reagan is expected to answer the big question: ‘Will he run for a second term?’ His answer is generally expected to be ‘yes’.

Mr. Reagan stands head and shoulders above other politicians in America, both Republican and Democrat. And if the economy continues on its recent trend, the present odds favours his re-election over his Democrat rival.

If Reagan does get back and run a second term, it may be said that the “Reagan Experiment” has been a success in a political sense. But politics is a tricky business and Reagan in office is a very different man from Reagan the candidate from which so much of his foreign perception was derived. Judged against his promises as a candidate, President Reagan has a patchy but by no means an unimpressive record.

Six promises
Going back to 1980, candidate Reagan promised essentially six things:—

• to make America strong and respected again on the international scene.
• to stabilize the U.S. dollar by doing away with inflation.
• to reverse the growth of Government.
• to cut taxes and, by ‘supply side’ stimulus of the private sector, revive economic activity and investment.
• to get Government out of the hair of business and individuals by widespread ‘deregulation’.
• to eliminate the budget deficit.

Judged against these campaign promises, the Reagan experiment may just get a ‘pass’, though different ‘examiners’ would probably give different marks. As of mid-1983 this examiner scores Reagan:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Score</th>
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<tbody>
<tr>
<td>Defence</td>
<td>75%</td>
</tr>
<tr>
<td>Inflation</td>
<td>95%</td>
</tr>
<tr>
<td>Government</td>
<td>35%</td>
</tr>
<tr>
<td>Tax Cuts</td>
<td>65%</td>
</tr>
<tr>
<td>Deregulation</td>
<td>60%</td>
</tr>
<tr>
<td>Deficit</td>
<td>Zero%</td>
</tr>
<tr>
<td>Total</td>
<td>330/600</td>
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Defence record

Mr. Reagan was elected President largely because of the humiliation of America by the Ayatollah Khomeini. All analyses of public opinion show that it was President Carter’s weak handling of the seizure of U.S. diplomats in Iran which denied him the opportunity for a second Presidential term. On top of the fiasco over Afghanistan, when Carter admitted he had completely misunderstood Soviet intentions and had been misled by Soviet leaders, there was an on-off attitude to long term strategic weapons systems — cancellation of the B1 Bomber and prevarication over Cruise missiles and the MX, followed (after Afghanistan) by the announcement of the

*Special Washington Correspondent, News Limited, Peter Samuel, was formerly the economic editor of the Canberra Times and a correspondent and columnist for The Bulletin for fifteen years.
ambitious but unfunded rapid deployment force for protection of Western supplies of oil in the Persian Gulf.

...balancing of the horrifying Soviet Arms build-up...with a willingness to explore arms control arrangements.

President Reagan’s defence record is much better, even though it falls short of what conservatives and many Defence and Foreign Affairs specialists here consider is needed in response to the relentless and massive Soviet military expansion. American brilliance in electronics and miniaturization are being exploited in the rapid production of long-range Cruise missiles, as a retaliatory deterrent to the Soviet first-strike SS-18 and SS-19 ICBM Force. Soviet backfire bombers are at last being matched by production of B1 Bombers. The decline in the U.S. Navy has been reversed and new warships promise that U.S. naval supremacy will be retained. The U.S. Army, Marine Corps and Airforces are all at a much higher state of readiness and, while being only modestly increased in numbers, are being improved in quality of equipment and manpower.

The Reagan defence and international affairs record has been less impressive in other areas. There has been utter confusion and two years more delay over the MX missile, a belated and probably ill-conceived response to the Soviet SS-18 and SS-19 monster rockets. In rather typical American fashion, however, the drawn-out processes of administration versus congressional “ping pong” seem now (May 1983) to have produced a sensible resolution of the problem and a political consensus in favour of building MX in transitional numbers while developing a more stabilizing “midgetman” missile for the 1990s. There seems a reasonable prospect of similar consensus-building on El Salvador and arms control issues and for a reasonable middle path to be developed in NATO defence matters — where there needs to be some balancing of the horrifying Soviet arms build-up with constant reaffirmation of willingness to explore for arms control arrangements.

U.S. Middle East policy remains misconceived, over-emphasizing the so-called Palestinian issue, which is more a symptom than a cause of Middle East problems. Unnecessary stress has been placed on the alliance with Israel by silly criticism of its action in Lebanon, but the shared interests of these two natural allies are now reasserting themselves. The relationship is self-correcting. Reagan’s foreign and defence policies will continue to get a bad press, because the media are essentially hostile to his moves for a reassertion of Western power. The time to be worried about the direction of U.S. defence policy will be when it gains press plaudits.

The triumph of the Reagan experiment is undoubtedly inflation....the greatest failure is the explosion of the deficit.

Non-existent inflation
The triumph of the Reagan experiment is undoubtedly inflation. As of the March quarter 1983, U.S. inflation is virtually non-existent. The producer price index has actually been declining, and the consumer price index shows no consistent
upward trend. Continuing high interest rates on long-term securities are a reflection of scepticism about how long-lasting is the suppression of inflation.

And there we have the greatest failure the Reagan experiment — an explosion instead of a shrinkage of the budget deficit. A $50 billion deficit of President Carter’s, that was to be eliminated in two years, has grown to a $200 billion deficit that shows no early promise of reduction. Civilian expenditures have continued to grow in real terms, instead of contract. That has occurred for different reasons. The very largest civilian programme — “social security”, or age pensions in Australian terms — has been treated as sacrosanct. Major Federal Health programmes for the poor and the aged have been treated similarly lightly and continue to grow at double digit rates too. Attempts have been made to reduce the ceiling levels or phase-outs of various welfare programmes, attempts which have allowed political opponents to label it heartless and unfriendly to the poor and disadvantaged. Some such attempts have been frustrated in the Congress, others have been implemented. Some have been successes in that it has been demonstrated that those who have lost handouts were not needy, but greedy. In other cases, the fairness of the cuts is unquestionable.

Public service cuts

Federal Government employment has been cut, and many programmes and agencies cut back. For example, almost all subsidization of “alternative energy” projects has gone, and the Environmental Protection Agency has had its staff cut by a third, by 3,000. The U.S. Civil Service has rather little self-protective power, at least in comparison to British-style career civil service, such as exists in Australia. That is because the senior and middle level management is largely temporary, rather than tenured. In the U.S. some 3,000 senior and middle level positions change with each new administration and are traditionally political appointments, understood to be for the term of the administration. These ‘term managers’ of governmental departments and agencies are far more willing to see the wholesale dismantling of civil service organizations than the career civil servants who dominate British-style bureaucracies.

There are of course lobby groups for almost every Government programme, outside Government as well as inside it. And while the inside lobbyists in the U.S. are weaker, because they are regularly decapitated, those American lobbyists outside Government have developed the arts of trading favours to unparalleled heights. Washington probably has as many full-time political lobbyists as all other democratic capitals put together. There are trade associations for every commercial interest, organizations for every cause and political action committees (“pacs”) for every campaign subject. The division of Government between the executive and the legislative arms, together with the complex system of review by committees, gives the lobbyists enormous scope for practising their profession. That is because, in essence, no cause is ever completely won, or forever lost. There are always ways, in the byzantine system of Congressional committees, of reviving an apparently dead cause, or thwarting an apparent fait accompli.

Eliminating ‘fraud’, waste and inefficiency was one of the well-intentioned but naive campaign cries of the Reaganites. In one or two areas they can cite some success but overall the record is thin. Workfare, the requirement
that able-bodied adults without children work to earn a welfare handout, has proved successful in places (and unsuccessful in a few) — success being measured in the elimination of malingerers from the welfare payrolls and the gaining of some marginally useful work.

Real defence spending increases

Greater efficiency in defence spending has not obviously been achieved. That is partly because it is very difficult to measure such efficiency. Multiplication of defence programmes — for example, having both the Airforce and the Navy develop separate fighter planes, or ordering a General Electric as well as a Pratt and Whitney engine for the F16 and F15 planes may increase unit acquisition costs but be justified in terms of complicating the Soviet effort at developing counter-measures, in terms of engendering healthy competition on price and quality, and in terms of developing industrial expansion capability. A combination of different weapons' systems directed to the same objective may be an efficient defence, because of the problems they create for the adversary in developing counter-measures.

The Reagan experiment may well prove correct those 'Public Choice' scholars (like Mancur Olsen, Gordon Tulloch and James Buchanan) who say that political democracy is structurally flawed towards an inexorable growth of Government. That is because interest group politics enables those with a concentrated interest in a particular Government expenditure, protection or regulation to defeat the broad public interest, which is almost invariably served by denying the interest group privilege. The problem is one of a concentrated, highly-felt interest for a few, with a strong incentive to lobby and politic, versus a broader public bearing the cost of that particular privilege quite lightly. So privileges pile on privileges, and the accumulating costs become huge and gum up the beneficial working of free markets. Mancur Olsen has written a most interesting book, elaborating this thesis and its implications — 'Progress and Poverty'.

Mixed performance on deregulation

The Reagan experiment also promised extensive deregulation, and again the performance has been mixed. In environmental matters virtually nothing has been done to roll back the tide of regulations swamping industry. The environmental movement has been almost totally successful in maintaining the clean air and clean water laws unamended, even where the case has been made that aspects of those laws fail all cost-benefit tests lamentably. In trucking, unions and industry, lobbyists have slowed the pace of deregulation.
Extensive deregulation was promised but performance has been mixed.

In banking, broadcasting and telecommunications, deregulation proceeds rapidly. Broking house entry into national banking via money market accounts forced rapid deregulation for banks. Broadcasting is virtually free of regulation, and licences are being granted more liberally. Fear of misuse of monopoly powers has for the most of this century been used to justify regulation of the telecommunications of America, dominated as it was until recently by Bell (AT + T) on the telephone side and by Western Union in telex. The old monopolies are now in the process of irrevocably being destroyed by the opportunities of the new technology and the entry of competitors to all the established companies. Bell’s divestiture of its local telephone service will leave it with only its longlines (‘trunk’ service in Australian usage) and equipment divisions. All local service will be provided by hived-off regional companies, which will deal equally with AT + T, MCI, SBS, ITT and other longlines competitors. Distance telephony is already highly competitive because of microwave and satellite technology and the mispricing by Bell of distance (trunk) calls. Locally, service promises to become increasingly competitive with mobile ‘cellular’ radio-telephone and microwave phone companies being allowed and encouraged by the Federal Communications Commission.

Airline deregulation was irrevocably under way before the Reagan administration came to power. The new Government could have responded to the 1981-82 recession and the serious financial difficulties of some airline companies by re-regulation. However deregulation has been such an obvious boon to travellers, and gives airline management so much flexibility, there was really no constituency working for re-regulation. President Reagan’s success in crushing the illegal strike by the 14,000 air traffic control unionists in mid-1981 — they were all fired and the union bankrupted — meant that airline unions were in no position to lobby for special protection. It also probably discouraged union militancy and paved the way for many rounds of negotiated wage-cuts and relaxation of work rules in return for job-savings and profit-sharing.

Regulation of oil and gas

The greatest triumph of deregulation has been the freeing of oil and oil products from Government control. In one fell swoop the paraphenalia of import licensing, quotas and price controls was done away with in early 1981. The OPEC cartel never recovered from the restoration of a free oil market in the U.S. petrol prices are around a dollar a gallon (25c/litre) compared to $1.25 before deregulation. The remnants of the Nixon-Ford-Carter systems of price and wage surveillance were also abolished overnight with virtually no controversy and obvious economic benefit.

