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The Institutes of Public Affairs seek to promote awareness and debate in matters of community interest. A basic aim of the Institutes is to advance the cause of free business enterprise in Australia. In pursuit of this aim they endeavour:

- To inform the Australian public of the facts of our economic system and to raise the level of economic literacy in Australia.
- 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

A recent article in the “Bulletin” featured the IPA as one of those organisations which are a “growing force” in the battle for ideas in Australia.

Whether or not this is so, the IPA has always believed in a society based on individual liberty and responsibility and a free enterprise economy.

Only a society organised in this way can satisfactorily express the values of individual people.

However, support for such principles is unlikely to have much impact in the real world, unless it is translated into concrete policies and a realistic analysis of issues, as Dr. Denis White points out in his article in this Review on John Stuart Mill.

In the IPA policy work we offer our view of the public interest and show how it can be achieved. The “Bulletin” article, correctly referred to the IPA as “policy orientated”.

We believe by focussing on the priorities of the Australian people we will continue to be a “growing force”.

Rod Kemp, Editor

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Contributed articles by noted authorities in Australia and overseas dealing with matters of public interest are published in IPA Review. This Institute is not necessarily in full agreement with the views expressed in these articles. They are published in order to stimulate free discussion and inquiry.
Editorial

New Agenda for Reform

Major changes in Australia’s political thinking and processes are needed if Australian prosperity is to return and taxes are to be reduced.

Soaring taxes, huge budget deficits, and vast governmental borrowing programmes are giving rise to major distortions in our economic system and undermining our future prosperity.

Three years ago the public sector absorbed some 38% of Australia’s GDP. In the current financial year the figure will be over 42%.

No matter whether we are in a condition of economic recession or economic recovery, the ‘juggernaut of government’ still rolls on.

In recession, we are told that there is a need for increases in welfare and compensatory government spending to balance the decline in the private sector. In recovery governments argue increased spending can be afforded because of high revenues (thus ratcheting spending onto a higher plane).

The real reasons are never mentioned by politicians.

In fact it is all too easy for governments to raise funds by taxing, borrowing and deficit financing. These powers, allied with the increasing influence of special interest groups dependent on government funding, make it particularly attractive for politicians to spend more and more.

Attitudes

Against these forces, however, there is a growing recognition that steps must be taken to control the insatiable appetites of government departments and other groups which have become claimants on the public purse.

The public debate has reached a significant turning point when a Labor Prime Minister is prepared to foreshadow reductions in the government’s share of the economy (see page 164).

It is highly unlikely, however, that the ALP, or the Coalition would be able to achieve this goal over the long term, unless significant changes occur which would have the effect of reducing the ease with which government can lay claim to the income and savings of individuals and businesses. Changes may also be required to reduce the influence of special interest groups in the political process.

To date many of the proposals for political and constitutional reform, fixed-term parliaments, four-year governments, reductions in powers of Upper Houses would, if anything, further insulate governments from electorates and further diminish the likelihood of adequate restraints on excessive spending.

Institutional Reforms

Instead, attention should be directed at reforms along the following lines:

Constitutional Expenditure Limitations

Reform of the Constitution to prevent runaway government spending is a major political issue in the U.S. (see article by Professor Aaron Wildavsky, IPA Review, Spring 1983) attracting support from all sides of the political spectrum. (This would not be the first time that American constitutional precedents influenced Australian federalism).
Expenditure Targets
- Political parties vying for electoral support should be prepared to state explicit targets for spending growth in terms of average real annual growth rates over the term of the next parliament. (As the article on page 139 indicates they may even find political advantages in doing so).

Privatisation
- Public authorities are often neither effectively accountable to the government nor to the consumer. Privatisation would replace public sector privileges with market disciplines and so achieve a more efficient use of the nation's resources. (See article by Dr. Siebert, IPA Review, Autumn 1984).

Marketisation
- In areas where governments may wish to have a continuing role, exposing some government services to the market would ensure consumer preferences would be more accurately reflected and help reduce waste and inefficiencies. Education, health and communications are three areas where marketisation policies could be developed.

Deregulation
- Many government activities are concerned with controlling and regulating the private sector. There is almost universal agreement that this process of regulation has gone to absurd lengths and 'winding back' must occur. New procedures for controlling regulation must be set in place (See article by Senator Missen, page 135).

Parliamentary Reforms
Some reforms to the parliamentary process could encourage Parliament to act as a useful check on the spending powers of government.

John Hyde, a former Federal member of Parliament and the founding Director of The Australian Institute For Public Policy, in a speech to the Adam Smith Club in October argued for wide ranging parliamentary reforms, including the establishment of a parliamentary budget office (allowing more detailed review of government programmes), longer lead times for legislation and cost-benefit analysis of major capital works.

Political Reforms
- If political parties are to resist special interest pressures they must have explicit ideologies which differentiate the public interest from the interests of powerful lobbies.

The ALP's affiliation with the trade union movement makes it especially vulnerable, but its ideology of support of weaker sections of community should point it towards resisting the powerful rather than rationalising capitulation as 'realism'.

The Coalition has on the whole a better, though not particularly impressive, record on restraining government. But it too has been excessively responsive to lobbies. Its professed concern for the individual and for freer markets can provide ideological armour against powerful interests.

One way to strengthen the arm of those in both Parties who are worried about special interest pressure is the proposal by John Hyde that information about a government's transaction with anyone other than its civil service should become the property of the Parliament at the request of any member. This will help stop most deals with special interests, he argues.

The need to reform government to balance wider public interests against narrow sectional interests should have even higher priority than current concerns with changing the tax mix.
Social Justice Reports
...better ways to achieve Church goals

Two recent church publications, Changing Australia and It's a Rocky Road, raise vital questions for church leaders and laity on the future role of churches in public policy debates.

Unless the churches can improve the quality of their contributions to public debate then their standing will be badly tarnished.

Both these documents were released under the aegis of the Anglican Social Responsibilities Commission, the Catholic Commission for Justice and Peace, the Commission on Social Responsibility of the Uniting Church and the Australian Council of Churches.

Changing Australia deals with a range of issues — from poverty to war and peace, while It's a Rocky Road focuses on the problems of young people.

Changing Australia has been subjected to a devastating critique by churchmen and academics in the publication Chaining Australia — Church Bureaucracies and Political Economy published by the Centre for Independent Studies.

And in this Review, the Rev. Dr. John Williams, an eminent churchman and scholar, argues that It's a Rocky Road is "as useful as gasoline hurled by well-intentioned but ill-informed people onto a raging bushfire".

The criticisms of the two church publications can be summarised as follows:

- the analysis of issues is highly selective in the use of sources and statistics, and further
- this selectivity is biased towards the Left
- the solutions often proposed may exacerbate the problems (e.g. unemployment) highlighted in the documents, and in addition
- the policy proposals often lack a clear Christian perspective emphasising government action rather than the traditional Christian values of the family and individual morality.

The criticisms of Changing Australia and It's a Rocky Road suggest that the social justice commissions of the churches are failing to make a contribution to intelligent discussion and even to reassertion of Christian values in the community.

The churches themselves are, in the public mind, unavoidably being aligned with what are often extremist political positions. It is undesirable from the point of view of the standing of the churches that this continue.

Solutions
A first step should be a recognition by church leadership that there are clear divisions among experts on how to solve critical problems facing the community and further, that Christian theology in itself provides insufficient guidance to the correct course to follow.

For example, unemployment is certainly one of the major problems facing the community. The Left, in proposing solutions, tends to argue for more
government deficit spending, work creation programmes and increased welfare spending.

Market economists on the other hand, maintain that these policy prescriptions are more likely to increase long-term unemployment. Instead, they support reductions in taxes, less government regulation of business and labour markets and measures generally to reduce the power and influence of big unions, big government and big business.

Christian theology cannot answer which prescription — that of the Left or of the market economists — is likely to achieve results. The answer can only come by examining the rigour of the analyses put forward by the two contesting schools of thought.

A stated aim of both Church documents, according to the authors, has been to promote discussion. Yet their very one-sidedness inhibits rather than encourages debate. Documents seeking to stimulate discussion should have reflected the range of expert opinion.

One way to achieve this in the future would be for the public policy documents prepared by the social justice commissions to be examined by a board of experts chosen to represent the range of views on the particular issue being discussed.

Another, and perhaps more effective way, would be for the churches to commission studies from experts, again chosen to represent a range of views, which would appear under each expert’s name. This would avoid the danger of the church being associated with any particular analysis while at the same time encouraging discussion among their laity on issues the churches feel are important.

If the churches wish to contribute to the public policy debate then the time has arrived for them to look closely at the quality of their contributions and the way in which they can best encourage discussion.

Youth Unemployment
...How 50,000 Jobs were Lost

The community looks to Government to deal with the catastrophic results of youth unemployment by providing unemployment benefits and other welfare schemes.

But governments, through public sector employment policies, have been major contributors to the sharp downturn in the youth job market over the last decade.

This is all the more surprising when it is considered that the public sector has been one of the fastest growing areas of employment.

Not only have teenagers failed to share in this growth. In absolute terms their employment by governments has fallen. The Bureau of Labour Market Research, a Commonwealth Government organisation attached to the Department of Employment and Industrial Relations, has investigated the reason for these
employment trends among young people.

The Report (Teenage Employment in the Public Sector: Where Have All the Jobs Gone? by David Kalisch and Alan Stretton) concluded that if the age structure of public sector employment in 1981 had been the same as in 1971, there would have been an additional 50,000 teenagers employed in this sector.

This represents almost 55% of the number of teenagers unemployed in 1981. If these 50,000 had obtained jobs, youth unemployment rates would have been reduced to levels much closer to adult levels.

Many of the jobs formerly held by teenagers were taken by adult females. Female juniors suffered even greater job losses than male juniors.

Why did teenagers lose out in the battle for public sector jobs?

The Report says that increased competition for public sector positions has been the main reason for the declining teenager employment.

Lower relative wages in the private sector may have encouraged better qualified adults to apply for public sector positions.

A number of administrative changes have also enabled adult females to effectively compete for public sector employment. These include the removal of upper age limits applying for some jobs, maternity leave and the removal of the bar to married women being appointed as permanent officers.

Public service employment trends demonstrate the savage effects on youth jobs when young people are prevented from effectively competing with adults.

In effect there is no wage advantage to young people applying for many public sector jobs because typically appointments are made to a position rather than on the basis of wage cost.

Without a wage advantage many young school-leavers obviously find it difficult to compete with adults. Work experience, educational qualifications and other personal qualities, such as maturity, are major factors in influencing employment. The only way many young people can overcome deficiencies in these areas is a competitive advantage based on wages.

There is in fact no incentive for Government Departments and authorities to economise budgets by appointing young people.

The destruction of young people's jobs adds further support to the argument that unless youth wages are such as to provide an incentive for employment, a great many young people will not be employed.

Greater incentives for departments to economise may be beneficial to youth employment.

The economics columnist on the Sydney Morning Herald, Ross Gittins, pointed to another feature of youth employment in the public service. He argued that affirmative action programmes are biased towards the interests of adult women and the more successful these programmes are the more intense the competition for jobs between adult women and teenage girls will become.

<table>
<thead>
<tr>
<th>TEENAGE SHARE OF GOVERNMENT EMPLOYMENT (By State and Territory)</th>
<th>1971</th>
<th>1981</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>9.2</td>
<td>6.5</td>
</tr>
<tr>
<td>Victoria</td>
<td>8.5</td>
<td>5.6</td>
</tr>
<tr>
<td>Queensland</td>
<td>11.9*</td>
<td>7.4</td>
</tr>
<tr>
<td>Western Australia</td>
<td>11.7</td>
<td>5.8</td>
</tr>
<tr>
<td>South Australia</td>
<td>8.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Tasmania</td>
<td>9.4*</td>
<td>5.9</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>5.3*</td>
<td>4.9</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>7.1*</td>
<td>4.4</td>
</tr>
</tbody>
</table>

* BLMR estimates
The EPAC Philosophy
...the March Report is a Key Test

The Economic Planning Advisory Council (EPAC) was set up by the Commonwealth Government after the Summit to provide high quality policy analyses to help in the making of economic policy.

EPAC's first Annual Review of the Economy is due in March next year. An indication of EPAC's approach has, however, recently been provided in a ground-clearing paper Economic Principles and Economic Growth by the Director of EPAC, Mr. Geoff Miller.

The greatest risk to EPAC's credibility and indeed longer term survival, is that its policy work will be distorted by its parentage (the Labor Party Platform) and the circumstances of its birth (the ALP/ACTU Accord and the Economic Summit). Only a vigorously independent approach will ensure the wide respect for EPAC necessary to the effectiveness of its work.

This early contribution by EPAC to the public policy debate is constructive and challenging. But what Mr. Miller's paper does not say shows the difficulties involved in achieving rational policy analysis in the context of the Accord.

The most striking omission is any satisfactory treatment of the role of the trade union movement in the economy, apart from some brief and lop-sided historical references.

No analysis of Australia's policy failure to deal effectively with unemployment and inflation can be considered satisfactory without a careful consideration of the implications of the rigidities inflicted on the economy by the policies of the trade union movement, and sustained by the short-sightedness of the Arbitration Commission.

It would be unfortunate if EPAC were satisfied to pick up the Arbitration Commission's ideology that it is not "realistic" to confront these fundamental issues. (See Professor M. Porter's article on page 128).

The EPAC paper is prepared to take up the important matter of the highly protected and inefficient public sector. (Aspects of this question are discussed by Charles Copeman in his article on page 152). The paper is quite explicit in its recognition of the importance of efficiency in government sector activities to the performance of the economy as a whole. Here it is prepared to recognise the role of interest group activity in producing much of the regulatory web which is entangling business enterprise at the present time.

But in its options for making the government sector more efficient the paper fails to canvass the key option of privatising government commercial and trading activities, despite the fact that this option is the one most consistent with the overall theory of the paper, and it is now being applied with considerable success in other countries.

The paper's argument that there are satisfactory ways of making public sector organisations efficient without subjecting them to market forces is unconvincing and scarcely supported by its own analysis.
EPAC's own institutional interests show through clearly in the excessive hopes it has for the sharing of information, in producing greater trust and confidence between the major institutions in the economy. Political leadership with the courage and the will to use first-class analysis to point the road ahead for Australia is obviously of critical importance.

More disturbing, EPAC sees sufficient "agreement" between certain key interests on the direction of change as "necessary" before changes can be achieved. Given some leeway in how much agreement, and what kind of agreement, is necessary, EPAC comes perilously close to supporting a policy process based on bargaining between the powerful. This is the very policy process which has done so much economic damage to Australia in recent times. (See Professor Arndt's article on page 132).

While agreement on sound economic policy is always desirable, if it can be achieved, sometimes a government dedicated to the public interest must confront vested interests to advance the good of Australians as a whole.

EPAC's Annual Review of the Economy due next March will be credible to the extent that it faces up to all the major problems confronting the Australian economy, not just the politically convenient ones. It will be credible to the extent that it can canvass all the major options currently being debated to make the economy more efficient, and not just a partisan selection. And it will gain respect and support to the extent that in its broad analysis it recognises that Australia is a liberal democracy based on respect for individual people, and not just a collection of powerful interest groups and institutions.

**Public Sector Employment**

...Outstrips market-based job creation

The release early in October of the ABS publication "Employed Wage and Salary Earners" for March 1984, now makes it possible to analyse where job creation has been taking place in the economy.

As the table below shows between July 1983 and March 1984 some 46,000 new jobs were created for Australian wage and salary earners. Some 25,000 (54%) of the additional jobs were in government and a further 12,000 (26%) were in the community services area of the private sector (that is private education and health and other services many of which are heavily dependent on government funds).

Only 20 per cent (9,100) of new jobs for wage and salary earners were in what could be termed the private market sector, broadly speaking those industries whose output is sold in the market place.

The Government makes much of the employment growth to demonstrate its claims of an economic recovery. But despite all the talk about private sector recovery, these figures strongly suggest that the damaging growth of the government and the government-dependent sector continues unabated. Far from being an indication of recovery, these figures are a symptom of a very real sickness in the Australian economy.

### Employed Wage and Salary Earners (000s)

<table>
<thead>
<tr>
<th></th>
<th>July 1983</th>
<th>March 1984</th>
<th>Increase</th>
<th>% of total increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Sector</td>
<td>3412.9</td>
<td>3434.0</td>
<td>21.1</td>
<td>46</td>
</tr>
<tr>
<td>Private Sector</td>
<td>338.8</td>
<td>350.8</td>
<td>12.0</td>
<td>26</td>
</tr>
<tr>
<td>Community Services</td>
<td>3074.1</td>
<td>3083.2</td>
<td>9.1</td>
<td>20</td>
</tr>
<tr>
<td>Public Sector</td>
<td>1630.6</td>
<td>1655.4</td>
<td>24.8</td>
<td>54</td>
</tr>
<tr>
<td>All Employees</td>
<td>5043.5</td>
<td>5089.4</td>
<td>45.9</td>
<td>100</td>
</tr>
</tbody>
</table>
The “Rocky Road”
...stumbling blocks not stepping stones

by Rev. Dr. John Williams

Church Social Justice Commissions have recently released an analysis of the problems of young people in Australia today entitled “It’s a Rocky Road: Young people in Australia”. A Uniting Church Minister, the Rev. Dr. John Williams, argues that the policy prescriptions of “Rocky Road” may well add to the social problems faced by young people.

Moral indignation is a morally ambiguous phenomenon.

On the one hand, a society plagued by social evils occasioning little or no moral indignation is a society in serious trouble. On the other hand, a strong case can be made for the claim of the psychoanalyst Erich Fromm that “there is perhaps no phenomenon which contains so much destructive feeling as moral indignation, which permits envy or hate to be acted out under the guise of virtue”.

Australia today enjoys an abundance of men and women noisily giving voice to outraged feelings of moral indignation.

Certainly, moral indignation is at best a preliminary to moral action. Sadly, the preliminary not infrequently becomes a substitute for such action. Energy which could be directed to redressing social evils can be and often is syphoned off into an orgy of self-righteous, self-indulgent indignation.

Australia today enjoys an abundance of men and women noisily giving voice to outraged feelings of moral indignation. A massed choir of “caring” people sings a well-rehearsed lament over numerous social evils, both real and imagined. The performance is usually warmly applauded and occasionally receives the ultimate accolade: a rave review by a morally indignant “new class” journalist in a “socially conscious” newspaper.

In 1983 this choir was augmented by an ecclesiastical quartet. The Anglican, Catholic, and Uniting Churches’ Commissions on social justice and social responsibility, and the Australian Council of Churches’ Commission on Church and Society published a joint statement, Changing Australia, calling for “far-reaching changes in Australia’s economic and political system”.

This statement was not received with universal acclaim. One economist described it as “spectacularly inept”; another economist, who has published numerous scholarly papers detailing his research on the causes of involuntary unemployment in general and that of young people in particular, noted that the statement ignored such hard data as is available “on the causes of Australia’s experience of unemployment” and projected upon “Australian society and economy (their) own ideology”.

Such critics would seem to have been ignored, being dismissed by one admirer of Changing Australia as nothing more than
manifestations of a hostile “right-wing backlash”. Certainly, the sponsoring Church bodies which produced Changing Australia, are seemingly undismayed. They have produced a successor to Changing Australia, a statement purportedly addressing the situation of young people in Australian society. Entitled It’s a Rocky Road: Young People in Australia, its tenor is indicated by the opening sentence: “Growing up in Australia today is a rocky road”.

The authors’ claims for their statement are relatively modest. The statement is not, they acknowledge, “comprehensive”. It is not “the first or the final word” in the issues addressed. Readers are urged to become “part of the dialogue and part of the action”.

Again, there is much in the statement with which all Christians, and all people of goodwill, would agree. The moral indignation clearly felt by the authors that “more than half of the unemployed in Australia are under 25” is singularly appropriate.

The authors of ‘It’s a Rocky Road’ are utterly defeatist about the reality of involuntary youth unemployment.

Yet descriptions of social evils and expressions of moral indignation in themselves do nothing to rectify social evils. The causes of the evils in question must be diagnosed and remedies for them prescribed.

It’s a Rocky Road fails lamentably in these tasks.

Seven changes

“Seven important changes are urgently needed to address the most serious needs of many young people”. So assert the authors of It’s a Rocky Road.

What are these changes?

- indexation of all unemployment benefits and education training allowances
- extension of eligibility for the full under-18 unemployment benefit to youths aged 15
- supplementation of the under-18 unemployment benefit and secondary allowances by a living-away-from-home allowance, this allowance being equal to the difference between the full unemployment benefit and the under-18 benefit
- extension of the education allowance to young people aged 15 and over, and an increase of these allowances to the level of the under-18 unemployment benefit
- increasing all education allowances paid to those over 18 to the level of the over-18 unemployment benefit
- introduction of a common training allowance for those over 18 equal to the over-18 unemployment benefit
- income-tested education and training allowances for those over 18 on the basis of the young person’s income alone.

According to the authors, these proposals would cost “less than $850 million” per annum. This cost, they concede, is “considerable”. It is, however, “much less than the cost to the government of the tax cuts given income earners in the 1984 budget”.

In essence, the solution to “the most serious needs of many young people” is a further increase in government spending. Additional burdens are to be placed on the shoulders of tax-payers, predominantly families. Welfare payments, already escalating, are to be escalated further.
Most disturbing, the authors of *It's a Rocky Road* are utterly defeatist about the reality of involuntary youth unemployment. Admittedly, they proffer some half-hearted suggestions which will allegedly "produce jobs" and lead to an "expansion of employment opportunities" — the creation of community "work co-operatives", an undertaking by employers to train and develop young workers coupled with an "end to the exploitation" of these workers; an acceptance by unions of such "innovative" approaches to job creation as "shared jobs and part-time employment for those who want it".

Conspicuous by its absence is any discussion of the relationship between youth wage levels and youth unemployment.

Yet what the authors' right hand gives, their left hand takes away. The above strategies for increasing employment opportunities are prefaced by the categorical assertion that "there are no prospects for significant improvement in the job situation in the foreseeable future".

Conspicuous by its absence is any discussion of the relationship between wage levels and involuntary unemployment in general or youth wage rates and involuntary youth unemployment in particular. Unbelievably, one of the most comprehensive economic analysis of youth unemployment undertaken in Australia, the 1983 Bureau of Labour Market Research Report, *Youth Wages, Employment, and the Labour Force* (BLMR Research Report, No.3, Canberra) is not cited, by the authors of "Rocky Road". The proposition expounded in the BLMR Report — that the increase during the early 1970's of youth wages relative to adult wages contributed substantially to involuntary youth unemployment — is not even considered, even though that proposition has been widely analysed by Australian researchers (e.g. "Youth Unemployment", Richard J. Blandy, *Australian Bulletin of Labour*, vol. 5, no. 3, 1979).

The authors' moral indignation occasioned by youth unemployment is entirely appropriate. Their refusal even to make passing reference to a widely held explanation of the incidence of such unemployment is the height of moral frivolity.

The authors of *It's a Rocky Road* need not have perused government reports or mainstream economic journals to have encountered the suggestions that unrealistic youth wage rates inexorably lead to youth unemployment. Any person struggling to keep a business enterprise viable could have told them precisely why more young people are not employed by small business or, for that matter, large corporations.

The "Rocky Road" also fails to deal with the other recommendations made in the BLMR Report aimed at tackling youth unemployment (see below).

Church leaders are entitled to ask why the BLMR Report, which deals so squarely with the issues raised in "Rocky Road", is not even mentioned in its further reading section. If the authors of "Rocky Road" were not aware of the BLMR Report then clearly the text was inadequately researched. If they were aware of the report they are leaving the churches vulnerable to attacks such as those made recently by Paddy McGuiness, Editor of the Financial Review who said:

"If, as is certainly the case, wage levels are a major contributing factor to the
relatively high levels of youth unemployment, then the villains of the piece are not young people or employers, or even governments, but the selfish conspiracy of adults to deny employment opportunities (and the development of relevant work-skills) to the young.

Welfare professionals who care less about the young than about their own ideological commitments are also at fault, including many of the self-styled Christians who confuse ideology with theology”.

**Freeing up youth wages will certainly lift income levels for those now unable to find jobs.**

Seven alternative changes

- **Free up youth wages**

  Anyone seriously concerned about youth unemployment, and certainly all Christians should be concerned, cannot but condemn a system which advantages the skilled and well-organised and inflicts unspeakable hurt upon the unskilled and powerless.

  Former Secretary to the Treasury, John Stone, argues that governments should legislate to free people under 21 years of age from the compass of wage and salary awards within their jurisdiction. The BLMR Report suggests there should be a major enquiry into the level of youth wages, and that arbitral bodies should take into account employment effects when determining the level of youth wages.

  The common thread of these proposals is an attempt to get more young people off the very low level of income support — the dole — and into the workforce. Freeing up youth wages will certainly lift income levels for those now unable to find jobs and may even assist young people already in high productivity areas to earn more. It may reduce income levels for some categories of young people in the workforce. Alternatively youth wages may not grow as rapidly as adult wages. The particular effect on certain categories of youth employment can not always be predicted. However there is little doubt that more flexible youth wage rates will be to the overall benefit of our younger age groups.

  If, by law, the price of a given form of labour is set above that labour’s productive output, employment opportunities simply will not be available. Men and women whose productivity is below the minimum wage level will suffer. Youth most certainly will suffer.

- **Deregulation**

  Christians believe that all human beings are equal in the sight of God and thus enjoy equal moral rights. Laws conferring special privileges upon some to the disadvantage of others are thus an anathema. Similarly, laws which make it possible for powerful unions coercively to prevent non-unionists working at wage levels below the arbitrary and unrealistic levels demanded by some unions, hurt the weak and benefit the strong. The BLMR Report suggested that awards that restrict the proportion of young people working with an adult may merit reconsideration. Changes in such restrictions, the Report argues, may have an important effect on youth employment in some industries.
• **Reductions in government spending**

Most government jobs go not to the unskilled and "marginalised" but to the better educated and more experienced. The BLMR Report pointed out that the numbers of young people employed by governments actually declined, despite the strong employment growth in this sector over the last decade or so.