An area of no-progress has been natural gas, a resource of enormous importance and great potential, but which has been stymied for two decades now by regulation. The lesson of oil, strangely, has not been learned for gas. Railways and busline deregulation proceeds although the railroad industry, ironically, having benefited from deregulation itself, has successfully lobbied for regulations to inhibit its competitor — the slurry
pipelines. On the trade protectionism front there has, broadly speaking, been little change during the Reagan term. Since most of the pressures have been for protectionism, free traders can count that as a blessing.

Taxcuts? The first instalments of President Reagan’s 25 percent personal income tax cuts were heavily offset by inflation but now that prices are stable, the final instalments will have real benefits. The tax structure is slightly less ‘progressive’ than before which, while raising egalitarian ire, will eventually have beneficial incentive effects. The same can be said for faster investment write-offs.

Reaganism has sometimes been described synonymously with supply side economics, which was described as a ‘failure’ even before any of its elements had been applied. Some of its more zealous and Utopian followers helped discredit it by claiming it as a short-term solution to the economy’s woes. If supply side economics means less taxes on income-earning, savings, investment and risk-taking — less levelling — then it has great promise, but may take a long time, at least as politicians measure time, to produce results. It is yet unclear how far the Reagan Administration will go in implementing supply side economics.

It has made a small start only.

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The Interfering Itch

by C. D. Kemp

These days there is no shortage of people only too ready to interfere in the affairs of others. Some are prepared to spend a great deal of time and money in telling their fellow humans how they should live their lives. The nature and extent of this interference are such that it now threatens to become a national menace.

Many of us find it hard enough to control and direct our own lives successfully without feeling we are in any way equipped to control those of our neighbours. The growing army of busy-bodies, however, has no compunction about invading the privacy of others and their freedom to decide for themselves how they will spend their money or dispose of their property. Behind this interfering itch is the inexcusably self-righteous attitude that “we know what is good for you better than you know yourself.”

Take the campaign against smoking! There seems little doubt that smoking is bad for health. But the opposition to smoking has taken on almost a religious fervour. It is one thing to point out to others the hazards of smoking. It is quite another to pursue the opposition to such lengths that many call for a total ban on advertising, and some even on the manufacture of cigarettes.

The recent stupidity of Smoke-Out Day (sponsored by the Victorian Government) was an example of unwarranted interference with individual freedom of choice. To educate people in the dangers of smoking is one thing: to subject smokers to the kind of absurd harassments suggested in the campaign is a reprehensible and undemocratic use of the machinery of government.

If smoking is bad for health, so are a hundred other things — apparently salt and white sugar, to take two homely examples. If a steep increase in excise duties on tobacco is justified to discourage people from smoking (as proposed by some doctors) then it might be equally logical to impose a similar tax on salt. But who would stand for that? One of the greatest killers, particularly of young people, is the motor car but no one would suggest that the advertising and production of cars should, therefore, be prohibited.

Probably far more ultimate damage to health is caused by over-eating or over-drinking (short of “alcoholism”) than from smoking, but there is no sign of societies being formed to try to prohibit the promotion of foods and alcohol. No one, for instance, has suggested that a bottle of beer should carry on its lable, “Beer is a health hazard.” Yet we have recently been told that as little as two beers a day causes irremediable damage to the brain.

Interfering busy-bodies

The commonsense of the matter is that anything done to excess is harmful, and if the individual is unable or unwilling to exercise moderation then he must be prepared to suffer the consequences. But that is his business and no one else’s. Even exercise, taken in excess, may be much worse in its effects on the person concerned than no exercise at all. Sport is generally recognised as being good for
physical and mental health, but too great a concentration on sport may be just as bad for one’s development as a human being than no sport at all. Pretty well everything in life is a matter of degree. “Moderation” is a golden rule in all things — even, let it be said, in the way one holds one’s opinions.

If an individual is unable or unwilling to exercise moderation, then he must be prepared to accept the consequences. But that is his business and no one else’s.

The interfering busy-bodies are, of course, active in many other fields of life besides smoking. No one would deny, for instance, that the conservationists or “greenies” have a reputable cause, but by pushing their ideas to absurd lengths, they have given rise to a backlash and brought their cause into disrepute. In many country areas the conservationists have been successful in preventing people from cutting, or even lopping, trees on their own properties without permission to do so. The loss of some homes in the recent Victorian bushfires has been attributed to the fact that owners were prevented from removing trees they considered to be dangerous in the event of fire. Taken to these lengths, conservation becomes an unwarranted interference with personal freedoms and sometimes even a danger to life.

The protection of wildlife and threatened species is another case of a worthy cause — one which everyone would support — sometimes being pursued to excess. There are those who would totally disallow the farmer’s right to shoot kangaroos (there are said to be some 30 million of them in Australia) on his property despite the depredations they cause to fences, crops and feed for domestic animals. The white cockatoo, of which there are enormous numbers, which can wreak havoc on crops, is another protected species. When farmers take measures to reduce their numbers, a howl of protest goes up from the wildlife preservationists — living mainly, it should be said, in suburban areas and in ignorance of the real problems facing the man on the land.

A further example of inexcusable interference in the lives of others is provided by those who would prohibit the destruction, or even alteration, of any building they consider to have significant historical associations. The preservation of Australia’s historical heritage is, without question, an estimable and even necessary goal with which no one would surely disagree. But those active in this field should stop short of interfering unnecessarily with the rights of present owners. Again, it is all a matter of degree.

There was a case recently where the owner of a Western District property, which had been in his family for over a 100 years, decided to sell out because every little thing he wished to do to alter, modify, or improve the homestead had to be submitted for the approval of the National Trust. Permission was invariably refused. He found he could no longer put up with this interference and put his property on the market. In effect, he had lost control over the management of his own property.

Sometimes, too, the demands of progress and change must take precedence over historical preservation. We can’t preserve everything.
Those with a cause or worthwhile objective to pursue should do so with moderation and common sense and with respect for the rights and the freedoms of others to choose for themselves. When they over-step the mark — as too many are doing — they become meddlesome busy-bodies and a menace to personal freedoms. Moreover, in the end, they do serious harm to their own cause.

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The Railways: Haemorrhage of the Body Politic

by Professor Peter Swan and John Nestor*

"We do not ride upon the railroad, it rides upon us" (Thoreau, Walden II). The need to fund the huge railway deficits in N.S.W. and Victoria are one of the main reasons why State Governments are finding it so difficult to contain state taxes. Each railway job is, on average, being subsidised by the taxpayer to the order of $16,000 a year.

Students of management are well aware of what happens to organizations when managers are freed of all external checks and balances, and set their own goals irrespective of economic reality. The problem is compounded by shareholders apparently so loyal and generous that there is virtually no limit to the annual losses which are sustained by injecting more cash. Managers’ egos are massaged and customers beguiled by grandiose schemes costing millions which rapidly degenerate into white elephants, while the role of management, to bring about an economic and efficient service, has been displaced by union leaders with quite contrary objectives.

Runaway railway deficits

To what extent do the various Australian railway systems fit this description, with the generous shareholders consisting of taxpayers in the various States and Commonwealth who have no choice in the matter? Certainly the railways have displayed an uncanny ability to bleed the taxpayer. The Annual Report of VicRail in Victoria reveals a Government contribution to make up operating losses of about $165m in 1980/81 and $233m in 1981/82, which represent 65 percent and 88 percent respectively of total revenue receipts excluding the supplement. For 1981/82 this amounts to over $11,100 per employee, which is generous to say the least. For 1982/83 the budgeted revenue is $276m and expenditure $589m but in February of this year the Victorian Treasurer conservatively estimated that revenue would be down by $25m, making a taxpayer contribution towards the operating loss of VicRail of $338m, which is a contribution of about 135 percent of revenue or $16,177 per staff member. This operating deficit in 1982/83 exceeds the entire employee cost in the previous year.

There is virtually no limit to the annual losses which are sustained by injecting more cash.

In addition to the operating loss are capital losses arising from interest and depreciation. Long term borrowings at 30th June, 1982 amounted to $923m on which interest of only $35m was paid, naturally not by the railways but by the taxpayer. A slightly more realistic interest rate of 8 percent would have doubled the

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capital subsidy. Only a very small and totally inadequate allowance is made for depreciation, so that more appropriate current price allowances would greatly increase the loss.

The Australian National Railways Commission, which now incorporates the country, South Australian and Tasmanian services, incurred operating losses of about $64m and $63m (excluding extraordinary items) in 1979/80 and 1980/81. These sums represent 41 and 35 percent of revenue respectively, or about $5,500 per employee.

Anyone reading the annual reports of the various railways is soon convinced that their purpose is to confuse and hide rather than enlighten and reveal. This is particularly the case in NSW with its State Rail Authority. Footnotes to the accounts have to be carefully appraised for various hidden subsidies and concessions. The table on page 69 reveals some aspects of the overall deficit of the railways by also bringing into account interest on the borrowings of the railway which were taken over by the State Government when the Authority was formed in 1980. The Authority makes no allowance for depreciation of fixed assets so that any overall estimate of the deficit would be considerably higher than the estimates presented.

The annual reports of various railways seem designed to confuse rather than enlighten.

Moreover, there are growing contingent liabilities relating to superannuation for existing employees. In 1981/82 the total revenue, excluding subsidies, was about $600m which compares with subsidies in excess of $671m. By comparison the overall State Budget is $5.5 billion. The total annual subsidy represents $16,246 per employee. This horrendous position will be far worse in the current year with freight traffic hard hit by drought and the downturn in the economy. Moreover, passenger traffic between Sydney and Melbourne is affected by plentiful coach services and cheap airline flights via Albury.

Why are the deficits so huge?

The most obvious cause of the high and rising deficits has little to do with past neglect of railway services by government. Rather it is attributable to heavily entrenched feather-bedding and work practices which mean, in effect, that the railway unions have usurped the role of managers. The practices in the age of diesel and electric locomotives reflect the bygone age of steam. For example, until recently there were six changes of engine crew for the fast XPT train on the one-day trip from Sydney to Dubbo and back, reflecting the staging posts of steam locomotives. This $10m train is currently run with a staff of 6 or 7, consisting of a driver and his assistant (formerly fireman), guard, conductor and a buffet crew of 2 or 3. Until recently there would have been an air-conditioning technician as well. When the train was introduced, the staffing level was as high as 10. The assistant driver and the conductor could easily be dispensed with, even if the example of the latest generation of high-speed trains in France with one crew member, the driver, is not followed immediately.

Excess crewing is only the tip of the iceberg. Some engine drivers and technicians, for example, are able to earn $40,000 a year or more because of excessive overtime and the arrangement of shifts. Undercarriage examiners go on
strike if they are denied highly paid weekend work. Union restrictions mean that freight trains are limited to hauling 4,200 tonnes, recently only 3,100 tonnes, whereas up to 13,000 tonnes can be hauled in the United States using up to 12 engines operating automatically in tandem with a standard crew. Privately owned iron ore railways in Western Australia haul up to 20,000 tonnes using 3 2,685kW engines. In no sense can the unions be blamed for these practices. Blame must rest squarely with the management and politicians who allow it to continue to happen.

Country passenger journeys

Feather-bedding is really only one symptom of a general malaise in the management of railways in Australia. Another aspect of this malaise is a disregard of the relative economic viability of the three major types of services provided by railways: urban passenger journeys, country passenger journeys and freight. The comparative advantage of railway services to road lies in the movement of very large numbers of people in high density urban areas or between large population centres when the demand for travel is considerable. It also lies in the transportation of freight, particularly heavy freight, over relatively long distances when there is sufficient demand to justify major investment in track and equipment.