The jobs in the public sector are in part financed by employment-destroying taxes (e.g. payroll tax) on the private sector where most young people are employed. Cutting back the burden of tax on the private sector would seem to be an essential part of any employment policy.

• **Education**

The poor retention rates in Australian schools have certainly added to the pool of young unemployed. Clearly our schools need to be made more responsive to the wishes of young people — this might encourage more of them to continue with education. One way to provide power to young people is to ensure they have the ability to determine what forms of schooling merits support.

Increased subsidies to non-government schools, educational vouchers, or tax credits are needed if schools are even to know, let alone respond to, the perceived needs of consumers. Christians desirous of schools which reinforce Christian values should be free to send their children to such schools, as should other groups in the community holding to particular values.

• **Responsibility**

The word "responsibility" is used in "Rocky Road". The reality signified by the word is undermined by the authors' acceptance and advocacy of the notion that particular groups within the community have some "right" to cannibalistically live on other people. The family, struggling to make ends meet and provide for the needs of its own members, is obligated not merely to fund the plethora of benefits made available to single parent families, but to provide for young people who allegedly have a "right" to financial independence. One might have hoped that Church organisations would have reminded young people, and, indeed, the entire community of the lost dimension of social life called responsibility.

The authors of "Rocky Road" are seemingly reticent to refer to traditional moral values.

• **Family Support**

For most individuals, the family is the primary source of identity and emotional support. Indeed, one would have expected that many of the problems of youth pointed to in "Rocky Road" might have their solution in secure, proper functioning families rather than in further extensions of the welfare system. Measures to strengthen the family should have been the focus of policy proposals in "Rocky Road".

By adding to the tax burden carried by most families, and by handing over to government even more of the functions once fulfilled by the family, the policies advocated in "Rocky Road" contribute more to the problem Australian families face than to any solution to that problem.
Values

The authors of “Rocky Road” are seemingly reticent to refer to traditional moral values. The “removal of whatever obstructs ... the full human development of young people” is demanded without any serious consideration of what, given limited resources, this might cost other sectors of the Australian community. A society within which competing special interest groups engage in political battle to secure a larger share of existing wealth is apparently deemed to be in accord with Christian values. The question as to what form of social co-operation best enables people to co-operate so that wealth is produced has not even been asked. Astonishingly for Christians the duties of children to parents or of parents to children are ignored.

Conclusion

It's a Rocky Road underscores some genuine social evils, but studiously ignores serious studies addressing the causes of these evils and suggesting strategies for attacking these causes. It is strong on moral indignation, but weak on painstaking thought. Indeed, the solutions it proffers to the problems facing young people in Australia are as useful as gasoline hurled by well-intentioned but ill-informed people onto a raging bushfire.

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Full Employment Should be Legalised

..., Some pointers from overseas

by Professor Michael Porter

Australia has one of the most highly regulated and institutionalised labour markets in the world. Unless we take steps to introduce more flexibility we may well become the poor white nation of the Pacific in the next century.

It might seem over dramatic to suggest full employment is illegal. Yet it can reasonably be argued that full employment has ceased to be legal given the sanctions of the Arbitration Commission.

Full employment has ceased to be legal given the sanctions of the Arbitration Commission.

There are in fact many and varied profitable opportunities for employing people in what would constitute new jobs by providing new services and training opportunities in our community, but at wages below existing awards, or on contractual bases which are not allowed.

In the 1980s for example, real wages of the sort paid to young people in the 1950s and 1960s are simply illegal; our children are thus denied many and varied work experiences.

In any move to liberalise the Australian economy, the labour market arrangements should be the first to change if we are to fully employ our workforce, restructure our economy and generally ensure that our human and other resources are used to the greatest advantage of all.

The current rigid set of labour market practices locks us into particular sets of products and particular forms of protection policy, and locks certain classes of workers out of jobs. Under such circumstances we certainly shall start to become the poor white nation of the Pacific.

Employment practices in the rapidly growing nations of the Asian and the Pacific Region provide some guide to policies which could benefit the Australian economy.

Decentralised Wage Bargaining

A major point of contrast between Australia and her Asian-Pacific neighbours is the centralisation of our wage system and the difficulties this poses for any industry which wishes to expand and pull workers out of declining areas. Centralised wage fixation and the absence of legally enforceable labour contracts are perhaps the major obstacles to restructuring the Australian economy.

It would be remarkable if a few men in a smokefilled room, be it in the Arbitration Commission or any other location, could come up with labour market arrangements appropriate to a wide diversity of industrial situations, which could create incentives for labour market efficiency, and which would create some sense of equilibrium across industries.

The virtue of decentralised bargaining is that economic power, the forces of supply and demand, brings about adjustments in
relativities thereby sending signals to the labour market. The Arbitration Commission simply has no way of processing all the relevant information generated in labour markets and all its microcosms, and therefore no way of matching supply with demand at the micro level. While over-award payments are a possibility such ‘flexibility’ is of limited value in a situation in which real wages have been driven up far too high across the community.

In the case of juvenile employment, for example, there are, as mentioned above, a wide range of jobs which would currently be performed were it not illegal to employ persons say at 50 percent below the minimum award wage. While apprenticeship arrangements are approved, and thus while we may see long queues of juveniles wishing to gain an apprenticeship scheme at a significant discount in earnings relative to the regular award, we somehow suppress such opportunities when there is no explicit apprenticeship arrangement.

The Arbitration Commission has no way of processing all the relevant information generated in labour markets.

One possibility is for an employer who can freely negotiate employment with a young worker to pay a below the award rate and then at the same time file a statement claiming that the job will involve training experience analogous to an apprenticeship. Were there such mechanisms available, they would facilitate increased training and employment, would lower the general real wages of juniors, and I believe would foster a long term shift back to full employment in this country.

Bonus Systems

In Japan and South Korea, there has been widespread use of bonuses for example. It is not uncommon for 50 percent of factory employee remuneration to be discretionary and related to profits and output. When times are bad such bonuses can be reduced or even cut off, or made conditional on retraining, creating a degree of flexibility in real labour costs unknown in Australia.

The lure of high bonuses tends to attract good workers to profitable industries thereby effecting a more efficient utilisation of labour. Bonus systems are found to work well at the executive level, notably in the United States. In some firms in Australia they have been a common practice for decades.

One aspect of liberalization in our labour market, then, might be to contemplate shifts towards bonuses, thereby increasing the possibility for adjusting relativities and moving away from a centralised system of fixing wages.

Enforceable Contracts

In the United States there can be protracted strikes regarding new contracts, e.g. in the airline industry, but these are then followed by long periods of industrial peace which are guaranteed by the penal provisions in the labour contracts, provisions which are enforced. In recent years, commentators as diverse as (the now Prime Minister) Bob Hawke and Rupert Murdoch have both endorsed a change towards enforceable labour contracts.

We have an arbitration system which issues new awards which are unenforceable should they be broken by the unions but enforceable if broken by employers. This asymmetry in the obligations on management and labour in Australian industrial awards would appear to be a significant difference between Australian labour conditions and those in the Asian-Pacific region.
In defence of our labour market arrangements there will be those pointing to the poor labour conditions in countries around the Asian rim as if low external wages justify a threat, or a rationale to artificial domestic wages. Here it is more important to note not so much relative real wages, (although they are starting to look attractive in the case of countries such as Korea, Japan, Malaysia and so forth) but rather the rate of increase of real post-tax wages and incomes in those countries, which appear to be rapidly outstripping Australia and European countries with similar rigidities.

If we can shift towards enforceable contracts and rational labour market incentives, this will enable businessmen to plan on a more predictable basis, to make long term investments, and thereby to generate the very profitability which is the stuff of higher real wages. Again, as in many other fields, Australian labour market arrangements appear to put the cart before the horse, increasing real wages before real profitability, and unemployment before employment.

**Equity Incentives**

If we are to compete successfully in the years to come, then we will need to move away from wage-type systems towards bonus, equity and other arrangements, which bring management and labour together. Firms in dire straits often have the alternative of sacking workers or cutting their wages.

Another alternative which has recently been used (e.g. in the United States airline industry) involves paying workers part of their wages in the form of shares, which may or may not involve voting rights, but which will be of real value, and involve capital gains if the firms pull through.

Incentive arrangements, when they are in the form of equity or through other devices, are well tried and trusted overseas, and there are many such arrangements in Australia.

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**Currently awards are unenforceable should they be broken by the unions but enforceable if broken by employers.**

Perhaps the most notable example in recent times relates to the pilots of Peoples Express, the airline which now flies 747s to England after a very few years in the business. Pilots in Peoples Express were paid wages of less than half those with United Airlines. Instead they received equity payments and many are now millionaires!

**Tenure, Public Service and Academia**

A very large percentage of the Australian workforce, perhaps higher than our Asian-Pacific neighbours, have life-time security in either the public service, academia, or other publicly funded institutions. Apart from placing pressure on the private sector to match conditions of employment, the very fact of tenure creates a lower level of efficiency, induces the smart members of the workforce to aim for ‘excellence in public sector performance’ rather than design a better mousetrap, and generally encourages the people to look to government rather than to their own initiative for profitable employment.

The best and brightest students in countries in which there are a large number of tenured governmental jobs are often encouraged to join the government rather than private industry. While there is abundant evidence that security can be used as an incentive and while this has been achieved effectively in Japan, for example, it is usually in the context of other bonus schemes and other mechanisms which can have the effect of maintaining flexibility and profitability. It would not seem appropriate to compare the tenure...
arrangements in the Australian Government with those which apply in Japanese industry given that ultimately Japanese industry must pass the profit test.

Superannuation
A characteristic of public sector employment, superimposed on tenure, is that there tend to be very generous superannuation schemes for the likes of postmen, public servants and professors, such that workers are reluctant to leave employment because of loss of benefits and lack of portability. These often generous superannuation arrangements, in combination with such bonuses as Christmas loadings, four weeks annual leave, maternity leave, paternity leave and so forth, are yet further examples of differences between Australia and her Pacific neighbours.

The above points summarise a wide range of characteristics of the Australian labour market as distinguished from those of our Asian and Pacific neighbours.

Market Based Job Creation
If Australia is to fully and productively employ its labour force we must remove the legal obstacles to market-based job creation. Full employment must be legalised. We must take notice of the use elsewhere of incentives such as bonuses and profit sharing; since there is a dire need for strategies which take management and workers out of a conflict situation.

What we need is a combination of deregulation and the imaginative use of employment contracts with appropriate incentives.

The first act of deregulation could profitably be amendment of Section 48 of the Conciliation and Arbitration Act, so that any person unemployed for a significant period of time, say three months, may receive automatic exemption from the wages provisions of the Commission's awards for some period, say two years. Pending this reform, progress would be made were some unemployed person(s) to present a case to the Commission seeking exemption under Section 48, on the grounds that they are "unable to earn the minimum wage so prescribed" by the Commission, and that their unemployment experience testifies to their inability to earn the prescribed minimum wage.

A very large percentage of the Australian workforce have life time security in either the public service, academia, or other publicly funded institutions.

\[\text{Section 48 Power to provide special rates of wages (Conciliation and Arbitration Act 1904)}\]
Where the Commission, by award, prescribes a minimum rate of wages, the Commission may provide for the payment of wages at a lower rate for an employee who is unable to earn the minimum wage so prescribed, and in that case the Commission shall provide that the lower rate shall not be paid unless a person or authority specified by the Commission has certified that the employee is unable to earn the minimum wage.
The power of organised sectional interest groups is contributing to high levels of unemployment in Australia.

Previous articles in the IPA series on unemployment have identified the main factors contributing to the serious unemployment problem of the 1980s. Among them are:

- Excessive demands by trade unions for higher wages and fringe benefits for the employed at the expense of the unemployed.

- Social Welfare provisions for income maintenance which have reduced pressures on the unemployed to accept less attractive employment offers.

- Minimum wage legislation for female and juvenile workers which has made it difficult for both these categories to compete for jobs in the labour market.

- Diminished international competitiveness of many Australian manufacturing industries, largely due to protectionist policies which have put off the need for adjustment to changes in comparative advantage.

A point which previous articles have not brought out is that all these factors, in various ways, reflect two interrelated features of our society, features which Australia shares with most Western societies, but exhibits in a degree matched only by Britain and New Zealand.

Pressure groups
One is the power which organised sectional interest groups have attained under the mantle of political democracy. Twenty-five years ago, Professor J.D.B. Miller described Australia's political institutions as designed to serve the interests of what he called "syndicates" — the tariff board for manufacturers, marketing boards for farmers, the arbitration court for trade unions.