Urban population densities tend to be too low to make for financially viable urban train services, while country passenger services are grossly uneconomic because of the small and scattered nature of Australia’s population relative to the enormous distances involved.

The relative degrees of inefficiency are apparent from cost recovery percentages obtained from costs and revenues identified in the 1981/82 Annual Report. Freight recovers 79 percent of operating costs from “customers”, urban passengers 49 percent and country passengers only 32 percent. A small cost recovery is only part of the story.

Traditionally state governments have protected their monopolies in long-distance passenger rail services by prohibiting competition from privately run intra-state bus and coach services, just as they have tried to prevent competition in freight services by prohibiting the movement of trucks on intra-state journeys. The famous Hughes and Vale High Court case in 1954 brought interstate road haulage and coach services into competition with trains. In Victoria controls on intra-state truck movements gave rise to a whole new industry as trucks detoured hundreds of kilometres out of their way into another state and back again.

What is two and a bit hours in a fokker compared with 13 or more hours in a train?

Private enterprise bus and coach routes can provide long-distance passenger movements more cheaply and with greater frequency than can under-utilized and infrequent train services. The capital cost of a single coach at (say) $180,000 is only about one fiftieth that of the XPT, yet the service provided by one or two coaches (up to about 6 if the train is full) may be virtually equivalent in carrying capacity.

State governments have been less successful in preventing airline services from competing with trains than they have in excluding private bus and coach lines. Clearly, the regulators are not all-
powerful. In fact if long-distance passenger services were priced according to their true costs, in many cases airline tickets would cost an equal amount even before the cost of special sleeper berths were taken into account. If the railways were required to recover the full costs of the long and tedious passenger journeys between Sydney and Melbourne, East-West Airlines would have no shortage of passengers whatsoever for their $120 return air service between these two major cities via Albury. What is two and a bit hours in a Fokker or a small jet compared with 13 or more hours in a train?

State Governments have protected their monopolies in long distance passenger rail services by prohibiting competition.

The solution to the gross inefficiencies involved in country passenger services is not billions of dollars spent on upgrading track, uneconomical electrification, or even XPTs, which have proved so far to be more useful for winning elections than in carrying passengers in speed and comfort. Rather a breath of fresh air is needed via a policy of full-cost recovery with no limitations on private bus, coach and airline services. Should some country passenger services die a natural death then taxpayers will not join the mourners.

Political lobbying

The much more fundamental explanation for the rail shambles accompanied by huge deficits lies in a basic asymmetry between the gainers and the losers. Politicians of all political persuasions, the railway managers and unions, and even the railway customers (who have few alternatives) have a great deal to gain from a continuation of the haemorrhage, while the victims, taxpayers in general, stand to lose a lot in aggregate. The fundamental asymmetry lies in the fact that the gains to be had — greater electoral appeal in country areas, a quiet life for managers who do not manage, greater promotion prospects, more jobs in the industry and low fares and charges — are concentrated in relatively few hands, while the costs are spread thinly over all taxpayers. Accordingly, effective lobbyists for the railways are well organized while the taxpayers largely suffer in silence. Taxpayers appear powerless in the face of this concerted campaign by vested interests which benefit the few at the expense of the majority. The difficulty at present facing politicians is that even the thinly spread deficit is now larger (of the order of $332 per (income) taxpayer in NSW) and the natives are becoming restless as the deficit mounts.

Defending the indefensible

In their defence the railways argue that we cannot speak of a railway deficit, just as we do not speak of the "education deficit" or the "police force deficit." Railways (they would say) are a public service just like educational and police services. The principle of "user pays" and full cost recovery is not applicable (they would say) and has never been applicable. But to mount this argument is to do no more than state what has happened rather than what should happened in a well-run economy. There seems to be no good reason why railways should not compete on equal terms with other transport modes. With a possible exception of some urban passenger services there are negligible external economies which might justify subsidies. The United States economy does not appear to have
appreciably suffered from largely privately owned and unsubsidized railroads.

It is also argued that it would be quite unfair to expect railways to pay their own way when vehicles do not pay tolls for the use of the roads. There is an element of truth in this argument because road users do not pay ideal congestion and road maintenance charges. However, without doing the railways case an injustice it can be noted that fuel taxes, registration fees, sales taxes on motor vehicles and parts, etc. impose a burden on road users which in aggregate exceeds outlays, whereas the bulk of track costs is provided free to railroads with capital charges paid for out of taxes. It would appear to be the users of our extraordinarily poor interstate highway system (is it deliberate?) who are discriminated against, not the railways.

We need higher fares rather than lower fares, less track rather than more track, fewer trains, and a tiny fraction of the existing number of employees.

There may be a stronger case for subsidized urban railways on the grounds of excessive road congestion and pollution, but surely the most appropriate policy would be to internalize any such externalities by appropriate taxes and charges on roads and road users as well as by the provision of ring roads and freeways?

What can be done about it?

The prognosis for the body politic is extremely poor and it is really only a question of the rate at which the patient deteriorates. David Hill's well-meaning cost cutting campaign in NSW was long overdue. Such campaigns can remove some of the worst abuses but without seriously threatening the powers of the vested interests. We need higher fares and charges rather than lower fares, fewer trains rather than more trains, less track rather than more track and certainly only a tiny fraction of the existing numbers of employees. Even if capital charges continue to be met by the taxpayer, operating costs should be recovered via a more realistic fare structure. Electrification is out as is the continued introduction of high-speed trains, which proceed at a slow average pace on track designed with grades and curves for a far more leisurely age. There is no economic justification for the Alice Springs to Darwin railway.

The best prospect of reform along these lines lies with greater privatization of ownership. Surprisingly, the first steps along this trail have been blazed by the leading freight forwarding company, Thomas Nationwide Transport, which to all intents and purposes operates its own freight train services via rental and lease agreements with the railways. However, there is little hope of finding a buyer for any portion of the railways unless a free hand could be given and some prospect of profitability provided. This day is still a long way off.
ESTIMATED SUBSIDIES TO THE
N.S.W. STATE RAIL AUTHORITY, 1980/81 to 1982/83
(excluding depreciation)

\begin{tabular}{|c|c|c|c|c|c|c|}
\hline
Year & Revenue & Subsidies & Debt Charges & Total & Total \\
& Supplement (a) & and Concessions (b) & Inherited (c) & Current (d) & Subsidy \\
\hline
1980/81 & 299 & 52 & 140 & 32 & 172 & 523 \\
1981/82 & 387 & 68 & 140 & 76 & 216 & 671 \\
1982/83 & 448 (e) & 77 & 140 & 70 (f) & 210 & 735 \\
\hline
\end{tabular}

\begin{enumerate}
\item [(a)] Contributions from Consolidated Revenue to cover direct operating losses.
\item [(b)] Includes contributions from Consolidated Revenue to cover passenger travel concessions and freight concessions, superannuation payments, etc. A portion at least of these subsidies should really be allocated to the pensioners, farmers etc. who receive the subsidies if one were to assume that some would use trains even in the absence of the subsidies.
\item [(c)] When the State Rail Authority was formed from the Public Transport Commission on the 1st July, 1980, $1,300m in loans provided to the rail service were taken over by the State Government. When this is added to $449m in debts previously remitted it gives a total value of loans remitted of $1,749m. This figure excludes an additional $700m in accumulated debt charges which have never been paid by the railways. Interest has been imputed to the remitted debt, which does not appear in the accounts of the Rail Authority, at a conservative 8 per cent per annum. In 1982 the (nominal) interest rate on semi-government loans was as high as 17 per cent per annum.
\item [(d)] Includes leaseback payments in 1981/82 as well as interest.
\item [(e)] Budget estimates. Since the estimates were prepared in September, 1982 a fall in estimated freight revenue of more than $80m has been announced. This would increase the Supplement to over $528m. Action to reduce featherbedding may have succeeded in lowering this figure.
\item [(f)] This figure consists only of leaseback payments and does not include interest. If interest costs of $54m were incurred, as they were in the previous year, the total debt charge would increase to $264m and the total subsidy to $789m.
\end{enumerate}

Source: Annual Reports of Public Transport Commission of NSW, State Rail Authority, NSW Auditor-General and NSW Budget Estimates, 1982-83. See the Auditor-General’s Report, 1980, p.20, for the information on inherited debt.
France: A Favour to the Rich

by Otto Von Fieandt

Government regulations have frequently unintended consequences. Using as a case study the recent restrictions on tourist spending imposed by the French Government, Paris-based economist, Otto Von Fieandt, shows how the regulations have hit the less privileged while the rich, the powerful and the well-connected continue to travel.

Well-meaning Left policies aimed at hitting the rich and aiding the poor often produce the opposite effect: welfare programmes create jobs for well-paid administrators who absorb much of the money intended for the poor, and so on. Recent French restrictions on tourist spending abroad are another example. They are a monumental muddle, and also an object lesson. The rich, most of whom voted against the Socialist government, are relatively untouched; the less well-off, who voted the Socialists in, are deprived of a basic human right, the right to travel.

Ordinary mortals

Frenchmen are now restricted to spending not more than 2,000 francs ($A300) per year on travel abroad. The use of credit cards is prohibited. Businessmen were however allowed 1,000 francs a day. Thus on Day One, a special Nomenclatura was created, one that can spend in two days what ordinary mortals are allowed in one year. But the general outcry was such that, in the next few days, new privileged groups were created at the rate of about one each day.

(In the Soviet Union, the Nomenclatura describes the privileged class that runs the country, and supports the regime. They have immense privileges: shopping in special stores, foreign travel, luxurious villas guarded by the army. The French Socialists are creating Nomenclaturas consisting mostly of their enemies.)

First, businessmen rightly pointed out that export business isn't done like that. Larger sums are required to entertain clients abroad; credit cards are needed to hire cars, etc. So on Day Two, businessmen were allowed to obtain company credit cards to use on business trips. (This is of little comfort to the small businessman, who may not have a company card. It takes weeks to get one).

So now a much-sought-after incentive bonus consists of an extra week in New York on your next trip; and do take your wife along. Other special privileges were announced for truck drivers, students going abroad for language studies, independent professionals, and so on. As a gesture of appeasement to travel agents, facing lay-offs and bankruptcies, these can now sell you an all-expense stay at the Waldorf-Astoria, and take only 1,750 francs out of your allowance. So if you have the means, you can stay a month at the Waldorf, but you can't go out for dinner, and you must do on $A35 for movies and cigarettes. Previously, a month in New York cost far less both to the individual and to the balance of payments.)
Virtually all affluent and well-organised people are managing ... the less privileged are seriously affected.

But stupid laws can also create new Nomenclaturas for people who were not particularly privileged before. "Exchange house in Dordogne for loft in San Francisco.", said an ad. Bundles of cash are presumably left under mattresses in each place. Bilateral deals can be made by those who have friends abroad. Those who are smart rather than stupid also do better, as do those who get away with breaking the law.

The businessman, the 19-year-old going to Cambridge to play tennis, the professional, the man willing to rough it at the Waldorf, the owner of a country house, the well-connected fellow — all these are relatively unaffected by the restrictions, and they tend to be relatively well off. They are all right.

Who, then, is hurt? The ordinary man, who voted for the Socialists. 2,000 francs is barely enough for a long weekend in London, or two weeks in Spain — if you watch it. But it is not enough for a long motoring trip, not to mention the humiliation and discomfort. The French are now looked on as the paupers of Europe. What do you do if on your last day you fall ill or miss your flight?

All this was supposed to improve the balance of payments. Will it? Businessmen and sundry rich will carry on. Some small spenders will cancel their trips. Some foreigners won’t come, as France is now booked chock-a-block. Private deals will keep some of the money inflows out of the balance of payments. So the net effect will be nil, or possibly negative. Evasion of the controls will lead to a large Errors and Omissions item.

Thus, a Socialist government has blundered its way into a major foreign exchange crisis. Desperately, it attempts to level everyone's foreign spending to poverty levels. Virtually all affluent and well-organized people are managing. The less privileged are seriously affected. They can do it uncomfortably or not at all. The saving obtained from a major infringement of human rights is nil or perhaps negative.

One privileged person who is affected is the President’s wife. It was officially announced that, for financial reasons, Madame Mitterrand was not accompanying her husband on a recent state visit abroad. Australians are lucky in being linked to the British rather than the French crown. They were able to see Princess Diana.
Bias in the ABC?

by Ken Baker

The issue of bias in the media is a recurring one. It arises because of a belief in the power of the major media to influence opinions. It is a matter of national concern when the impartiality of some of the ABC’s main programmes of social and political analysis is questioned.

The ABC has a valuable role to play in providing a venue for open debate on issues of national concern. Of late, however, serious doubts have been raised as to whether the ABC is fulfilling this function as well as it might.

Articles published earlier this year in The Bulletin and Quadrant by media critic, Anthony McAdam, put the view that the Department of Radio Talks and Documentaries — ABC Radio’s principal source of in-depth social and political analysis — is a vehicle for radical left-wing views “hostile to the values and institutions of liberal democracy”. The consequence, McAdam believes, has been to preclude the possibility of genuine intellectual pluralism and open debate in the ABC.

Concern about bias in the ABC is not new. Similar questions regarding balance in ABC programming were raised by the Dix Enquiry into the ABC.

On the ABC’s Talks and Documentaries programmes, the Dix Report has this to say:

“We are... unimpressed by arguments that programmes giving prominence to committed left-leaning views such as those Talks and Documentaries sometimes produce are balanced by others produced in other areas, such as the Rural Department, which are sometimes alleged to have a bias the other way. We think the exposition of many of the important themes dealt with in the Lateline/ Broadband/Doubletak series will be the most arresting, informative and effective, and attract wider audience patronage, if more efforts were made to open the programmes to a wider range of viewpoints. We so recommend” (10.24).

In relation to The Coming Out Show the Dix Report states, “The best interests of the audience and particularly of women, may now be served by a broader-based coverage of material…”.

The ABC has a clear duty to guard against partisanship in broadcasting.

In contrast to much media analysis, which deals with specific instances of bias, this article will look at the range of ideas being discussed in selected ABC programmes over a period of time to see whether they appear to favour any particular political philosophy. Among other things this will enable assessment to be made of whether some of the programmes singled out for particular criticism in the Dix Report — Doubletak and Background Briefing (formerly Broadband) and The Coming Out Show — are being opened to a wider range of
views, as the Dix Report recommended.

The role of the ABC

As an organisation which absorbs over $250 million per annum of the taxpayers' funds it is worth outlining what the community is entitled to expect from the ABC's current affairs programmes.

The ABC, states the Dix Report, has a clear duty to guard against partisanship in broadcasting, a principle which is confirmed elsewhere by the ABC's former Chairman, Professor Dame Leonie Kramer. In a response to McAdam in The Bulletin Professor Kramer writes:

"Privately they (broadcasters) can be for or against dams, nuclear power, religion or feminist philosophies; professionally they must enable all sides of these complex questions to be aired, without bringing to bear upon them the weight of their own opinions. ABC staff have an obligation which derives ultimately from the trust reposed in them and embodied in present and future legislation — namely to limit their own freedom of expression in order to protect the freedom of their audiences."

The ABC is obliged to remain impartial and to express a range of viewpoints on contentious issues.

It is reasonable to expect that in its role as a forum for social analysis, it should aim at reflecting the general concerns and values of the Australian community. In general, for example, most Australians support the free enterprise system and would thus welcome constructive debates on how this system can be made to function more effectively.

The ABC may also have a role in stimulating public debate by introducing new issues. It is important here that, if balance is to be achieved, issues and debates should not favour the concerns of one side of the political spectrum over the other. Finally, there is the further proviso, laid down by the Dix Report, that debate not promote in any form values which would undermine the foundations of a just, humane society.

The nature of bias

Bias in the media can take a number of forms. If the speakers selected to comment on a contentious issue express only a single point of view, or if one commentator is fed hostile questions while his opponent is not, or if less time is given to one side of the debate than the other, then clearly bias is evident.

Viewed through the media social reality often appears to be in a perpetual state of upheaval.

There is also an institutional bias common to most media. Viewed through the media social reality often appears to be in a perpetual state of upheaval: each day brings a new headline, a new crisis, a new sensation. Journalists tend to respond to events which have an immediate, dramatic impact, events which signify disruption and change. The urgency of deadlines and the pressure on journalists to sensationalize reality often preclude the sense of perspective and moderation in news reporting that only time and reflection would bring.

Institutional pressures also exist on journalists to capture an issue in one or two compelling, unambiguous images, with the result that the complexity of
social reality is often done less than justice in the media. Demands such as these are less pressing on journalists producing news background programmes or in-depth explorations of a single issue, such as those programmes produced by the ABC's Talks and Documentaries Department.

The use of value-laden terms can also have the effect of slanting a news report or news analysis. Terms such as "social justice", "peace march" and "national liberation movement" are not neutral. Measures to radically redistribute wealth in society which would be called "social justice" by a socialist, would be read as excessive governmental interference by libertarians. The media are rarely the creators of such terms and as such are often as much the innocent victims of their usage as the public.

A radical redistribution of wealth in society called "social justice" by socialists would be read as excessive governmental interference by libertarians.

These forms of bias are relatively familiar and easy to recognise.

Bias of selectivity

A less obvious, but in many ways a more important form of bias arises from selectivity in the media's coverage of issues. This occurs when some particular matters are highlighted, while others are played down or ignored. This, in particular, is the type of bias on which this article will focus.

A clear recognition of the power exercised by the media when it selects the issues is indicated by comments made by the Melbourne "Age", quoted in Adrian Deamer's review of Martin Walker's Powers of the Press ("The Age", 7 December 1982). "The Age" defined its influence as "the power to set the agenda for public debate, to identify issues of concern and, by regular reporting, force them on the attention of the public".

In light of the recommendations of the Dix Report, this article seeks to ascertain whether there are sections of the ABC which 'by regular reporting' of special concerns, are giving undue emphasis to a particular political philosophy.

In order to carry out this analysis a two-step approach has been taken.

First, the causes which are important to the radical left in Australia — in other words the left agenda — are identified.

Second, a survey was conducted of three regular ABC radio programmes: Doubletake, Background Briefing and The Coming Out Show. All are programmes presenting in-depth analysis of current social, political and economic issues. The Coming Out Show is defined more narrowly as a "series on women’s affairs".

The nature of agendas

The starting point for this analysis is that all political groups have agendas — causes and issues — to which they give priority and which, in the words of "The Age", they attempt to force on the attention of the public.

Different philosophies tend to identify different issues as "problems" needing solution. A matter of concern to the proponents of one philosophy may be of little interest to the proponents of another. For example, the concerns that
libertarians have with government regulation, and the inefficiencies which they claim result from interference with the workings of the market place, are of little moment to those who place small value on economic freedom.

Foreign investment is another issue where there are major divisions between political philosophies. While libertarians might argue that investment by overseas corporations brings employment and higher living standards, the radical left would more likely point to the threat to national autonomy posed by foreign investment.

Continual reference to the concerns of one particular political agenda can serve as a powerful strategy for changing community outlooks.

Using examples such as these, it can be seen how the way in which a "problem" is defined in the media becomes a way of communicating one ideology rather than another. There is obviously a major difference between the media focusing on problems which call for government intervention in the market (to protect the consumer from, say, false advertising) and those which highlight the costs of government regulation (higher consumer prices).

In short, continual reference to the concerns of one particular political agenda can serve as a powerful strategy for changing community outlooks.

As one measure of assessing the philosophy promoted by particular programmes, I have set out in the Table on p. 77 agendas which are representative of two political currents in Australian society. The issues listed should be familiar to those acquainted with radical left-wing and libertarian literature, although which items to include on particular agendas are inevitably matters for judgement.

The radical left-wing agenda — promoted particularly by those who tend to see free enterprise as exploitative — often stresses issues which purportedly highlight the inequity and environmental damage spawned by capitalist enterprise, the malevolent role of America in world affairs, and the debilitating restrictions imposed on women by traditional sex roles. The libertarian agenda — which aims to expand liberty in society — focuses on the detrimental effects to consumers and job-seekers brought on by government regulation and the damage to the family and individual responsibility arising from the Welfare State.

The Table, drawing on the middle-ground of Australian opinion, also sets out a sample of the issues which could be said to be part of the agenda of the Australian community. This agenda is based on surveys of public opinion. The issues of concern to the general public include the burdens imposed by high taxation, concern at the weakening of the traditional nuclear family, and dislike of the influence which powerful interests — unions and business — have on government.

There are a number of points about the use of these 'agendas' which need to be made.

First, they are not meant to be comprehensive. Clearly those who identify with left and libertarian positions
would have many more concerns than those listed in the tables.

Second, the agendas are not those of either the ALP Government or the Liberal opposition, although clearly there is some overlap. For example, the ALP Government has emphasised its support for free enterprise and does not support highly centralised economic planning. The Liberal opposition, contrary to the libertarian position, expanded welfare provisions when in Government and greatly increased aid to the Third World.

Third, the mere fact that a person gives importance to an item on one agenda does not ‘ipso facto’ mean that his views reflect an underlying ideology. For example, those who wish to change the Flag may very well have no sympathy with the other items on the ‘left’ agenda.

The programming philosophy

The survey extended from late February to mid-June, 1983*. Of the programmes monitored, about half — approximately 30 programmes — in this author’s view, dealt with issues that fall within the left-wing agenda. One-quarter — approximately 15 programmes — concentrated on concerns identifiable with the Australian agenda. (For example, BB** April 3rd, May 8th, on plans for a domestic satellite and rural affairs; DT March 1st, May 17th, on industrial relations and Israel each raised issues of general interest and dealt with them in a balanced manner.) Two programmes only fell within the libertarian agenda. The remaining programmes resisted classification.

While the concerns of the radical left are being given such disproportionate attention, there are whole areas of public debate that are being neglected.

Topics raised which favoured left-wing concerns included the following (although in not all cases did the topics listed occupy the entire programme):— issues relating to nuclear weapons and disarmament (9 programmes); problems created by new technology and economic development (6 programmes); radical feminist issues (7 programmes); activities of American security agencies (2 programmes); aboriginal land rights; punk music as social protest; the British media’s myth-making of the Falkland’s war; the power of the Jewish lobby in the making of U.S. foreign policy; a reading of fairy tales as repressive ideology; the penal system’s dehumanising treatment of female criminals; gay liberation; U.S. policy in central America, largely defending Nicaragua against Reagan’s anti-communism.

The point is not that these issues are unimportant or unworthy of coverage. It is rather that while the concerns of the radical left are being given such disproportionate attention, there are whole areas of public concern that are being neglected. The concentration on items in the left-wing agenda renders these programmes far distant from the goals of the present Australian government.

*There are four programmes that due to circumstances beyond my control were not monitored. These programmes (BB 6th March, BB 20th March, COS 7th May, DT 19th May) are omitted from the survey.