Since then a host of new special interest groups have sprung up, ceaselessly pressuring governments for assistance. Professor Mancur Olson has recently pinpointed these features as characteristic of nations in decline. Their relevance to the unemployment problem is the power attained by trade unions as the lobby of the employed and the higher taxes necessary to meet the demands of particular interests.

A host of special interest groups have sprung up ceaselessly pressuring governments for assistance.

The other feature is protectionism, not only in the narrow sense of protective tariffs on imports, but in the wider sense of cushioning any and every one against the impact of economic change. Professor A.D.B. Fisher in the 1930s in his book "The Clash Between Progress and Security", pointed to this as an attitude endemic in Australia and the greatest threat to rising living standards.
The shorn lambs to whom the winds of economic change are tempered are not only farmers and manufacturers unable to compete with more efficient foreign producers, but workers in industries overtaken by technological change, and all those disadvantaged groups — unemployed, old and young, members of ethnic minorities and others — whose needs are held to justify income maintenance or welfare services in kind by the State.

The unemployed problem is so intractable because these two features of our society, which are at the root of it, are part of the national ethos. The right to organise to defend or promote sectional interests by lobbying and, if necessary, by direct action, and the right to be protected by the state against import competition, technological change, or any other adverse economic circumstances, both of these enjoy the tacit support of the great majority of Australian public opinion — and, with half our minds and in some degree, all of us. Since abandonment of either right is unthinkable, and the suggestion that they are responsible for large-scale chronic unemployment too uncomfortable, the usual reaction is to reject the explanation. Unemployment, then, it is argued, must be due to other factors — such as “monetarist” policies.

Trade unions

It may be objected that both these features of Australian society have been in evidence in some degree for decades, if not generations, right through the period of full employment from World War II into the 1970s. How then can they be blamed for the unemployment problem that has emerged since 1975? The answer lies partly in this very period of full employment. For, by giving rise to chronic and gradually accelerating inflation, it made all economic behaviour much more sensitive to inflationary expectations. It is this fact, primarily, which has rendered the Keynesian solution no longer effective.

The power of trade unions has grown inexorably to the point where no sanctions to enforce legal contracts or awards are available.

Increases in aggregate spending promoted by expansionary money and fiscal policies now tend to raise wages and prices rather than output and employment. In addition, and partly for the same reason, the power of trade unions has grown enormously and inexorably, to the point where no sanctions to enforce legal contracts or awards are available and the ACTU is virtually conceded a veto power over economic policy. In the welfare climate of recent decades, also, wage-fixing tribunals have given ever more weight to “needs” rather than “capacity to pay” criteria.

What, then, can be done? One solution is that adopted in the communist countries: to declare unemployment illegal. In the Soviet Union no one is (officially) unemployed because anyone can be compulsorily drafted into work of some sort. In China, unemployed are labelled “vagrants” and dealt with as criminals. We can take it that this solution is not acceptable in Australia.

The Hawke Government’s strategy is a moderate version of Keynesianism buttressed by incomes policy: deficit financing through increased government spending and tax cuts and a “prices-incomes accord” to prevent excessive inflationary consequences. The strategy has a certain surface plausibility but the cracks have already begun to show. Unions although more or less adhering to the accord on wages are concentrating their demands on fringe benefits which just as certainly raise unit labour costs, and the
budget is this year kept within tolerable bounds only by the “once-for-all” income growth due to the ending of the drought and the US recovery.

It is, unfortunately, almost certain that the strategy will fail — with adverse effects on rising interest rates and renewed inflation outweighing any favourable indirect effects of government spending on private investment and employment, because the strategy does not, and cannot, tackle the fundamental problems.

What other approaches are possible? A variety of measures can alleviate unemployment. Some have been mentioned in previous articles in this series. Wage subsidies in the form of cuts in payroll and PAYE taxation could give once-for-all help by reducing the real cost of labour, as Professor Dixon has suggested. Repeal of minimum wage legislation and awards for juvenile and female workers would reduce the particularly heavy incidence of unemployment among these groups by allowing them to accept employment where it is available at lower wages.

More generally, as Professor Blandy has argued, anything that reduces the extreme inflexibility of the labour market which has resulted from Australia’s system of centralised determination of wages and conditions of work, with its built-in rigidity of relativities would reduce unemployment. So would any policies which facilitate the capacity of the economy to adapt to technological change and to changes in Australia’s comparative advantage, above all a determined stand against protection which eliminates the incentive to adapt.

Repeal of minimum wage legislation for juvenile and female workers would reduce the particularly heavy incidence of unemployment among these groups.

But if my general thesis is correct — and there is nothing very original about it — no single panacea will solve the problem overnight, or even from one election to the next. Its dimensions will be reduced only gradually to the extent that Australian public opinion is led to modify deeply ingrained attitudes inherited from the past. In the meantime, income support to relieve distress and work creation schemes to maintain morale are inescapable. But we should not delude ourselves into thinking that they solve the problem.
Attacking Excessive Regulation
by Senator Alan Missen

Over the last twenty or thirty years in Australia, there has been a mushrooming of regulations affecting not only industry and commerce but many other aspects of life. Senator Alan Missen looks at how Parliament can start tackling the problems of excessive regulation.

A report published by the Confederation of Australian Industry "Government Regulation in Australia" provides a useful definition of regulatory activity:

"(It) means action taken by governments, whether under the authority of statute or as a result of administrative practice; which has the effect of controlling prices; entry into, or exit from, the market place; product standards and patterns of distribution and other significant aspects of activity in the market place".

Cost of regulation
The extent of this growth in activity is well set out in the Report but it must be remembered that the investigation dealt only with the regulatory activities of the Federal Government. It did not deal with the States where the major source of regulatory activity takes place.

The reality must be faced that the Australian economy is in its most important aspects a regulated economy. The study indicated that there had been an increase in regulation-making over a period of two decades of some 62 percent.

The reality must be faced that the Australian economy is, in its most important aspects, a regulated economy. Writing in 1982 Volume of the University of New South Wales Law Journal, Dr Allan Fels argues that the Australian economy is not:

"a preponderantly free enterprise economy, in which the great bulk of goods and services are provided in response to demand, local or foreign — not at least in the traditional sense of such an economy, one in which "normal market forces" determine the direction of resources. It is riddled with controls and interventions, quotas and fixed prices, subsidies and barriers to competition. Above all, it is in most important respects a planned economy — although it may not seem so because the "planning" which takes place is chaotic".

Need for Parliamentary control
It is important to recognise these facts. It is not going to be easy merely to eliminate controls and abrogate various regulations without careful study of the consequences. What is more important is to determine the areas in which immediate action should be
undertaken. Small business is in a weaker position to cope with extra paper work than the larger corporation, whether private or public. There is no doubt that excessive regulation can be quite disastrous.

It is important that we separate the areas in which regulation is desirable from those in which it can be avoided. It is necessary to determine better methods whereby the soundest form of regulation is chosen. It is necessary to face up to conflicts between different regulatory policies, for example, between environmental protection and energy conservation, and to realise that these aims are not necessarily in conflict.

It is also necessary to put in place methods whereby regulatory activity is brought firmly under Parliamentary control, assisted by expert opinion and subject to regular review.

Australia follows somewhat closely the Westminster pattern, whereby most regulations are made by Ministers after receipt of bureaucratic advice but with very little public input. They are usually tabled in the Parliament without much warning. There is no system of pre-publication or public comment being obtained from parties affected. Little or no opportunity is provided for persons affected to be heard, to have an opportunity of arguing for alternative forms of regulation or for none at all. There is very little done by way of cost/benefit analysis or impact statements before the promulgation of the regulation which may seriously affect an important industry or operation in Australia.

Even control or review of regulations by Parliament in Australia is essentially of a negative nature. Very few regulations require the affirmative vote of the Parliament. Both in the Commonwealth and in the States, there are provisions requiring a tabling of regulations in the Parliament and methods whereby a House of Parliament (sometimes both Houses) may be able to "disallow" or terminate the operation of the regulation.

The problem in Australia is that the scrutiny of regulation takes place after the event.

Moreover, regulations usually come into operation and start impinging on business activity from the moment of their promulgation. It may be some months before they are "disallowed". Consequent disruption can often be quite damaging. Except in Western Australia, Parliaments have no power to amend regulations.

Public discussion needed

The problem in Australia is that scrutiny of regulation takes place after the event. As we will see in discussing North American developments, there has to be prior activity also by putting in place a system of notice and comment, enabling the public and business users to have input into the making of regulations.

Furthermore, existing scrutiny committees are limited to a very small number of criteria under which they operate. They are basically criteria requiring them to look at questions of civil liberties affected by the regulation, excessive power given to Ministers or officials, inadequate rights of review and the possibility of regulations being "ultra vires" or beyond the power granted by the Act of the Parliament. They do not involve investigation of the merits of the regulatory activity proposed.

Failure of Parliaments, through their Committees, to examine regulations on their merits is a major disadvantage and weakness in regulatory control in Australia. More advanced proposals, particularly in
the United States of America, call for extensive input by interested parties, and also for cost/benefit analysis of the proposed method of regulation and an opportunity for reports on those subjects to be challenged by citizens before the regulation is actually made. This method has not been applied except in a few rare cases in Australia.

There is also a general lack of administrative accountability to Parliament. This applies particularly to the way in which regulations are implemented over many years, to the question of the review of their continued relevant application, and their possible termination either by sunset legislation or by a regular “agenda” for review of regulations in existence.

We are accumulating controls which may no longer be necessary.

Circumstances under which a regulation operates will change drastically over the years. In Australia we are accumulating controls which may no longer be necessary or where the method of control should now be thoroughly revised in the light of objectives of efficiency and fairness. We have no inbuilt methods of doing this.

U.S. proposal
The proposed Regulatory Reform Bill currently before the U.S. Congress provides a useful framework for rule-making which could be applicable to Australian conditions.

In the report of the Judiciary Committee to the U.S. Senate on the Bill, the Committee concluded that there were three serious problems which needed to be examined and which the Bill sought to overcome. In the first place, examination of regulatory activity raised serious questions about the effectiveness of agencies in achieving their statutory goals. Secondly, the dramatic economic costs of regulation suggest that the USA may be expending its limited resources on uncertain regulatory remedies for various problems at a significant human cost, by depriving other vital interests of these resources. Finally, defects in the legal framework under which agencies exercise their power compound the problem and indicate that rule-making was falling short of the standards of fairness which should apply.

The significant features of the Bill are as follows:

- The system proposed will apply only to “major rules”. These are defined as rules which are likely to have an annual effect on the economy of $100 million or more in reasonably quantifiable direct and indirect costs, have a substantial effect on costs and prices, and have significant adverse effects on competition, employment, investment, etc. (If applied to Australia, a much lower limit would be required).

- Public notice of the proposed rule must be given, setting out the objectives of the rule, its source of authority, and seeking proposals for alternatives from the public, interested parties and from State and local governments. Interested persons are given sixty days to submit written comments.

- There are provisions, which in the case of major rule-making require oral presentations and cross-examinations, where needed, to resolve central factual issues.

- The agencies are required to review their “major rules” every ten years to determine if they should be revised or withdrawn.
• The Bill authorises the President or his nominee to establish and ensure implementation of procedures for regulatory analysis.

• It requires agencies to publish a semiannual agenda and calendar of regulatory actions and to set regulatory deadlines.

Other countries have done a lot more than Australia in ensuring there should be greater public participation and scrutiny of regulation making.

With some exceptions, only major rule-making is subject to such regulatory analysis. However, its major value is the greater opportunity which individuals and companies, affected by rule-making, would have to present their cases before the regulation comes into operation. Indeed, before the regulation does operate the agency must publish it in the Federal Register, together with a concise statement of the basis and purpose of the rule and when it will become effective (which cannot be sooner than 30 days).

Conclusion

Other countries have done a lot more than Australia in ensuring there should be greater public participation and scrutiny of regulation-making. The problems of the cost of regulatory activity and investigation of alternative courses of action have slipped from the control of Parliament. This can and should be remedied.

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Government Expenditure Targets Should be Stated

The IPA believes that a commitment to a specific expenditure target would provide convincing evidence of each party's willingness to reduce the burden of tax and cut the deficit.

As part of their election platforms, Mr. Hawke and Mr. Peacock should be prepared to state their proposed government expenditure targets for the next three years.

Expenditure targets could be stated in terms of annual real growth of outlays during the life of the next Parliament.

The tax and borrowing requirements of governments depend ultimately on total expenditure plans, and overall estimates of these expenditures are noticeably lacking from party platforms.

Expenditure targets are entirely practicable and indeed would greatly improve the rationality of the budgetary process.

Even in the short term tight expenditure controls can dramatically reduce the government tax/borrowing requirement.

The IPA believes that the Parties should commit themselves to an average real expenditure growth of no more than 2 percent per annum over the next three years.

Ideally the expenditure target should be significantly less than this figure. Nevertheless, a 2 percent real average annual growth would represent a vast improvement over the average of 6.8 percent real growth in the last three Commonwealth budgets.

Expenditure control

The Party which is prepared to make the strongest commitment to expenditure containment will be the most credible on tax and deficit policies.