**Abbreviated titles of the series discussed are used here as follows:— BB Background Briefing, DT Doubletake, COS The Coming Out Show.
<table>
<thead>
<tr>
<th>A RADICAL LEFT-WING AGENDA</th>
<th>A LIBERTARIAN AGENDA</th>
<th>AN AGENDA OF THE AUSTRALIAN COMMUNITY</th>
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</thead>
<tbody>
<tr>
<td><strong>Economic</strong></td>
<td></td>
<td></td>
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<tr>
<td>- virtues of centralized planning</td>
<td></td>
<td></td>
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<tr>
<td>- public sector activity preferable to private sector. &quot;Deficits don't matter&quot;</td>
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<tr>
<td>- opposition to multinationals</td>
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<tr>
<td>- minimal regulation of trade unions</td>
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<td></td>
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<tr>
<td>- limits on business profits, profits as exploitation</td>
<td></td>
<td></td>
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<tr>
<td>- substantial redistribution of wealth viewed as 'social justice'</td>
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<td></td>
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<tr>
<td>- priority given to conservation over development</td>
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<td></td>
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<tr>
<td>- no uranium mining, opposition to nuclear power</td>
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<tr>
<td>- no development which conflicts with Aboriginal land claims</td>
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<td></td>
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<tr>
<td>- compulsory unionism</td>
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<td></td>
</tr>
<tr>
<td>- economic depression indicates major flaws inherent in capitalism</td>
<td></td>
<td></td>
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<tr>
<td><strong>Political</strong></td>
<td></td>
<td></td>
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<tr>
<td>- support for Australia as a republic and new Australian Flag</td>
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<td></td>
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<tr>
<td>- abolition of Senate and State rights; centralization of power</td>
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<tr>
<td>- termination of U.S. alliance</td>
<td></td>
<td></td>
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<tr>
<td>- closer relations with socialist countries</td>
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<tr>
<td>- critical of U.S. activities and C.I.A.</td>
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<td></td>
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<tr>
<td>- transfer of funds from defence to welfare</td>
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<tr>
<td>- support for unilateral Western nuclear disarmament and peace movement</td>
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<tr>
<td>- support for P.L.O.</td>
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<td>- a new constitution</td>
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<tr>
<td><strong>Social</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- elimination of private schools</td>
<td></td>
<td></td>
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<tr>
<td>- support for alternative families</td>
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<tr>
<td>- support for radical feminism and elimination of sex roles</td>
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<tr>
<td>- anti-religion or support for &quot;liberation theology&quot; (Christian Marxism)</td>
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<tr>
<td>- tendency to see criminals and the poor as victims of the system and social problems as response to unequal distribution of resources</td>
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<tr>
<td>- socialization of legal and medical professions</td>
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<tr>
<td>- rejection of ethic of individual responsibility in favour of social determinism</td>
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</tbody>
</table>

**Economic**
- solution to depression, unemployment, lies in free markets and not government intervention
- standard of living increased by sale of government enterprise to private enterprise
- extension of market to education and welfare
- deregulation of financial markets
- labour and business monopolies seen as damaging interests of enterprise and employees
- reduction of tariffs
- balanced budget
- high deficits viewed as damaging to prosperity
- opposition to union, business, government power

**Political**
- interdependence of political liberty and economic freedom
- centralized planning erodes individual liberty and economic growth
- solution to Third World development lies in extension of trading opportunities
- communism, a threat to individual dignity, prosperity
- opposition to bureaucracy and welfare state
- support for political and legal freedoms

**Social**
- support for private schools, choice in education
- opposition to paternalism in social policy, support for 'self-management'
- ethic of individual responsibility the basis of a free society

**Economic**
- reduction of union power
- optional union membership
- support for economic development
- prices/wages restraint
- support for private enterprise within a mixed economy
- lower taxation
- need for solution to unemployment, return if possible to full employment
- reduction of inflation

**Political**
- support for monarchy and existing flag
- opposition to increasing power of Federal government
- support for U.S. alliance
- concern with threat from communist powers
- opposition to terrorist organisations
- support for moderate reform of governmental/political system
- concern with quality of political representation
- business, union influence on government seen as excessive; ordinary people neglected
- opposition to anti-nuclear demonstrations
- increased defence spending

**Social**
- concern about weakening of family
- maintenance of welfare system
- increased benefits for pensioners
- government subsidies to private schools based on needs
- concern at weakening of law and order; support for harsher prison sentences
- improved educational standards
Moreover, the libertarian position, despite the fact that it represents an increasingly vigorous current within Australian intellectual life, appears to have been almost totally ignored. Against the thirty or so programmes in the survey period that raised issues of particular relevance to the Left, only two programmes — concerning the deregulation of airlines (DT, 19th April) and the domestic policies of the Reagan Administration (BB 22nd May) — were of particular interest to libertarians.

The selective focus of the programmes surveyed will become more obvious if we consider alternative ways in which some of the issues raised could have been approached.

On the issue of nuclear arms, it is important first to recognise that peace in itself is a value shared by all the mainstream political camps. There is however, a left-wing position on the best strategy for obtaining peace. In the view generally held by the radical Left, the arms build-up in the West, particularly by the Reagan Administration, stands as the major threat to world peace. Thus the key to peace, according to this position, lies in preventing the Western arms build-up and, in its more extreme version, placing pressure on Western governments to unilaterally disarm. The alternative strategy, and this is a position held by the major Western governments, is that peace depends on the West maintaining a credible nuclear deterrent to Soviet expansion. It follows that by pressuring Western governments to disarm, the peace movement is destabilising the balance of power and so increasing the probability of international war.

In none of the programmes on nuclear arms was the second line of argument adequately articulated. Instead we heard about the views and activities of the "peace" movement (DT 5th April, DT 2nd June, DT 14th June, BB 17th April); the threat posed by U.S. military interests to the self-determination of an indigenous people (BB 5th June); and the radiation poisoning engendered by the U.S. nuclear arms industry and U.S. atomic testing (DT 3rd March, DT 2nd June, DT 7th June, BB 27th February). While these programmes successfully conveyed the horrors of nuclear war (DT 3rd May, DT 2nd June), they ignored the role of nuclear arms in maintaining the international balance of power.

The approach taken to the issue of economic development also tended to have a selective focus. While it is legitimate to take into account the impact of economic development on the environment and traditional cultures, (e.g. DT 7th June) and even the oppression of women by new technology (COS 11th June), there are also major problems associated with economic under-development, namely poverty, slums, inadequate welfare, health and education services, and a lack of employment opportunities. These issues tended to be neglected.

The Coming Out Show has a remarkably narrow conception of women's issues.

Unemployment is clearly a major concern in the community. One approach to this issue, shared by many economists, is to focus on the need for wage restraint, and the job destruction caused by minimum wages, penalty rates and restrictive practices by trade unions.
While not all programmes ignored these concerns, unemployment tended to be raised in the context of job destruction caused by new technology (DT 29th March), the need for government funding for job creation schemes (DT 24th May) and the "job blackmail" used by corporations against conservationists, (DT 12th April). The programme on youth unemployment (BB 29th May) took a dismissive approach to the relationship that might exist between minimum wages and the high incidence of jobless youth.

Stories on security agencies were clearly of interest to programme producers during the survey period. However, while Doubletake raised questions around the activities of America's National Security Agency, on the question of the Russian KGB the programmes were silent. Yet this was the period in which reports of KGB involvement in the attempt to assassinate the Pope were appearing, in which France expelled forty-seven Russian diplomats for spying, in which speculation of KGB involvement in the peace movement was growing, and of course it was the period in which the Australian Government expelled Valerij Ivanov. Clearly here was an issue of great national concern.

Although advertised as a series on women's affairs, The Coming Out Show has a remarkably narrow conception of women's issues. For example, the concern shared by many women about the weakening of the traditional family simply does not feature on The Coming Out Show's agenda. Indicative of the series' narrow philosophical focus was the absence of any substantial attempt to present views critical of radical feminism. For example, in April the noted American critic of radical feminism and campaigner against the controversial Equal Rights Amendment, Phylis Schafly, visited Australia. Considering the pending Sex Discrimination Bill in this country one might reasonably have expected her views to be of interest to a programme catering for women. Such was not the case however. Nor did The Coming Out Show in its programme on the Anzac Day Woman Against Rape march, (COS 30th April) make any attempt to present both sides of what was clearly a controversial issue. The Coming Out Show celebrated International Women's Day with a sympathetic portrait of the Russian Bolshevik, Alexandra Kollontai (COS 5th March).

To the extent that the results of a survey over this period can be taken as representative, the conclusion, in this author's view, must be that the ABC is not fulfilling its role as a forum for debate on issues of national concern as well as it might. If the ABC has acted on the stated recommendation of the Dix Report for particular programmes to incorporate a wider range of views, its actions have not been sufficiently effective. There are a number of points for consideration raised by this.

The new Board has a responsibility to ensure that the ABC not promote the interests of a small section of the Australian community.

First, the ABC should function so as to reflect the principal values of the Australian community. It certainly does not have a charter to consciously endeavour to shift the values of Australians. If sections of the ABC are attempting to do so, this can only serve to weaken, not enhance, national unity.
Second, the avoidance of any suggestion of political bias is a constant concern for the ABC. Yet as long as the ABC continues to give undue attention to the concerns of the radical Left, it remains open to the charge that it is promoting a particular political line. If the ABC wishes to remain a spectator rather than a participant in the party political arena, it must be seen to be impartial on political questions.

There is also the consideration raised by the Dix Report that programmes which fail to reflect a genuine range of issues and viewpoints unnecessarily limit the size of their audience. Unlike the commercial stations, ratings may not be a principal concern of the ABC; nevertheless, it is hardly in its interest to limit its listening and viewing audiences by a too narrow selection of topics.

Finally, the presence of bias in even the relatively small section of the ABC’s vast output with which this article deals, can only undermine public confidence in the ABC. The new Board of the Australian Broadcasting Corporation has a responsibility to ensure that programmes are not used to promote the interests of a relatively small section of the Australian community.

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**SYMPOSIUM ON THE FREE SOCIETY**

_to be held on Sat. 5th and Sun. 6th November at Macquarie University, 9 a.m. to 5.30 p.m._

The seminar will be held by the Adam Smith Club and Australians for Common Sense, Freedom and Responsibility.

The organisers of the Symposium believe:

— that the free society is under threat

— that the future of our free society depends on halting and reversing the threat to private property, freedom of contract, freedom of trade and enterprise, freedom of movement of capital and labour.

**Contact:** Professor L. J. M. Cooray
Macquarie University
North Ryde N.S.W. 2113. _TELEPHONE: (02) 888 8000_
Youth: Priced Out of Jobs
by Jacob Abrahami

Youth unemployment is a social and economic tragedy. Yet those most concerned about the consequences of this evil often support policies which will exacerbate the problem.

Two broad approaches are being suggested to deal with youth unemployment (The ‘kibbutz’ suggestion can be disregarded).

The first proposes increased government spending in order to stimulate the private sector and expand so-called job-creation programmes.

This route inevitably means higher taxes, more public sector borrowings and greater budget deficits (often all three).

Some industries may benefit from increased government expenditure but, experience has demonstrated that this approach does not work for the economy as a whole, as higher costs, higher inflation and higher interest rates force other businesses to shed labour.

Indeed, the rise in unemployment during the past decade has been accompanied by an unprecedented growth of government demand. Job-creation programmes at best, only offer temporary band-aid solutions. What are needed are real long-term jobs.

Labour market rigidities

The second approach concentrates on labour market rigidities — award wage rates and restrictive practices by unions.