It is not often realised that even in the short term tight expenditure control can dramatically reduce the government tax/borrowing requirement.

Every 1 percent growth in total expenditure adds roughly $600 million to the tax/borrowing requirement.

A government that contains expenditure growth to an average of 2 percent (real) per annum over the next three years, would have, in the third year, a tax/borrowing requirement of some $4000 million less than the requirement of a government which recorded a 4 percent (real) average annual growth in expenditure. This is equivalent to a personal income tax cut of more than $11 a week for each taxpayer.

A 2 percent target is certainly achievable. As the table shows, this is marginally below the figure achieved by the Fraser Government.

Provided there is now a more determined attempt at expenditure restraint, a lower target could be achieved.
An expenditure limit gives certain political advantages to a government in dealing with special interests.

Both political parties are talking about tax reform. There is a natural public scepticism that changes in the tax mix are simply a way of raising more revenue. These fears will not be allayed by generalised undertakings. A specific expenditure target is therefore an indispensable supplement to any tax reform package.

Political advantages

It would give confidence to private enterprise that government is not going to continue to crowd out private activity.

It will encourage a much more realistic concentration on priorities within Government departments. In view of the limitations on funds available far more emphasis would have to be given to promoting efficiency and restructuring within the public sector.

The expenditure limit also has certain political advantages to a government in dealing with demands from special interests. Where spending is open-ended the incentives are great for pressure groups to press very hard for more funding. The failure to get more for themselves while others succeed often leads to bitterness and resentment of the government.

Where a stated spending limit exists a negative decision would be much easier to justify and have the healthy effect of encouraging claimant groups to examine closely their own priorities.

A willingness by Mr. Hawke and Mr. Peacock to state explicit expenditure targets would contribute to a more honest election campaign and better government.

| COMMONWEALTH OUTLAYS |
|-------------------|-----------------|-----------------|
| **Government**   | **Year**        | **Real Increase** |
|                  |                 | **in Budget     |
|                  |                 | **Outlays (%)** |
| Whitlam          | 1973/74         | 5.6 (average   |
|                  | 1974/75         | 19.6 (3 budgets) |
|                  | 1975/76         | 5.2 9.9% p.a.  |
| Fraser           | 1976/77         | -0.8           |
|                  | 1977/78         | 2.5            |
|                  | 1978/79         | 1.6 average    |
|                  | 1979/80         | -0.5 (7 budgets) |
|                  | 1980/81         | 3.4 2.2% p.a.  |
|                  | 1981/82         | 2.6            |
|                  | 1982/83         | 6.5            |
| Hawke            | 1983/84         | 7.7 average    |
|                  | 1984/85(a)      | 6.1 (2 budgets) |
|                  |                 | 6.9% p.a.      |

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Referendum Proposals

...a reply to Professor Lumb

by Senator Gareth Evans, Q.C.

Professor R. D. Lumb, in the Summer issue of the Review, argued that there are serious deficiencies in some of the proposals which were to have been put to referendum last February. For the present, the Government has decided to proceed with only two of those proposals, not, I hasten to add, because it believes the others are deficient, but because it intends to hold the referendums in conjunction with the next election and to put five proposals at that time would impossibly complicate the issues.

The balance of the February proposals are being kept under consideration for putting to referendum at a later date.

Given this revised referendum program and the limitations of space, I wish to take issue with Professor Lumb only in relation to his criticism of the proposals which I reintroduced into the Parliament on 13 June, 1984, that is, Simultaneous Elections (which is a result of a Senate Amendment, is now formally called Terms of Senators) and Interchange of Powers.

Terms of senators

The Terms of Senators Bill alters Senators’ terms from 6 years to two terms of the House of Representatives and provides for half-Senate elections to be held at the same time as elections for the House of Representatives.

Professor Lumb makes two main criticisms of this proposal. The first is that its implementation would mean that the discretion of State Governors to issue writs for Senate elections in their States at particular times decided upon by State Governments would be eliminated. He believes that this change would adversely affect the structure of the Senate as a State’s House and instances the ‘so called Gair affair’ in 1974 when the Queensland Government was able to avoid the circumstance of a sixth Senate vacancy being filled by election.

In fact, the elimination of the State Governors’ discretion to issue writs for Senate elections will have very little practical effect, given the practice that has developed to govern the exercise of that discretion and the adoption in 1977 of the constitutional alteration on the filling of Senate casual vacancies. Since that amendment the ‘Gair affair’ argument has become irrelevant because it is no longer possible to affect the composition of the Senate by the timing of election writs.

In relation to constitutional practice, Dr. Cheryl Saunders and Mr. Ewart Smith, in their paper prepared for Standing Committee D of the Australian Constitutional Convention write, “There is a well-established practice that, at the request of the Governor-General, State Governors will issue the writs in time for an election to be held on an agreed date. The Summary of Commonwealth Election and Referendum Statistics 1901-1975 shows that since 1903 writs for Senate elections have usually been issued on the same day or at least within approximately one week of each other, and always in time for the ensuing election to be held on the same day”. The authors then note the situations


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in 1974 and 1975 described by Professor Lumb.

In 1983, a clear majority of delegates to the Adelaide meeting of the Constitutional Convention rejected the possibility that the discretion could properly be exercised in a manner designed to interfere with the Commonwealth's plans for a Senate election. The following statement of the practice in this area which should be observed as a convention in Australia was adopted by the Convention by 46 votes to 34:

"(33) State legislation and executive action for determining the times and place of Senate elections pursuant to section 9 of the Constitution is co-ordinated with the comparable legislation and executive action of other States and with the electoral laws of the Commonwealth. The dates (being the same for all States) for receipt of nominations and polling in Senate elections are settled between the Governor-General and the State Governor, acting on the advice of their respective Governments. Suitable dates are first proposed by the Commonwealth and are adopted in formal advice to State Governors unless they are unacceptable in one or more States. A State Government does not refuse to accept suggested dates except on the basis of a sound practical objection to the convenience of the dates. The Governors issue writs for Senate elections pursuant to section 12 of the Constitution in time for the elections to be held on the agreed date."

Thus, the proposal to make the issue of writs by State Governors mandatory (to ensure that the synchronization of House and Senate elections is maintained) will not in fact detract from any significant power that the States can at present properly exercise.

Professor Lumb's second criticism is that the change is one of political convenience which will enable a government "to escape the verdict of the people at a half-Senate election." This implies that elections for the two Houses should take place at different times although the Constitution contains no such requirement, and prior to 1953 all but one of the twenty national elections involved both Houses.

Moreover, a separate half-Senate election cannot change a government but it can increase the chances of conflict between the two Houses. It is my firmly held opinion that a proposal which ensures that the people's will is reflected simultaneously in both Houses will provide a more satisfactory electoral basis upon which the government of the country can proceed. Under the present system the composition of the Senate at any given time is not necessarily a particularly accurate reflection of the current wishes of the people. This is because, under the present s.13, the term of all senators commences on a fixed date (1 July) which means, for example, that the senators elected at the October 1980 election did not assume office until July 1981, while the defeated senators continued to serve until that date.

In an attempt to buttress his argument, Professor Lumb asserts that there is a provision (in the 1983 Bill) to the effect that the present half-Senate election due by July 1985 may be postponed to June 1986. The provision he is talking about was simply a practical transitional provision which provided that if a senator's term of service had been due to expire on 30 June 1985, after the commencement of the new provision, it would expire on the expiry or dissolution of the current House of Representatives. That Bill was of course, not put to referendum in February as

* ibid. Voll pp.244, 245.
planned. In the 1984 Bill there is no such transitional provision.

Professor Lumb has neglected to point out any advantages of the Terms of Senators Bill. By reducing the number of elections it will allow governments to get on with the job of governing, as well as minimising inconvenience to electors and significantly reducing the cost to taxpayers.

At present, a separate half-Senate election costs approximately $21.8 million and a separate House election $23 million. Thus, the total cost of separate elections for the two Houses is at present $44.8 million. If simultaneous elections are held, the total cost reduces to $27 million. This means that the extra cost to the taxpayer of a separate half-Senate election is a staggering $17.8 million.

Since the Second World War, the pattern of federal elections has become increasingly irregular and frequent and in the last 20 years elections for the two Houses have become chronically out of phase. Of the 11 elections in that period only 2 were combined elections; the remainder consisted of 3 separate House elections, 3 separate half-Senate elections and 3 double dissolutions. Following the Fraser Government's February 1983 double dissolution, the terms of the two Houses are again out of phase and if this situation were permitted to continue, 7 separate elections would be due in the next 10 years. Elections at this frequency, coming on top of State elections, are disruptive of social and political life and make it extremely difficult for governments to undertake proper economic planning.

Another important advantage of the proposal is that it will provide greater accountability of the Senate because at least half the Senate will have to face the electors if the Senate's actions lead to a premature House of Representatives election.

Interchange of powers

The Constitution Alteration (Interchange of Powers) Bill clarifies the operation of s.51(XXXVII) of the Constitution which empowers the Commonwealth Parliament to enact laws with respect to matters referred by the States. It also allows, for the first time, the Commonwealth to 'designate' its exclusive powers, thereby making them available to the States, subject only to provisions such as s.92, by which the States are already bound. Once designated a power is available to all the States on an equal basis.

This is a very constructive measure. It creates a framework which has considerable potential to facilitate greater co-operation between the Commonwealth and the States in the interests of the public. It received unanimous endorsement at the Adelaide meeting of the Constitutional Convention and indeed, the proposal has been developed and refined over a decade by the Convention. In 1976, the then Premier of Victoria, Mr. Hamer, said that the proposal was the Convention's "...greatest single chance of achieving a really important change in the Constitution which will at one stroke give it a flexibility and responsiveness it does not yet have, and an ability to deal with situations as they arise, without any of the partners — Federal or State — surrendering any of the powers or discretions they now have."

Professor Lumb focusses only on the Bill's potential application in relation to fiscal powers. He dismisses it as a "mere tampering with the (fiscal) system" and says that "a fundamental reappraisal of Commonwealth and State powers of finance raising and spending" is necessary. It may well be that such a reappraisal is necessary but that is a much longer term project which may require a number of changes to the Constitution.

It is not a sound reason for dismissing a practical proposal with wide political support which is not in any case exclusively directed to solving fiscal problems. Certainly, designation to the States of the Commonwealth power to impose excise duties is a very significant area of the Bill's
potential application but it is not the only one. The proposal may also be used to overcome jurisdictional problems confronting State and Federal Courts and in such areas as family law, insurance, defamation, Commonwealth places and industrial relations.

Moreover, the question of State fiscal powers has been under examination by a sub-committee of the Constitutional Convention since the Adelaide meeting. The sub-Committee's report, which will be considered by the next plenary meeting in Brisbane in mid-1985, includes a recommendation that use be made of the interchange proposal — at least as an interim measure — if that proposal is implemented in the near future.

It should also be understood that a designation of the power to impose excise duties under the interchange proposal could be modified or reversed if it produced undesired or unexpected effects on the management of the economy. This flexibility means that the proposal is far more realistic than the rather vague nostrums for fiscal maladies advanced by Professor Lumb. From the point of view of those who genuinely seek more fiscal independence for the States, it would be a tragedy if this proposal were rejected on the basis that it may not be the panacea sought by Professor Lumb.

* * *

Professor Lumb replies

The Simultaneous Elections Proposal

The difference between the Attorney-General and myself lies in our perception of the role of Upper Houses, particularly the Senate.

The "simultaneous elections" proposal, now entitled the "Term of Senators" proposal, is favoured by Senator Evans because it would tend to bring about a state of affairs where the party composition of the House of Representatives is reflected in the Senate. This would bring about an identity of views between the two Houses.

I would prefer to see the Upper House performing some type of independent role in relation to the policies of the Government of the day. The "checks and balances" of our Constitution, which are contained in different forms in other constitutional systems should not be downgraded by a modification of the Senate electoral process. Consequently, the possibility of separate Senate elections under our present constitutional arrangements should not be completely excluded, as it is, by the proposed amendment.

Moreover, any proposal which tends to diminish State participation in the electoral arrangements for what is formally at least, a States' House should not be weakened by the elimination of a State Governor's discretion (exercised on advice of a State Government) rare as it might be exercised to depart from the advice tendered by the Commonwealth in relation to the issue of writs for a Senate election.*

The Interchange of Powers Proposal

The Attorney-General and I recognize that co-operation between Commonwealth and State is a desirable objective. Senator Evans considers that the interchange of powers proposal, which will enable powers to be transferred from Commonwealth to the States, is a major method of achieving that end. However, I would point out that the method of intergovernmental agreement

* The Saunders-Ewart paper endorsed by the Constitutional Convention recognizes that a limited discretion exists: "A State Government does not refuse to accept suggested dates except on the basis of a sound practical objection to the convenience of the dates."
involving no cession or transfer of power) has been used in achieving national purposes, e.g. in the companies and securities and off-shore maritime resources areas.

If the Senator is genuinely committed to achieving a fair distribution of power between Commonwealth and States he should support urgent consideration at the next session of the Constitutional Convention in 1985 of proposals to amend the external affairs power which, since the Franklin Dam decision, can be used to bring about a massive transfer of traditional State authority to the Commonwealth.

I still adhere to my view that the States should not be put in a position, as they will be pursuant to the interchange proposal, of being offered retail sales taxes to solve their financial difficulties, without a thorough consideration of the distribution of all types of financial revenues between the three tiers of government.

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Life Without An Arbitration Commission
...U.S. Industrial Relations

by Peter Samuel

Industrial relations are not a major public issue in America. That's because highly disruptive strikes are rare and unions do not play the same assertive role in the US that they do in Australia. Peter Samuel looks at an industrial relations environment which is very different from our own.

In nearly five years now living in the US, as a resident first of New York, now of Washington, I haven't once been seriously inconvenienced by a strike and I'd guess that's a pretty typical American experience.

Unions represent only a relatively small proportion of workers — fewer than a fifth of the labour force.

In two years commuting by electric train from the northern outskirts of New York into Manhattan, there was never a strike, and in three years using the Washington subway not a strike. Nor at the gas or electric companies, the postal service, the kid's school, garbage collection, petrol deliveries... And as an employee at work in America, I've never been bothered by a union rep, which adds up to a considerable plus for the American quality of life compared to what I remember in Canberra 1975 to 1980.

By the time this is in print, it is quite possible you will be reading about an American auto industry strike or a postal strike. Coal miners, steel and rubber workers all have employment contracts expiring too, and with labour shortages appearing, and corporate profits at record levels the economic conditions are apparently quite conducive to an upsurge in industrial action.

There's tough bargaining going on about new contracts in all these areas and in each one the experts say there's close to fifty percent likelihood of a serious strike.

Strikes vary with the business cycle in the US as elsewhere, but the longer term trend has been downward since about 1970, as the table of "major stoppages" indicates:

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Average</th>
<th>Number of Workers (million)</th>
<th>Time Idle (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966-1970</td>
<td>377</td>
<td>1.391</td>
<td>0.19</td>
</tr>
<tr>
<td>1971-1975</td>
<td>308</td>
<td>1.532</td>
<td>0.12</td>
</tr>
<tr>
<td>1976-1980</td>
<td>234</td>
<td>1.111</td>
<td>0.10</td>
</tr>
<tr>
<td>1981</td>
<td>145</td>
<td>0.729</td>
<td>0.07</td>
</tr>
<tr>
<td>1982</td>
<td>96</td>
<td>0.656</td>
<td>0.04</td>
</tr>
<tr>
<td>1983</td>
<td>81</td>
<td>0.909</td>
<td>0.08</td>
</tr>
</tbody>
</table>

Note: Time idle is days lost by strikes as a percentage of total working time.

Unions and the workforce

Stoppages involving less than a thousand workers are more numerous but are not comparable, in economic loss and overall time idle, to the major stoppages. And according to Joyce Bagot, researcher for the Bureau of National Affairs (the company which publishes "Daily Labor Report") small stoppages have been going down at
a similar rate to the larger stoppages summarized above.

The American system of industrial relations is very different from our own. For a start, unions only represent a relatively small proportion of workers — fewer than a fifth of the labor force of 107 million. And the hold of unions has been in decline in recent years. Unions in the immediate World War II period were at the peak of their influence in the US, when they represented some 35 percent of the US workforce. By 1970 this was 27 percent, 1980, 22 percent and in 1984, 19 percent. (US News and World Report estimates October 9, 1984 p.63).

The contract customarily goes for three years. It is enforceable in the courts.

Certain industries are heavily unionized — much government employment, the car industry, steel, rubber manufactures, coal mining, the railroads. In some industries unionization is patchy and declining — trucking, airlines, telecommunications, agriculture, construction. In most of high tech, that is electronics and computing, banking, retailing, unions are almost non-existent.

The American philosophy of industrial relations is quite different from the British and Australian in its emphasis on a negotiated employment contract. A statement by John L. Lewis, a great pre-war miners' union leader and President of the Congress of Industrial Organisation, expresses this:

"We (unionists) believe in the theory of free contract and we believe that the Constitution of our Republic protects the right of contract between its citizens. The power to contract is the difference between free men and serfs ... freedom began when the working man became free to contract with his employer and to have a voice in determining the conditions under which he would work and the compensation he would receive... Those voices which are raised in favor of compulsory arbitration or the fixation of relations between workmen and their employers by governmental ukase are doing their country a disservice, because the destiny of Americans cannot be achieved except as free men, and our system of individual free enterprise in America cannot continue or prevail when the workers of the country are not to be free to meet their employers on the basis of equality..

Importance of contracts

So industrial relations in America developed as an essentially two-party business contract in which an employer and employees’ agents (unions) sign a contract on employment specifying pay, holidays, grievance procedures, any overtime, provision for pay raises and tenure of workers.

I have never heard the suggestion in America that a union does not accept an arbitrator's decision.

The contract customarily goes for three years. It is enforceable in ordinary courts, like other business contracts, and there is usually no provision for a strike during the course of the contract. A strike would be a breach of the contract and could render its other provisions void, just as if a contracted supplier of goods were to cease supplies.

There is simply no provision in the American system for direct government involvement in the negotiated contract. There is some arbitration in America, but it occurs in two circumstances. Within a contract there may be a dispute and the grievance provisions of the contract which require an arbitrator. Also, if two parties negotiating a new labour contract cannot reach an agreement, they may agree jointly on appointment of an arbitrator, whose decision they agree to accept. At the time of the agreement to employ an arbitrator, a strike (if there has been one) will end.

A week or so later with workers back, the arbitrator will announce his decision, which is accepted by both sides. I have never heard the suggestion in America that a union does not accept an arbitrator’s decision. That is, they say because they were a party in the selection and appointment of the arbitrator and chose him with the understanding he would apply “binding arbitration” — that is his decision would be accepted as final. American arbitrators are not usually government employees. They are usually independent lawyers, or work in law firms or companies specializing in arbitration and their fees are paid by the employer or union that appointed them.

**Government involvement**

The lack of direct government involvement in resolution of industrial conflicts puts all the onus on employers and unions to find mutually advantageous terms for labour contracts and to make them work. They find it harder to disown an arrangement they have been involved in than one imposed by an outsider or third party.

The lack of any direct government involvement in the actual end process of contract bargaining and the private style of arbitration, does not mean the American system is unregulated. On the contrary, the National Labor Relations Act (known colloquially as the Wagner Act of 1935, with the 1947 Taft-Hartley and Landrum-Griffin 1959 Amendments) has laid the ground for heavy government regulation of employer behaviour, given unions considerable power and privileges and laid down detailed procedures and standards for “fair” bargaining.

The National Labor Relations Board is an industrial relations court that codifies and adjudicates certification of unions (which get exclusive bargaining privileges at plants where they have got 50 percent of votes in a certification election) and questions of proper industrial relations behaviour by unions and employers.

The Supreme Court in the US also plays a powerful role in labour relations by “creatively” interpreting the laws. A recent book (“Deregulating Labor Relations” by Dan Heldman, James Bennett, Manuel Johnson, Fisher Institute, Dallas) advocates repeal of the elaborate paraphernalia of law on the grounds that it only benefits union officials and labor relations specialists in companies, and imposes considerable costs on the economy (they estimate some US $170 billion in 1979) and diminishes the choices of workers. But there is little movement to alter the labour laws in Congress. The last few years have seen two major developments.

**There is a steady growth in the number of States enacting “right-to-work” laws. These outlaw ‘closed shop’ contracts.**

Firstly, the Supreme Court and the National Labor Relations Board have been interpreting the existing law less favorably to unions. And at the level of state law, there is a steady growth in the number of states enacting “right-to-work” laws. These outlaw “closed shop” contracts in which employers and unions agree that only union members shall be employed. Twenty states (out of 51) are “right-to-work” and another
three are poised to outlaw compulsory unionism. Jobs, wages and profits all grow faster in these states, and industrial relations are better.

Although most modern-day American unions oppose right-to-work, it has overwhelming public support. And actually there is a long tradition in the American labour movement of support for the voluntarism inherent in the principle. Samuel Gompers, first President of the American Federation of Labor and regarded as the father of American unionism, was adamantly against compulsion:

"The workers of America adhere to voluntary institutions in preference to compulsory systems, which are held to be not only impractical but a menace to their rights, welfare and their liberty ... There may be here and there a worker who for certain reasons unexplainable to us does not join a union of labour. This is his legal right and no-one can dare question his exercise of that legal right."

Most of the right-to-work states are states with low unionization rates anyway, so the law against compulsion hampers the expansion of unionism, rather than undermines existing unions. Where the unions are strong they are being undermined by many factors. They tend to be unwelcome in many places, because they are seen as taking power away from individual employees. They are seen as troublemaking and disruptive. Many are seen as little more than protection racketeers and the low image of unionism is compounded by the conviction of so many union leaders for fraud, corruption, misappropriation of union funds and associations with organised crime. The Mafia in America is heavily based in unions.

Unions lose some 60 percent of the "certification" elections they stage with the hope of getting bargaining status in plants, and they are losing an increasing number of "decertification" elections.

**Pickets**

A series of decisions by the National Labor Relations Board and the Supreme Court have nibbled away at union practices. Pickets may now be held to be threatening or attempting to coerce workers unlawfully if they engage in "verbal abuse", and an employer now has the right to refuse them reinstatement after a strike. Previously only obstruction and actual violence against workers by strikers were grounds for refusing reinstatement of the offenders.

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**Pickets may now be held to coerce workers unlawfully if they engage in verbal abuse.**

Other changes disadvantaging unions have been a ruling that a company need not consult unions about a plant move, unless their labour contract specifically provides for this. Management is now freer to enquire about employee attitudes towards unions, making it easier for them to discriminate in favour of non-union orientated workers.

Supreme Court decisions have recently endorsed the right of management to go into the first stage of bankruptcy (called Chapter II) in which protection is granted from creditors but management remains in control of the company, and able to revoke its labour contract. In the cases of a building supply company, Bildisco (1980) and Continental Airlines (1983), companies used the bankruptcy law to end their labour contracts and drastically reduce their labour costs. In the case of the airline, some 10,000 employees were laid off the day of the bankruptcy filing and then rehiring began a few days later at a fraction of the old wages.
This leads to the second major development, management militancy. George Strauss, Professor of Business Administration at Berkeley says “management is now the militant party”. He is referring to a whole new pattern of behaviour by top American management to take the initiative against unions. Using the bankruptcy laws to renounce a labour contract is only the most radical and extreme step in a whole series of actions American managements have taken in the past five years, where they feel unions are imposing labour costs on them over and above those determined by the free market.

There has been a wholesale firing of industrial relations officers associated with past policies of accommodationism with unions. These have been replaced by hardliners with some zest for confrontation. Union-busting consultants have been hired to weaken or even get rid of unions in company plants.

Heavily unionised plants have been closed, either to reduce production, or to move to a non-union state or to take production “offshore”. Just as often, closing has been planned, then its threat used as a lever with which to negotiate “givebacks” in what has come to be called “concessional bargaining”. In the car industry, airlines, meat, rubber, agricultural and construction machinery, trucking, buslines and steel, it has become commonplace for American management to concession bargain. This involves pay freezes, postponement of cost-of-living adjustments, actual pay cuts, reduced paid holidays, relaxed work rules, lower pensions, lower pay scales for new hires etc by workers.

Management concessions to gain these benefits have included: seats on the board, profit-sharing, improved access to financial data, guarantees of permanency, plant modernization commitments, restraint in out-sourcing, employee share issues, and improved consultative arrangements.

Union attitudes and the recession

Marvin Kosters (“Disinflation in the Labor Market” in “Essays in Contemporary Economic Problems: Disinflation”, 1983-84, American Enterprise Institute) argues that the radical decline in the US inflation rate and the rapid generation of new jobs in the US economy has been much facilitated by American labour’s willingness to make these concessions.

The radical decline in the US inflation rate and the rapid generation of new jobs in the US economy has been facilitated by labour’s willingness to make concessions.

Of interest is the fact that givebacks have not ended with the recession. Indeed in 1983, when some 5 million extra jobs were created in the US, givebacks were up on the level of 1982, the recession year. A third of workers covered by new contracts in manufacturing experienced actual reductions in pay. Pay rates for unionists overall fell relative to the pay of non-union labour. There is some dispute about how permanent all this is (see Robert Flannagan, “Wage Concessions and Longterm Union Wage Flexibility” in Brookings Papers on Economic Activity, 1984, for the view that the concessions won’t last).

In the first six months of this year with the US unemployment down 30 percent from its recession peak, wage increases negotiated by unions only represent an average annual wage rise of 2.8 percent, hardly the inflation rate, which is in the 3 to 4 percent range. Given that productivity has been rising five to six percent, American business is enjoying a profits bonanza, which is paying off for the US
economy in improvement of corporate balance sheets (payoffs of debts) and a surge of new investment in plant and equipment and record levels of new business formation.