High wage costs — (including minimum wages, penalty rates, payroll taxes) force people out of jobs, particularly the young who form a high proportion of the unemployed.

Because of the need to learn on the job, productivity in the early stages of employment tends to be low. Yet awards require the payment of very substantial wages which in no way relate to the productivity levels of the young and inexperienced.

The table below shows minimum award rates of pay for a select group of occupations in Victoria. (There can be variations between the States. In the ‘fast food’ area, for example, minimum wages in Victoria are significantly higher than in New South Wales). Over the industries surveyed in the table, school-leavers and those with very limited work experience receive on average more than 60 percent of the pay prescribed for experienced adults. In some cases the award for a school-leaver is identical to that of an adult with a number of years experience in the job.

It is little wonder therefore that the unemployment rate (26 percent) of the under 19-year olds is 5 times that of the most experienced section of the labour force, the over 45s (5 percent).

Switzerland

This stands in striking contrast to Switzerland where unemployment is less than 1 percent. According to the British weekly, The Economist, wages for school-leavers and apprentices in Switzerland average only 17 percent of the adult wage for the same job.
Clearly, what is urgently needed is a change in ‘minimum wages’ for juniors. Awards intended to protect the weak have the opposite effect. Swiss minimum levels may be too low. But it is clear that the young unemployed should be free to offer their services for a wage that more closely reflects their productivity, rather than be forced to accept the empty promise of high wages for jobs that will never come their way.

Penalty rates also hit youth employment prospects. Many young people wish to work weekends and nights, and penalty rates (as some government ministers have recognised) can cut down job opportunities.

To compound the damage, some government impost directly affect employment in the private sector. For example, Woolworths has noted that it would have been able to employ an additional 2,000 staff (presumably many of them young people) had the money it was required to pay in payroll tax been invested in new shops.

Despite the downturn in the economy the Victorian Government in its last Budget raised payroll taxes: the irony of the situation is that payroll tax collected by governments is used in part to finance artificial job-creation schemes.

Union restrictive practices such as ‘proportions’ clauses which require a supervisor (whether needed or not) for a certain number of employees can also discriminate against youth employment. Similarly unduly tight job classifications in some awards make it difficult to give young people on the job experience to test their particular skills.

An attack on labour market rigidities faces one major obstacle compared with the ‘big government’ solution. It means breaking with traditional work practices and wage-fixing arrangements which are supported by powerful interests.

Trade unions and some governments prefer the big spending approach because it seems to offer an easier way out. But it is less obvious why welfare organisations, which are most concerned to assist the young unemployed, do not use their moral authority to push for a solution which tackles the major problem of labour market rigidities.

### Minimum Award Rates of Pay ($)

<table>
<thead>
<tr>
<th>Age</th>
<th>Builders Labourer</th>
<th>Shop Assistant</th>
<th>Storeman &amp; Packer</th>
<th>Restaurant Hand*</th>
<th>Commercial Clerk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 16</td>
<td>266.38</td>
<td>112.50</td>
<td>94.15</td>
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<td>16-17</td>
<td>266.38</td>
<td>123.75</td>
<td>117.70</td>
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<td>17-18</td>
<td>266.38</td>
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<td>129.45</td>
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<td>164.80</td>
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<td>202.50</td>
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<td>225.00</td>
<td>238.80</td>
<td>207.00</td>
<td>217.60</td>
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<td>225.00</td>
<td>238.80</td>
<td>207.00</td>
<td>241.50</td>
</tr>
</tbody>
</table>

*Females only. The award for males under 17 years old is $20.70 less a week. Males over 17 years old receive the same as females.
Evaluating Australia's Constitution *

By Professor Rufus Davis

The Australian people are being invited to consider major changes to the Constitution. But, by most criteria, the Constitution has performed very effectively. Following his article in the Autumn "Review" on the debate surrounding the Constitution, Professor Davis of Monash University looks at how we can evaluate its performance.

How should we go about making a judgment about the performance of the Australian federal system? How should we rank it among the constitutional systems of the world?

When we are called to pass judgment on the working of the constitutional system, I take it that we are required to evaluate each and every part of the system — that is, the machinery and the principles embodied in the one hundred and twenty eight clauses of the constitution.

If we believe however, that there is more to a constitution than meets the eye then a problem arises. There are, for example, as we well know, a number of political institutions (e.g. caucus) and political practices (e.g. the different modes of selecting a ministry or the different roles of Prime Ministers in different parties, etc.) that obviously affect and must, by their very nature, continue to affect, the way a constitution works. And it is equally obvious that there are political practices that the constitution, however dynamic and relevant, cannot and will not ever be able to reach, whatever we may do to incorporate or codify them from time to time. The question is how far should we enter the domain of politics if we are set on evaluating the working of the constitution?

The relationship between a constitutional system and the political system is ineffable and hard to capture in a single analogy. But what must be made very clear is that however we distinguish a constitution from the political system, it is vital to remember that the constitution is an object, not a subject! What this means is that rules do not work by themselves. When we pass judgment on the quality of a constitutional system, we are passing judgment NOT on an object called a constitution, but on a constellation of living men, in living roles, in living institutions who work to the rules, and upon the rules — Prime Ministers, Premiers, the men in the judiciary, the men in the parties, and the men who advise and serve them — the men who bend, manipulate, extend, narrow, use and misuse, interpret or misinterpret the rules. The federal scheme to monopolize income tax in Australia in 1942, for example, was not implanted in the constitution in 1901 to be discovered simply by the reading of it. It was designed from various constitutional pieces by a particular party of men in government and legitimated by a particular group of men in the judiciary.

*Excerpts from the opening paper given at the Third Federalism Project Conference in Canberra, 10th February, 1983.
Rules and Players

Obviously a living constitution is not, nor can it ever be, perfectly coincident with the political system. The only life and meaning it can have at any given moment is the life and meaning it can draw from the actors who work it. It cannot live by itself, nor can it draw life from itself. We cannot therefore, in any

".... give the men of Georgia a perfect constitution and they will botch it up"

but a metaphoric sense, praise the constitution for its flexibility, or condemn it for its inflexibility, praise it for its ingenuity or curse it for its irrationality and unworkability when our schemes are thrown down. We can only talk of the wisdom or the pigheadedness of legislators who choose to work the constitution in a particular way at a particular time, or who cannot, or don’t wish to find other ways to achieve their ends but the one way they have chosen. It may be true, perhaps, that there are times when the workmen may justly blame their tools. For there are limits to human ingenuity and imagination, and rules can and do make some games more difficult to play than others. But the ease or difficulty of the play depends on a vast number of things which do not always make it easy to judge whether the fault, or what degree of fault lies with the players or the rules. The important thing to remember is that one should never anthropomorphise the rules so as to exonerate the players. Nor should one forget the point of the apocryphal remark — "Give the men of Massachusetts a poor constitutional instrument and they will work it well, but give the men of Georgia a perfect constitutional instrument, and they will botch it up!"

First test: health, welfare, liberty and stability.

What kind of objective criteria do we have that will tell us whether the performance of a constitutional system is good or bad, whether the system is working well or badly?

Let us consider the hypothetical situation where on every international indicator of health, welfare, liberty and stability, etc. Australia is ranked first among the nations of the world. What is one entitled to infer about the contributory role of its constitutional system — that it has everything, something or nothing to do with the result? The question is not without relevance since our hypothetical is, in fact, very close to the truth of the matter. Thus, for instance if we take note of the three point scale used by the International Environment Fund to determine the physical quality of life in the countries of the world — mortality, life expectancy at the age of one and literacy — Australia is ranked tenth on the list of countries it is considered most desirable to live in.

Almost on every social indicator used by the U.N. Australia consistently ranks high among developed societies.

Again, on almost every indicator used by the United Nations to monitor the social condition of each member country — for example, the average rate of growth of real GDP, or general government civil expenditure on health,
education, and welfare services, provision of housing, public order and safety, assistance to the arts, provision of public radio and TV services, etc., Australia consistently ranks high-middling to high among the developed societies of the world.

Or, again, if we use the scale of International Industrial Competitiveness to measure the competitive strength of each of the OECD countries, Australia is ranked 7th out of 22 key nations! The factors used in this scale (based on World Bank, IMF, OECD and UN data) were the dynamism of the economy, the dynamics of the market, human resources, education levels, the structure of the labor force, the role of the state, outward orientation, socio-political consensus and stability.

Or again, if we take account of the Freedom House seven-point ranking of the condition of political rights and civil liberties in the world — for example, the free election of governments, universal suffrage, freedom of speech, association, religion, rule of law, etc. — things we rarely pause to note — Australia is among the first twenty of — what are termed — the most free societies in the world!

**Second test: inner strength**

Measured by these indicators, Australians need hardly be dismayed. These are tests, however, that measure the visible achievements of a society; and these are achievements that may or may not be due to the way the constitution works. While it may be presumed that a Constitution establishes a civilizing climate for social achievement, nevertheless it is not always easy to establish a specific linkage between the two. There is a second test, however, that is implicit in all tests of a constitution. Let me call it — for want of a better term — the test of the “inner strength” of a society. I mean by this — simply the degree of endurance, hardiness, stability, coherence, adaptivity, vigor, resourcefulness and outlook on the world. It is all those attributes of a society that make for its survival, and its capacity to keep pace with the development of the world. It is something akin to saying of a person that he or she has great inner strength or that a person copes well with his or her life experiences or that they are a people made for all seasons! And of course when we say this about them we do not ordinarily mean to convey the idea that such a person is necessarily Croesus, Onassis, or Pierpont Morgan! But the extent that a constitutional system may contribute to the “stability” of a society is to say something good about the constitution. Conversely to suggest that a society can have “inner strength” while its constitution encourages permanent revolution is, in my view, a contradiction in terms.

**The constitution has responded to severe challenge and crisis.**

Now as one measure of the “inner strength” of society, the idea of stability, like the elements of coherence, endurance, adaptivity, vigor, etc., is a macro concept consisting of many sub-elements, each of which, if it can be used, is capable of revealing a small segment of the contributory value of a constitutional system. What are these sub-elements of stability? They are revealed in such familiar questions as these: To what extent, for example, does the constitution make it easy or difficult to build
consensus in the society; or to what extent does it make it possible to defuse, or control the disintegrative forces that are endemic in all societies; conversely, to what extent does the constitution generate or aggravate dissension, tension, anomie, and stress in society (e.g. Who and what are we to blame for the constitutional drama of 1975 — the constitution, the Governor-General, or the players who chose to play the drama the way they did?); what mechanisms does the constitution provide for the resolution of conflict in society (e.g. Conciliation and Arbitration Commission, Family Courts, etc.), and how well do they work; to what extent, and with what ease does the constitution adapt to changing circumstances and changing needs; and so on and on.

If we took all these elements — macro and micro — and devised a scale capable of measuring both the "inner strength" of a society, and the contribution that a constitutional system makes to such strength (positively or negatively), how well would the Australian constitution rank by international comparison? Such a scale were it possible, would doubtless be highly persuasive. But, aside from all other problems, it will be apparent that the elements which go into the making of "inner strength" though they may be reduced in generality in the way I have illustrated, still remain at too high a level to be used. To trace the ways in which a constitutional system affects such broad elements as stability, consensus, coherence, resourcefulness, etc., we need to refine them a great deal more; we need a great deal more information, and perhaps a more exalted faith in geometric principles.

At present however, we have nothing like the data to entitle us to speak in any other than impressionistic terms. Not that the smell of our noses, the sound of our ears, or the sight of our eyes are necessarily unreliable. For certain purposes they may be the best source of information we have. Indeed, if we are inclined to cast off the methods of positive political theory (i.e. systematic empirical testing, and quantification), and if we are not afraid of being named "phenomenologists", then we might wish to assert — as I do — that obviously the constitution has survived, obviously it has adapted to the times, obviously it has responded to severe challenge and crisis, obviously it has sanctioned and presided over the development and integration of a nation, obviously it has both generated and constrained conflict, and obviously it has both frustrated government and made government possible. But as obvious as this may be to me and others, it is equally obvious that it is not obvious to all!

Third test: the federal performance

I have suggested thus far, that there are two ways by which we can evaluate the worth of a constitutional system: first, by the test of socio-economic results — visible and measurable — that may be reasonably linked to the working of a constitution; the second, by the indicators of "inner strength" — e.g. stability, cohesion, resourcefulness and adaptivity that must apply to all constitutional systems irrespective of their design and practice. There is however, a third and additional way that specifically applies to all those cases where a constitution has been designed to serve both the general purpose of all constitutions and a special purpose — for example, the special purpose of a theocratic system as in Iran or a federal constitutional system as in Australia. In all these cases we are required to consider how a constitutional
system serves not merely the general purpose of all constitutions, but also the special purpose of a single system. And in our case it brings me directly to the question — by what criteria (in addition to those I have discussed) shall we evaluate the performance of our own constitutional system? Have the special purposes of the federal design been satisfied or not.

Stability, survival, adaptivity and compromise are four reasons why Australia is an example of a successful federation.

There are of course many criteria, and many ways of applying them. I want to illustrate one of these ways by glancing quickly at Ursula Hicks' book, Federalism: Failure and Success — a Comparative Study, published in 1978.

Ursula Hicks* begins her study by defining "the essential institutions of a federation", and then explains what she means by failure and success. The properties she ascribes to a federal system are quite conventional, and need not detain us. Her criteria of Failure and Success however, are more interesting. Thus she writes:

"If we adhere strictly to the position that the objective of federation is to establish and maintain a polity where government by the people produces at one and the same time a strong self-conscious national organization and also keeps intact the rights and cultures of the units as enshrined in the Constitution, then any deviation from such a polity must be accounted a failure.

*Professor in Economics, Oxford University.

The basis of this philosophy is unassailable, but there are many acceptable degrees of change and adjustment which can be tolerated without destroying the federal framework. In a rapidly changing world the relation between the centre and the units can never be static. A federation may develop into a substantially different organization from that which the founders envisaged, but still remain most definitely a federation. As we shall see this is often largely a matter of increased centralization. Good examples of this are the growth in power of the Swiss 'Conseil d'Etat' or the emergence of direct grants from federal funds to local authorities in Australia and India."

Once the criteria are defined, her next step is to survey a number of specific cases of failed or successful federal systems, and the title she gives to each chapter throws further light on what success or failure mean to her. Thus, in their order: Attempted Federations which Never Materialized (e.g. South Africa); Abortive Federation in East Africa (e.g. Kenya, Uganda and Tanganyika); Short Lived Federations which never achieved Nationhood (e.g. Caribbean, and the Federation of Malaya and Singapore); A Sad Case of Total Failure (e.g. the Central African Federation); The Long Road to Indian Federal Union; The Pakistan Experience; Decolonization and Federalism in Nigeria; and finally, Two Successful Federal systems — Australia and Switzerland!

"Australia" — she writes — "must be counted as one of the world's most successful federations — along with USA, Canada and Switzerland."
What qualifies Australia for this accolade? Ursula Hicks comes to this conclusion by three simple steps: first, she notes the various changes that have taken place in the financial relations of the federal and state governments since 1901 (i.e. 1910, 1927, 1942, the great splurge with Sec. 96 in the years 1972-75); second, she observes that while these changes have altered the character of the system in many ways, the system still retains its federal qualities; and thirdly, she points out that whenever the federal and state governments came to a "nasty" or "awkward" corner in their relations, the crisis was resolved by "negotiation and a willingness to compromise, so that no violent measures were required". In other words, stability, survival, adaptivity and compromise are the four reasons why Ursula Hicks would nominate Australia as an example of a successful federation.

Constitutional achievements

I agree with the essence of Ursula Hicks' judgment. But I would like to put it another way. By the common standards of democratic societies, our constitution has succeeded in any number of ways. It has succeeded in authorizing and holding a nation together. It has succeeded in building and developing a will for law and order. It has succeeded in providing and proving the possibility for growth and development when there is initiative and consensus. It has succeeded in making and extending the virtues of choice by diffusing the centres of authority. And more than this, it has succeeded in holding out the wisdom of change by evolution.

This is of profound importance. For while all constitutions must, like all human institutions, undergo change, the question is how-often, rarely, slow, fast, minimally, extensively; by what means, by frontal shock assaults, by patching, by replacement, by radical surgery, by minor surgery? And the question is not merely how, or what, or when, but also, on the basis of what evidence of what defects is change to be made, and on the basis of what evidence can betterment be reasonably expected from the changes that are proposed? The answer is rarely simple or obvious. To say, for example, that a constitution should be changed as often as necessary, or as often as the people want it, is not to answer our question, and worse, to misconceive the nature of a constitution.

...dramatizing our passing prejudices every few years to rationalize the need for wholesale constitutional revision.

There are, of course, many ways of perceiving what a constitution is — for example it may be conceptualized as rules governing the organization and conduct of government, or as a loose fitting skin that continually moulds and remoulds itself around the form, the play, and the moods of the body politic, or as a frame of reference, or as a pattern of political behaviour, or as a system of direction, or as a code of conduct. No analogy will indicate its nature. But one thing a constitution always is and must be, and that is — a system of limitations.

To accept this, is to accept the fundamental principle of constitutionalism — that is the submission of government to an agreed system of restraints. This is a fragile tradition that is so vital to preserve for
Australia. But we cannot foster this tradition by a belief that a constitution can be treated like a suit, or a piece of furniture, or a machine that can be made over or discarded whenever a contentious mood, fashion or vision of public welfare occupies and obsesses the changing occupant of a throne.

We must learn, as we have done over the past eighty years, to live, work, and find solutions to our problems within the limits of the constitution as they appear to us at any given moment. It calls for patience, wisdom and understanding that genuine constitutional life is a life of improvisation and exploration — a continual coping with restraint.

This is not to say that all limitations are sacrosanct or that all restraints on political power are of equal value. Indeed, all limitations undergo change of one kind or another and often whether we are aware of it or not. Some may simply atrophy when there is a manifest incoherence between what is desired and practised and what is formally denied. But like living matter, so a living constitution must not be forced to an unnatural speed or degree of change.

If we cannot inculcate this understanding of our constitution, if we cannot foster the idea that constitutionalism and gradualism go hand in hand, we cannot build a confident basis for our future. Worse, we court caesarism if we believe that we can dramatize our passing prejudices every few years to rationalize the need for wholesale constitutional revision. The resources of our constitution are almost infinite if men will only read their history with imagination rather than passion.
Shopping Hours: Regulation for the Many or the Few?

by Geoff Hogbin*

Visitors to Australia from abroad are astonished to discover that shopping for a wide range of consumer goods is generally prohibited during week-ends, and that shops are closed on Saturday afternoons. Typically they regard the restrictions as quaint aberrations of an Antipodean society: to be viewed with the same amused incredulity as other oddities of our Continent such as the kangaroo, koala and platypus.

To be sure we have had even more outlandish impositions on consumers in the past. Had a visitor come to Australia thirty years ago, he or she would have discovered that bars closed at 6 p.m. Lurid descriptions from the locals of “the 6 o’clock swill” can make them grateful for the small mercies of 10 p.m. closing of hotels and a late shopping evening. If governments are capable of foisting Draconian measures like 6 p.m. closing of hotels on the population for more than half a century, perhaps it is not quite so difficult for the visitor to comprehend our stoic acceptance of congestion and chaos in shopping areas on Saturday mornings, and the absurdity of threat of gaol for anyone with the temerity to sell paintbrushes and paint on Saturday afternoons.

Of course, it is conceivable that the rest of the world is depriving itself of the “benefits” which the prohibitions on week-end trading bestow on us. But visitors find this notion difficult to accept.

Public interest explanation

If pressed for a rationale for the restrictions on week-end trading, one can choose between two broad arguments. The first, which may be termed the public interest explanation, is that the laws protect the community from harmful effects of unfettered trading, thereby making Australia a better place in which to live. More specifically, the argument seems to be that Saturday afternoons and Sundays are times during which people should be free to pursue leisure activities with their families. This is conducive of family unity and the health of society generally. If shops are permitted to open on week-ends, those who staff them and their families will suffer accordingly.

Why is family unity threatened by engaging in the sale of nails at week-ends, but not garden fertilizers.

If the visitor is unable to discern that the Australian family is in a healthier condition than the family of his or her own country, one can always point out that it is difficult to compare such things across societies. But it is more difficult to explain the apparent contradiction that governments seem to perceive little need to protect the families of roughly 1,000,000 people (one-sixth of the workforce) who cater for what have come to be regarded as week-end “essentials” — meat pies at the footy, restaurant

*Assistant Director, Centre of Policy Studies, Monash University
meals, services of hotels and discotheques, pornography, movies, petrol, fast foods, airline travel, fishing tackle, week-end newspapers, and much else beside. Why is family unity threatened by engaging in the sale of nails and timber at week-ends but not of garden fertilisers?

If the public interest explanation is correct, the answer must be that while consumers may be inconvenienced by the week-end prohibitions on sales of furniture, clothing, giftware, hardware etc. this is far outweighed by the benefits to the people who sell such items.

However, working housewives may have doubts about the validity of this explanation when they reflect that they probably have twice the spending power of their house-bound mothers and only twenty percent of the time to dispose of it. In much the same way, it is difficult for visitors to take seriously the notion that their countries are worse places in which to live because people are free to shop during week-ends.

The vested interest explanation

The second line of argument advanced for prohibitions on week-end shopping is that they are maintained, not because on balance they make Australia a better place in which to live, but because certain groups find them beneficial. The proponents of this view doubt that omniscient and benevolent governments are the guardians of the public interest. Instead, they believe that various interest groups are able to gain advantages for themselves at the expense of the rest of the community by exploiting the desire of politicians to hold political office. This is not to say that politicians are less concerned than others for the public interest.

Rather, the public interest is only one objective which politicians take into account in formulating policies. Other important factors which influence their decisions include the desire for re-election and for accession to power. Because of unavoidable peculiarities of political voting mechanisms, pursuit of these latter objectives leads politicians to cater for the interests of lobby groups which have disproportionate power to provide either electoral or financial support.

There is now a growing awareness that any shortcomings of the market may fade into insignificance by comparison with those of political processes.

Consequently attempts to understand the reason for the existence of a particular policy, by reference to what politicians perceive to be the public interest, are likely to be unsatisfactory. More adequate explanations for the form of any given policy will require a systematic understanding of the complex inter-relationship between the interests of politicians, lobby groups, and individual voters. This view of the way in which political systems function suggests that we should not expect them to generate outcomes favourable to the public interest. On the contrary, the public should be constantly alert to the likelihood that any political process will be used by the few to exploit the many.

In short, just as markets do not always function in a way which provides the public with what it wants, so political institutions have their own set of inherent imperfections, some of which impose
serious costs on the community. This line of argument may be termed the vested interest explanation for government regulations.

Even when it becomes clear that regulations are socially undesirable, the functioning of the political system makes it extremely difficult to remove them. Abolishing benefits conferred on people in the past carries with it the threat of loss of political office. The implication is that maintenance of inappropriate regulations is more likely to be both financially and psychologically beneficial, than costly, for legislators. Whereas businessmen suffer financially if they neglect to remedy past mistakes, legislators are likely to benefit from failure to take corrective action.