The economic climate of the US has been the essential underlying factor in breaking union monopoly powers, and has probably been more important in this regard than modifications to labour laws or management militancy. Management has in many instances been forced to become militant to survive. Relatively free trade (30 percent of US cars and steel for example is imported, despite protection) and the high value of the dollar have made imports fiercely competitive with US products in the car, steel, agricultural and construction machinery industries. In telecommunications, trucking, airlines, the railways and buslines, the major factor intensifying competition has been deregulation. The sharp recession of 1982 compounded the competitive pressures unleashed by the US trading situation and by deregulation.

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Two Nations
by Charles Copeman

Australia has been divided into two nations — those whose livelihood is guaranteed by governments, and those who rely on their own good efforts. The rapidly escalating costs of government guaranteed wages and pensions are an increasing drain on Australia's faltering free enterprise system.

The nineteenth century British political leader, Benjamin Disraeli used the phrase "two nations" to describe what he saw to be the gulf between the rich and poor in Britain at that time. As a reforming Conservative, Disraeli was quick to recognise the political opportunities inherent in the increasing polarisation of politics along these lines.

No doubt it will always be a fact of life that those who plough the fields and work the mines and factories may feel some resentment towards the apparently easier life of those who live by their brains rather than by their brawn. In particular the role of the entrepreneurial investor is to this day the least understood in society, and therefore the most open to suspicion. In the late nineteenth century the newly enfranchised poor could be organised into a political unit by fomenting such resentment and suspicion. The dynamic economic processes of invention and investment that were creating the prosperity with which to afford better food, housing and education were largely not understood or ignored in the polemics.

The real issue

While today we continue to be engrossed with gladiatorial conflicts between leaders who are put at these two political poles — whether they be labelled Left and Right, or Poor and Rich — the real underlying issue for our society is the increasing division between the circumstances of those people who produce goods and services which are sought and priced in competition in the marketplace, and those who produce nothing of the kind, but who nonetheless are sustained, rewarded and guaranteed their security by governments. These are the "two nations" of the 1980s.

There is increasing division between circumstances of those people who produce goods in the market place and those sustained, rewarded and guaranteed their security by Governments.

Across the whole broad spectrum of employment — from the self-employed subsistence farmer or shopkeeper to the whole-of-life-tenured and superannuated public servant — there is of course an almost infinite variety of individual circumstances.

However the precise positioning of the boundary between the two general groups defined above — the "producers" and the "non-producers" — is of little importance in the face of the evident and accelerating rate of advance of that boundary as the government sector enlarges and the non-government sector diminishes.
Clearly we need government to provide the framework of law and order in the nation and in its external relationships. However beyond these basic needs the activities of governments restrict and inhibit individual activity, and use resources much less efficiently.

Government expenditure is already 42% of Gross Domestic Product, 30% of the workforce is employed by governments and community services, and many employees in the non-government sector are so protected in their employment by government actions that they can and do form part of this second group.

As the non-producers group has expanded over the years, arguments have been put forward to allay our instinctive and deepening concern. We have been told that of course the proportion of producers must fall because farming and manufacturing have become more efficient through capital investment, the mineral resources sector was always very capital intensive, and world-wide trends have been strongly towards the growth of the services sector. We have been told that we are moving into something called a “mixed economy”, which is an earlier version of the current “consensus” concept of socialism and free enterprise working hand in hand.

The juggernaut of the government sector roles on relentlessly crushing the vitality out of those who pay taxes.

The authority of neo-Keynesian economics has been brought forward to justify almost any government action, even though the attempted use of deficit financing on such a scale by the productive business sector would be both scandalous and criminal.

That extraordinary phrase “job creation” has been brought into vogue as if “jobs” should be created for the sake of doing so, rather than to meet a need for the products of those jobs.

The government juggernaut

The very words “public” and “private” have been perverted as if only governments can do public good — and all else is private, or selfish and bad. In particular, listed companies and schools which choose to be independent of the state system, are now disparaged as “private”, even though today a much higher proportion of the population clearly has the means to secure access to both of them than when they were commonly called “public”.

So the juggernaut of the government sector, with all its proliferating trappings, rolls on relentlessly, crushing the vitality out of those who pay it their taxes. Its prime justifications in the areas of health, education, finance, communications, transport, energy and welfare are that only government can be sufficiently compassionate, omniscient, omnipresent, omnipotent and efficient. The simple fact that the Western world abounds in clear and demonstrable evidence to the contrary is assiduously ignored. All wisdom must by definition and by proclamation lie with those who have chosen to rule through an expanding government sector.

The trouble is that no one has really been able to convince the manufacturers and farmers and miners that the relative decline of their industries is part of some pre-ordained and inherently viable plan. They have been simple enough to think that it has been happening largely because some trade unions have been allowed to set themselves above and beyond the law of the land to
enforce increased wages and conditions that have progressively destroyed our competitiveness and our confidence to make new investments.

Moreover no one has been able to convince our overseas competitors and customers that we need special consideration in our trading arrangements because we have to be able to pay for this precious vision of social democracy through the expansion of government. In Japan the government sector employs only 6.5 percent of the workforce, and in the USA, 16.5 percent.

**So much of our present malaise of high unemployment and low returns on investment must be due to the deadening hand of the State.**

It stands to reason that as the proportion of producers shrinks, they must be taxed more and more heavily to pay for the non-producers.

Moreover in taking taxes from the producers which would otherwise have been available for reinvestment in their businesses, the level of business activity is lowered, and the tax funds are of course themselves consumed unproductively.

**Regulatory activity**

In practice, the position is even worse than that, because the greatest part of the expansion of government "services" is in the regulation of society. In other words, governments expand by adding to the number of bodies set up to enquire into and control the actions of those working in the non-government sector. There can after all be no other role for these bodies than to add to the difficulties and costs of business through these endless enquiries and ever-increasing regulations. At the same time the parallel consequent need for more and more committees within government to try to co-ordinate proliferating departments further frustrates the execution of whatever processes are to be performed at all by governments.

There is thus generated the capacity for an exponential rate of increase in the depredations against business enterprise by government intervention — and this is precisely what we are witnessing today. By comparison with earlier periods of economic buoyancy which were not so taxed and frustrated, the conclusion is inescapable that so much of our present malaise of high unemployment and low returns on investment must be due to the deadening hand of the State. The Devil is indeed making "work" for idle hands.

Nonetheless, the extraordinary feature of our society is the apparent complacency with which these disastrously adverse trends are regarded by those who have already lost so much in the process. The self-employed understand best, and do most, but are most easily brushed aside as self-seeking! As individuals they have no political clout. The large employers have become so bureaucratic, with the growing separation between ownership and management, that they have increasingly viewed the burgeoning government sector as a god to be patronised and placated in the hope of favours rather than as a cancer to be excised from the nation's economic structure.

The ownership of enterprises itself has become increasingly institutionalised. These institutions are themselves bureaucracies which have largely adopted a passive opportunistic share-trading attitude to the stockmarket rather than actively to demand returns on investment.
commensurate with risk and the opportunity cost of money. As a result there has not arisen the needed protest by ownership against the fawning attitudes of business management to the growth of governments.

The non-government sector employees have allowed themselves to become pawns in the hands of union leaders obsessed with their own power struggles. As Sir Arvi Parbo has said recently:

"An increasing number of today's union leaders have never done a day's work alongside their members ... Union leadership is becoming simply another path from university to a political career. Presumably union members are happy about it."

The power of the State to do evil expanded with awesome speed. Its power to do good grew slowly and ambiguously.

The simple wisdom of Samuel Johnson's observation that "there are few ways in which a man can be more innocently employed than in getting money" has been rejected out of hand by politicians who are preoccupied with the possession of personal power — not with the generation of wealth for their poor constituents.

We are allowing government intervention to cripple Adam Smith's "invisible hand" in the market place — especially in the market place for the contributions to be made by young people.

Is not the deepest irony of our twentieth century political scene the fact that the original party which purported to represent the mass of the producers — the socialist party — is fast becoming the exclusive preserve of the non-producers! Is it any wonder that the few non-socialist politicians feel so alone and unsupported in their efforts to put the case for individual freedom in the face of such collectives on all sides?

Paul Johnson, in "A History of Modern World, from 1917 to 1980s" has written that "throughout these years, the power of the States to do evil expanded with awesome speed. Its power to do good grew slowly and ambiguously."

In Australia today there can be no doubt that the power of the State is expanding with awesome speed. The stark lesson of recent history is that it is only a matter of time before the arrogant overweening State becomes the evil State. Already B.A. Santamaria, writing in "The Australian" on 11th September, 1984 gives chilling evidence for his conclusion that "we have reached the point where governments either break the law themselves, or assist, or cover up those who do."

The real issue in our society is not between the rich and poor. There will always be differences in wealth, and Disraeli's gulf is now much narrower. The issue is between the doers and the don'ters. It is between the individuals, as producers of goods and services, and the collective of non-producers. These are indeed "two nations". When George Bernard Shaw said "Those who can — do; those who can't — teach" did he foresee how numerous the "teachers" would become?
Philosophers for Freedom
John Stuart Mill Re-visited
...new strategies for old verities
by Dr Denis M. White

A large measure of personal freedom confers great economic and cultural benefits on a country. How far can the erosion of freedom go without losing those benefits? Over a century ago the great liberal philosopher, John Stuart Mill, attempted to develop a potential test for policy-makers to help them make this decision. Monash political scientist, Denis White, looks at the relevance of Mill's views to the challenge to liberty posed by "big government".

In his essay, "On Liberty", John Stuart Mill set out to establish a principle for policy-makers which would enable a country to receive the full benefits which flow from freedom of thought, speech and action. "On Liberty" was first published in 1859, and still receives widespread lip-service as the bible of liberalism. But to judge how relevant it really is today, Mill's ideas need to be tested against the realities of contemporary government.

The underlying foundations of Mill's commitment to freedom remain relevant and compelling.

Such a comparison yields two main conclusions. The first is that Mill's famous "principle of liberty" has limited application to most major issues of today. The second is that the underlying foundations of Mill's commitment to freedom remain relevant and compelling.

A third conclusion flows from these two: namely that effective support for freedom depends on hard-nosed strategic planning. For while the basic threats to freedom remain constant, they undermine freedom in different ways with changing circumstances and over time. Fresh strategies and plans are therefore needed to overcome each new assault on freedom. This is the underlying meaning of the axiom that the price of liberty is eternal vigilance.

Mill's principle of liberty

Mill sought to answer "the practical question" of "where to place the limit" on interferences with freedom.

The answer Mill provides is that "one very simple principle" should "govern absolutely the dealings of society with the individual in the way of compulsion and control."

The essential statement of this principle is that "The only purpose for which power can be rightly exercised over any member of a civilised community, against his will, is to prevent harm to others". There are obviously several policy areas in which the continuing relevance of this principle is unquestionable. It is useful in authorising and defining the legitimate boundaries of control over matters such as crime, discrimination, pollution and safety. It is equally useful in prohibiting control
in matters such as religion, basic civil liberties such as freedom of speech and association, and many purely private activities.

But to justify Mill’s claim that it should govern absolutely the limits to legitimate control over the individual, the principle would need to be applicable to a much wider range of policy areas as well.

To test the real strength of the principle, therefore, we need to ask what bearing it has across a range of national policy issues. What are its implications for issues such as taxation and government spending, employment and economic growth, government regulation and marketing schemes, industrial relations, education, social security, conservation, health, and the operations of government authorities?

The short answer is that Mill’s principle seems to have very limited relevance or application to any of these policy areas. One obvious and long recognised weakness of the principle arises from the difficulty of finding a satisfactory definition of harm. Mill was partly aware of this, but that problem is plainly acute if harm is to be related to criteria such as need and disadvantage. Other problems arise with particular policy areas.

Take taxation for example. It would be ludicrous to attempt to choose between two different sets of income tax scales by reference to the principle. Indeed, the principle would only permit taxation when a person’s actions would cause harm if he was not taxed. The principle would certainly rule out taxation to fund government expenditure not aimed at the prevention of harm caused by the taxpayer.

Mill recognised of course, that his principle would not be easy or straightforward to apply. But he underestimated the extent and more importantly the nature of the difficulties.

The fact is that Mill’s principle relies on a simplistic idea both of the mechanisms of social and political control, and of the interaction between social variables. For example, Mill basically assumes that governments exercise control either by banning the expression of certain opinions, or by forbidding certain categories of action. He recognised that control is exercised by social pressure as well as direct government action. But his philosophical thinking failed to recognise that there can be control without “compulsion against a person’s will”, for example by financial structures or the organisation of an educational system.

The real foundation on which Mill stood for liberty was his rejection of the unfettered expansion of government power.

The real foundations on which Mill stood for liberty were his rejection of the unfettered expansion of government power, his refusal to allow governments to set their judgement above that of individual people, and his conviction that individual freedom is the source of human progress and improvement.

Towards the end of “On Liberty” he applies these considerations to the question of whether government should take positive action to benefit people, “instead of leaving it to be done by themselves”.