Few people relish making decisions which will put industrious and conscientious people out of their jobs or their businesses. But correction of regulatory failures almost inevitably entails doing just that. The discipline of the market forces businessmen to make these unpalatable decisions. But there is no comparable pressure on legislators, partly because the costs of their mistakes are frequently not readily indentifiable.

Moreover, since the costs are often widely dispersed across the community and quite small for individuals, signals of dissatisfaction to politicians from those who suffer from regulations are often weak. This means that although, in aggregate, the costs of an inappropriate regulatory measure may be high, their impact on the political process may be small. Again, this contrasts with the market process where the community can quickly and effectively inform businessmen of their failures by reducing the flow of dollars to them.

After decades of propaganda decrying the failures and iniquities of the market from possibly well-meaning sources in the political sphere, academia, the media, the school system, and, more recently, the churches, there is now a growing awareness that these shortcomings may fade into insignificance by comparison with those of political processes. It should be understood that people who question the efficacy of regulatory activity consider the defects to be inherent in the political process, rather than a consequence of the inadequacies of past and present legislators. However, we are now reaching a stage where future generations may feel justified in holding our present legislators inexcusably responsible if they do not take more explicit account of the costs of regulation.

Why should we not be outraged to have our shopping time censored?

There may be some virtue in judging the performance of governments by some of the same criteria as are frequently used to evaluate the performance of free markets. For example, by asking how much control the community has over what governments 'produce' and sell to us in return for, on average, more than a third of our incomes; by querying whether the products of government are shoddy and defective and what people can do about it if they are; and by asking whether those who advocate more intervention in markets and 'bigger government' might not be engaged in dangerously misleading advertising.

Remove all restrictions

In spite of the fact that some retailers and employees will find the process of
adjusting to longer trading hours difficult, there are compelling reasons for immediate and complete removal of all restrictions throughout Australia.

First, because of the increasing numbers of women with families in the workforce, the benefits to consumers now almost certainly outweigh the adjustment costs by a wide margin, even if they did not in the past.

Second, despite the current recession, there is little doubt that the proportion of women in the workforce will continue to rise in the longer term. Thus, there will be a growing demand for additional shopping time at week-ends. Eventually governments will find it in their interests to respond to the political pressures this will create. The postponement of deregulation is unlikely to reduce the severity of the adjustment costs, so there is nothing to be gained from delay. On the other hand, there is a good deal to lose. Consumers will suffer continuing inconveniences for as long as restrictions on week-end trade exist. Married women in a full-time job, and those women who feel they can take only a part-time job in current circumstances, are likely to be the principal beneficiaries.

Third, for as long as the restrictions exist, resources will be vested on lobbying for their removal. The associated costs are not trivial either. Premiers and Ministers must make many decisions which affect the well-being of our society. The more they make, the more hasty and less satisfactory those decisions are likely to be, so that it makes sense for them to minimise the range of things they deal with, concentrating on those which are the more important. By trying to do too much, governments incur the danger of doing little well. Thus they generate dissension and dissatisfaction in the community, which, in turn, bring disrespect on political institutions.

Of course, dealing with issues such as regulation of trading hours involves many people other than politicians. Official inquiries require teams of expensive bureaucrats and lawyers, and the time of many other people. Removal of restrictions would free such people for more productive activities. The restaurant industry seems none the worse, and indeed much the better, without the involvement of an array of politicians and bureaucrats to determine the hours at which they trade.

It is not the business of government to determine when people should shop, any more than it is its business to determine when they should buy a meal.

Fourth, there is the ethical question of whether it is the business of governments to interfere in trade between individuals which inflicts no harm on others. If moral indignation is raised when governments interfere with people's desires to terminate pregnancies or to watch motion pictures of their choice, why should we not be even more outraged to have our shopping time censored?

Finally, why advocate complete deregulation rather than partial deregulation, say, to permit shopping on Saturday afternoons? The answer is twofold. If there is partial deregulation now, at some time in the future, perhaps several decades hence, the same set of problems will recur as pressures mount for further deregulation. The community
will be faced with a repetition of the sorts of disruptions which will be experienced if Saturday afternoon shopping is introduced. We have seen this happen in the liquor retailing industry where State Governments have made piecemeal adjustments to hours of trading. On the other hand, in the ACT the Commonwealth Government deregulated hours of trading completely and made liquor licences freely available, making Canberra a more pleasant place in which to live and, incidentally, eliminating future wastage of resources on lobbying. Proprietors of the multitude of new taverns which were established, their employees and consumers seem delighted with the outcome.

It is not the business of government to determine when people should shop, any more than it is its business to determine when they should buy a meal. The logical outcome of many government interferences in economic affairs, however well-intentioned, is severe disruption in the lives of people and bitterness in the community at some time in the future, perhaps many decades later. Wider recognition of this, both by politicians and within the community generally, is long overdue in Australia.

Geoff Hogbin has prepared a major study on the economics of retail trading, which will be published by the Centre for Independent Studies. Orders for the book can be placed with the Centre (P.O. Box 92, St. Leonards, 2065) or telephone (02) 438 4377.
A Public Affairs Reading Guide

We have listed some books, articles and speeches which have come to our attention and which may be of interest to "Review" readers.

Self-destructive instincts

A community which acts as if those who create the wealth are to be opposed, frustrated and loaded down with unnecessary costs is behaving irrationally and self-destructively. Sir Arvi Parbo, Chairman of Western Mining Corporation, provided the following examples:

".....Fifteen years ago, Western Mining Corporation brought the Kambalda nickel mine into production dealing with just two government departments. Today at Roxby Downs we are dealing with sixteen departments and numerous other bodies and interest groups."

"A delightful example of what can happen was recently reported in the London "Daily Telegraph". The Department of the Environment, under the authority vested in it by the Ancient Monuments Act, has decided that an allotment holder in the grounds of Fulham Palace, West London has to fill in a form if he wants to dig up any of his parsnips, onions, leeks and carrots that grow more than eight inches deep. The allotment holder has 60 such parsnips to retrieve, and has to fill in a separate form for each of them. As reported, he intended to write 60 letters, each requesting one form."

Sir Arvi Parbo, The New Frontier Address to Australian Petroleum Association, 7th March 1983

Warning to Government

The supporters of smaller government have had their ranks severely depleted in the Federal Parliament, but they appear to have received a welcome addition in the new member for Wakefield, South Australia, Mr. Neil Andrew. In his maiden speech he warned:-

"No matter how wise the Government, how well-intentioned its intervention, all that it has to spend belongs to someone else. It is generated by people who have stood sweating in the sun, dipping sheep, painting buildings, working on building sites or construction teams or picking fruit. It is generated by people who have exercised some self-discipline in technology and by people who have been prepared to commit both their labour and their capital to some risky venture.

"The disservice we do our constituents every time we intervene unnecessarily is further compounded when we remember that we take not only their revenue, their hard-earned capital, but also their accountability. This would be excusable, if, as a Parliament, we had a monopoly on wisdom, but this has not proved to be so — not even under coalition governments. Even governments with the most honourable of intentions cannot be wiser than men."

Mr. Neil Andrew, House of Representatives — Daily Hansard May 1983, page 540
The Fraser Years

There have been many articles assessing the Fraser years. Dr. John Carroll's article in Quadrant stands out for the originality of its analysis and the power of its expression. He argues:

"The last Prime Minister should not be judged principally by the achievements of his Government. To my mind they were modestly substantial in the economic sphere, of singular distinction in foreign policy and immigration, and of varied success in other areas. There will be plenty of opportunity for others to detail this record. He should be judged rather by the authority he gave to the State.....

.....A leader has to be both a rock in defence and the spearhead in attack. He has to be the Archimedean point, the centre of gravity, that keeps his members operating as a single and purposive unit. In Australia we have been able to take such leadership qualities for granted for the past seven years; we have tended to forget that in fact they are very rare. We are due for an awakening. Indeed it is extraordinarily unlikely that our generation shall see another Prime Minister win three elections in a row."

John Carroll, "The Tragedy of March 5th" Quadrant May, 1983

Australian values

Those opposed to free enterprise in Australia have been far more energetic and effective in publishing their views than those of other philosophical persuasions. The recent collection of essays, 'The New Conservatism in Australia', is different from most of the offerings available in the bookshops. The general tenor of the book was summarised by the editor, Robert Manne, at its launching:

"By the mid-seventies another layer had been added to Australian society — perhaps it had always been there, but certainly it was now much more prominent and self-confident — the so-called "new class" of university graduates, the products of the rapidly expanded tertiary education of the 'sixties. They were now present throughout many of the key institutions of our society, and were dominant in those — like teaching and journalism — where moral and social values were defined and disseminated. Their enthusiasms, certainties and causes were everywhere to be found. Their hatreds — America, Capitalism, Moral Puritanism, Anti-Communism — were expressed rancorously and consensually."

".....If much of this book is concerned with an assault on the assumptions of the Australian intellectual left, it is even more concerned, at least in my eyes, with the defence of values, institutions and a texture of life."

Robert Manne, The New Conservatism in Australia, Oxford University Press, 1982

Church and politics

Behind the falling community support for many churches may be their increasing involvement in politics. A special report on the changing attitudes to religion published in the U.S. journal, The Public Interest, argues:

"In the 1960s, a few more of Middletown's churches developed an active interest in public events. The clergy led the movement; their congregations followed at a distance and with apparent
reluctance. A line of fracture developed between "worldly" and "other-worldly" factions within the churches affected by the change.

These internal conflicts were particularly sharp in the denominations identified as "business class", especially the Presbyterians and the Methodists. Working-class denominations, like the Southern Baptists, the Adventists, and the Assemblies of God, were untouched by the problem and grew thrivingly between 1960 and 1980, while the Presbyterians and the Methodists declined in membership for the first time in living memory. The Catholics and the Lutherans, wracked by the same issues, barely held their own in membership while their church attendance and ritual participation declined.

Theodore Caplow, "Religion in Middletown", The Public Interest, Summer 1982

State taxes and economic growth

Most state governments are experiencing severe budget problems. Increasing state taxes and charges may well be counter-productive, according to a study carried out on fiscal policies of state governments in the U.S.:—

"An analysis of current state tax policies strongly suggests that....tax hikes — whatever short-term fiscal relief they may bring — are likely to have damaging long-term effects on the economic growth of the states and localities that adopt them. The results.....of a systematic comparison between taxation levels and economic growth rates in the various states show a striking inverse correlation between growth and taxation; overwhelmingly, the fastest-growing states prove to be those with the lowest taxes.

".....the optimal state and local fiscal policy would be one in which the overall tax burden is comparatively low, coupling high sales taxes with low property taxes."

Richard Vedder, "Rich States, Poor States", Journal of Contemporary Studies, Fall 1982

The I.P.A. in history

The role of the I.P.A. in the development of social policy in Australia is examined in an article by Mr. Roy Hay, a senior lecturer in politics at Deakin University. Concluding his examination of the post-war reconstruction period Mr. Hay says:—

".....If we look at the post-war world and ask which scenario sketched for it in the war years bears closest resemblance to the reality, that of the Labor Party, that of the administrative reformers led by Dr. Coombs, or that of the Institute of Public Affairs, then there is not much doubt about the answer. In very few respects was the I.P.A. forecast off-beam."

R. J. Hay, "The Institute of Public Affairs and Social Policy in World War II" Historical Studies, Vol. 20 No. 79