He argues against such positive intervention by government on three grounds. The first is that private enterprise is likely to do the job better than governments, because “there is no one so
fit to conduct any business ... as those who are personally interested in it." The second is that by doing things for themselves and exercising their own judgement, individuals strengthen their active faculties.

His third and most important reason is that every unnecessary increase in the power of government "causes its influence over hopes and fears to be more widely diffused," and makes more and more people into "hangers-on of the government". There was great foresight in these observations.

Again, in his defence of absolute freedom of thought and discussion, Mill's major argument is that "all silencing of discussion is an assumption of infallibility". He goes on to say that complete liberty of contradicting and disproving any belief is the best available guarantee of its correctness as a basis for action.

But he had real difficulty in applying this argument for absolute freedom of expression, because it can conflict with his principle of liberty. If the expression of an opinion is "a positive instigation to some mischievous act", as it might be in an inflammatory speech to a mob, then it may cause harm to others, and thus be subject to control.

This illustrates once again the difficulty of translating philosophical arguments for liberty into practicable guidelines for political action. It is one thing to know the damage which government can do to the cause of freedom and progress. It is quite a different thing to devise an operational strategy, rounded out with the necessary practical tests and distinctions, to protect and advance the cause of freedom in the rough and tumble of political affairs.

**Strategies for freedom**

Mill proposed his principle of liberty as a principle of action. It is hard to look back and determine whether it provided satisfactory practical guidelines when he was writing. It is not surprising that it does not provide adequate guidelines today. If the tyranny of majority opinion was the major threat to freedom in Mill's day, the major threats today come from very different quarters — from pressures like the rising tax burden, the widening tentacles of government regulation and the restrictiveness of so many labour practices.

**In order to support their cause effectively, the supporters of private enterprise and freedom must develop and pursue positive strategies.**

While Mill's particular principle fails to cope with these modern threats, the validity and urgency of his objective still stand. He was looking for a practical test by which to define the limits of government power. He wanted such a test because it would provide practical guidelines for deciding what to do to make enough room for freedom and individual enterprise.

In thinking that "one very simple principle" could provide a satisfactory test and guideline, Mill probably underestimated, even for his own time, the complexity of the task he had set himself.

It is certainly incontestable that more elaborate action plans and strategies are needed in our time if the supporters of freedom (and the private enterprise system on which freedom depends) are to address effectively today's threats to freedom.

It is plain that the increasing pressures created by big government, and the trend against individual enterprise, will not go away of their own accord. Nor will they go away simply because people complain about them, no matter how vociferously. In order to support their cause effectively, the supporters of private enterprise and
freedom must therefore develop and pursue positive strategies.

To be effective, such strategies need well-thought-out objectives, well-researched foundations, and well-designed action proposals. A strategy must be based on sound views on questions such as the contemporary role of government and the preconditions of thriving private enterprise. It would need to provide practical guidelines for limiting the size of government. It should identify the options and the types of approach by which private enterprise could pursue its objectives. And it would present a coherent set of practical action proposals calculated to achieve these objectives.

This is not the place to develop a private enterprise strategy for Australian conditions in the 1980s. But the need to work along these lines is plain and urgent.

In a period of tripartite consultation with governments and unions, it is the private sector which lacks a coherent programme to achieve its objectives.

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Do Australians Want Freedom or Security?
by Michele Levine

How Australians strike the balance between freedom and security will have important implications for the nation’s leadership as it tries to mobilize support for limited government.

Both the Prime Minister, Mr. Hawke, and the Liberal Party Committee of Review (the Valder Committee) have acknowledged the role of democratic governments in furthering the “aspirations of the Australian people”.

A recent opportunity to study these aspirations was provided by the Australian Values Study survey, conducted by the Roy Morgan Research Centre on behalf of Australian corporations, churches, research institutions, and political parties. The survey covered a nation-wide cross-section of over 1,200 Australians, aged 14 and over, interviewed in August, September and October 1983.

Australians value freedom to live their own lives very highly. The results of this survey provide a fascinating insight into how Australians attempt to strike a balance between two central values: freedom and security. The nature of this balance has important implications for national leadership as Australia faces an uncertain ever-changing world.

Belief in freedom
Australians value freedom to live their own lives very highly and more than half the Australian population reject existing levels of government interference with this freedom. When forced to make the choice two out of three Australians choose “freedom” (that is, “everyone can live in freedom and develop without hindrance”) rather than equality (that is “nobody is underprivileged and that social class differences are not so strong”).

Australians on all sides of politics have a clear preference for freedom over equality. A majority (53%) of Australians believe there should be less government intervention in the lives of private individuals than there is at present. Hardly anyone (4%) supports more government interference.

This very broad commitment to personal freedom is accompanied by an individualism which believes in the impact that dedicated and visionary people can make towards improving life, and the encouragement of entrepreneurs and inventors.

Three out of every four Australians believe that Australia needs to give more encouragement to entrepreneurs and inventors, and more people see the visionary as more likely to contribute to solving social questions than parliament, the courts, the public service or the Labor Party.

This belief in the social value of personal freedom and individual initiative seems to
carry over, but to a much lesser extent, into concern at the impact of government intervention on private enterprise. Opinion is divided on intervention by government in large companies (30% want more intervention while 29% want less) and even fewer support the desirability of any expansion of intervention in small companies (15%). While there is certainly widespread concern over the power of large companies, the vast majority of Australians of all political persuasions accept that they are essential for the economic growth and development of Australia.

Freedom and security

If we attempt to inquire further into the meaning freedom has for most Australians, the Values Study provides a great deal of material for thought. Australians see their current life-style as largely related to family, household and work. Governments are only of secondary concern, as “protectors” of the individual’s life chances and “intervenors” against inequality of opportunity.

The several questions which touch on Australians’ attitudes with respect to freedom build up a picture of a people who want personal freedom within the existing social order. Government intervention and control is viewed more positively wherever there is a perceived threat to that existing order or to the individual, as in the case of trade unions, foreign-owned and large companies.

Government intervention is seen as an effective way of protecting individuals against union power.

A majority of Australians (56%) are concerned that there is too much power concentrated in the hands of a few large companies for the good of Australia. More Australians support government intervention in the decisions of those companies than in small business or the individual. The centre of power of most concern to Australians is the trade union movement and here a majority of Australians (58%) support an extension of government regulation, presumably because government intervention is seen as an effective way of protecting individuals against union power.

Australians do not emerge from the study as a people itching to use their personal freedom to embark on a life of excitement and adventure. On the contrary, Australians come through as a people somewhat concerned about the state of the world and consequently as a people in search of security and certainty.

They appreciate the contributions of the entrepreneur, the inventor and the visionary and wish to see them encouraged; they believe that advances in science and technology will be more beneficial than not, but only one in three Australians sees himself personally attracted on the whole by new ideas and new things, and most Australians (59%) believe that really “everything is changing too fast”. One in every three, indeed, looks wistfully back to the past, and believes that if we returned “to the standards of our grandparents, Australia would be a better place to live in”.

The concern for security in a rapidly changing world is very evident in the choices people make when asked about their most important goal in life. The most frequently chosen goal (by 39%) was “Making certain that all the basic needs and expenses are provided for”, and this definition of the secure life was second choice of a further 28% of people. Only 11% gave priority to a life of excitement and
even fewer to a life of importance (8%). A secure life was chosen by more people than a life centred around one's family (29%).

**A responsible trade-off**

The concern with security is by no means a wholly self-centered concern. The importance given to personal security and certainty extends in the minds of most Australians to seeing security, especially economic security, as important for others too.

Contrary to what is widely believed, Australians do not come out of the survey as a determinedly materialistic people who place primary emphasis on higher and higher incomes.

On the contrary most Australians seem prepared to trade-off some of their material standard of living for a greater security and stability for themselves and others.

**Australians do not come out of the survey as a determinedly materialistic people.**

This seems to have implications not merely for their attitudes to current wage levels, welfare and taxes, but also to protection of the environment. Three out of four Australians disagree that too much is currently being done to protect the environment, and a large minority (43%) are prepared to see more done, even if this requires a different standard of living.

Only a minority of Australians (32%) want to see the economy create more wealth if this means more inequality between rich and poor. Income redistribution to help the poorest is widely accepted, even if more fairly sharing existing wealth means a lower rate of economic growth (68%). While 45% favour reductions in taxes and charges, when given a choice 55% say they would personally prefer to see more assistance to the needy and aged, and as many as 49% say they think the Federal government is spending too little on pensions, benefits and other allowances.

Most people reject the view that Australians should accept a lower standard of living for the benefit of the poorer nations. Nevertheless there is a very substantial minority (25%) who say they are prepared to accept such a lower standard of living and an even larger group (47%) prepared to accept a lower standard of living if it is for the benefit of the economy as a whole. Translated into attitudes to wage levels, it may be significant in the present context that only 28% thought current wage levels in Australia are too low.

**Making life better**

Despite their willingness to trade-off material prosperity for other values, Australians do not have a no-growth view of their ideal world. They hope for and see the prospect of improvement. While not putting material prosperity above everything else, they see the value of technological change and economic growth. On the whole Australians have positive attitudes to scientific advance, and over 90% believe that companies operating in Australia should spend more money on research and development.

Social questions can be solved, and it is of considerable significance for public debate that Australians believe that the main methods for solving social questions lie outside politics and government. It is not through politics, but primarily through education (48%) and economic development (47%) that improvements will occur. New technology has an important contribution to make (39%), but many see the need for changes in human nature
(31%) as well. Non-governmental organisations such as religious (27%) and charitable organisations (23%) have an important role to play, as do dedicated and visionary individuals (22%). Parliamentary politics, political parties, and trade unions all have a role, but a lesser role, in getting to fundamental solutions to social questions. Confidence in government (58%) and particularly trade unions (25%) is much less than it is in Australian private enterprise companies (80%) including small business (75%).

**Australians believe that the main methods for solving social questions lie outside politics and government.**

The Values Study offers some grounds for thinking that Australian private enterprise is the carrier of very high hopes for the future of the country. Indeed a majority of Australians (54%) see companies operating in Australia as having “a major responsibility to solve the problems we face in Australia today”.

**Conclusion**

Freedom from government intervention is seen by most Australians as important to achieving their values in their own lives, and in the economy as a whole. It is accepted that government has a role in ensuring that prosperity is fairly shared, but the main solutions to social questions lie in better education, in economic development, in technological progress and in the activities of non-government organisations and individuals. Human values, improvements in human nature are widely seen as more important than politics and government. Great responsibilities fall on private enterprise, and government should encourage entrepreneurs and inventors. There is considerable confidence in Australian private enterprise companies.

Australians come through the study as a decent and tolerant people for whom material prosperity serves wider values, and for whom fairness and respect for others are important. To this extent the study supports the view that the Australian people will respond to national leadership which takes a moderate and realistic view of the contribution of government to solving national problems.

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Ideas and Insights

The following extracts from a number of important speeches may be of interest to our readers.

ALP and Government

Prime Minister Mr. Hawke has made important policy statements on the growth of government and regulation which, among other things, have the effect of committing the Labor Party to tight expenditure control.

"As regards the size of future deficits it should also be recognised that it is possible to make substantial reductions by holding the growth in Government expenditure below the growth trend of the economy in the years ahead.

"...The Labor Government does not believe that higher overall levels of taxation are necessary for substantial reductions in the deficit, for improved equity, or for enhanced efficiency of our economic system."

Mr. Hawke, speech to CAI, August 30, 1984.

"I am convinced that after eighty four years of Federation, we have accumulated an excessive and often irrelevant and obstructive body of laws and regulations.

"...We see the removal of unnecessary regulation as contributing significantly to improved economic growth performance.

"...We will maintain regulation which, upon careful analysis, clearly promotes economic efficiency, or which is clearly an effective means of achieving more equitable income distribution."

Mr. Hawke, speech to BCA, September 21, 1984.

Big Spending Governments

The Shann Memorial Lecture delivered by the former Secretary to the Treasury, Mr. Stone, is certainly one of the most important speeches made in 1984. Some of the matters which he highlighted related to the exorbitant spending by governments.

"Both in this (WA) and other states, and at the Commonwealth Government level also, public spending on time payment is proceeding today on works which display not the faintest likelihood of ever servicing the interest rates ... In many cases — increasingly at State level and for some time now at Federal level — the debts being incurred are not even being used to finance works at all but merely to maintain, and indeed increase, current expenditures.

"...In the last two years alone all that ground so painfully won back over the previous seven has been thrown away. The Commonwealth's borrowing requirement has soared in just two years from 0.9 percent of GDP to 4.7 percent and Australia's total Public Sector Borrowing Requirement has doubled from 4 percent of GDP to 8 percent of GDP.

"...Meanwhile borrowing, through swollen budget deficits and the like, merely serves to push up or hold up interest rates, inflate further the now very rapidly growing stock of debt ... defer further the day when meaningful reductions in taxation can be made."

Mr. John Stone, Shann Memorial Lecture, August 24, 1984.
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