To Our Readers

Regular readers of “IPA Review” will notice the journal's new improved format. We have decided to take this step, not only because it allows a better presentation of ideas, but because it will assist in our new policy of selling “Review” through commercial outlets. In order to assist us in taking this major step we have combined the Autumn and Winter editions into a single larger issue. The “Review” will continue to be issued on a quarterly basis.

The new look “Review” is just one of our recent initiatives. In addition to “Facts”, IPA subscribers also receive exclusively our new series of publications, “Policy Issues”. We will also be issuing a series of occasional papers during the coming year.

These initiatives reflect major advances in the activities and research interests of the Institute. Those of you who are reading the “Review” for the first time may wish to return the subscription form located inside. This will enable you to receive the full range of our publications.

Rod Kemp,
Editor.
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The New Privileged

A dilemma for the ALP

Many observers have commented on a shift to the right in Australian society. There are certainly indications of a changing attitude towards the role of government, but to regard this as a move to the right seems to miss the main point.

What seems to be true is that this changing mood expresses disillusionment with a number of aspects of the Corporate Welfare State:
- government's perceived failure to consistently represent the public interest over and above the clamour of powerful special interest lobbies;
- the feeling that in the Corporate State of Big Government, Big Unions and Big Business the individual no longer counts;
- the increasingly common observation that many of the benefits of government intervention in the name of social justice, compassion or equality go to the highly paid professionals appointed to administer and carry out government policies;
- and, most important, the emergence of a new stratum of privilege in the society composed of government employees and trade unions: the rhetoric of the corporate Welfare State — consensus and compassion — is increasingly seen as a rationalisation for the power and interests of the "new privileged" - trade union leaders and public servants.

If anything, the mood is against established government institutions and privileged groups in the community. It is for restoring power and status to the consumer, the small business man, the unemployed and elderly. These are hardly the classical ingredients of a right-wing revolt.

Union and Public Service Power

Trade unions have never been so powerful as they are today. The unions have privileges granted to no other institution and these privileges serve mainly the interests of trade union leaders themselves. They include legal monopoly rights to claim employees of a particular trade as members, effective rights to break contracts without penalty, and, under the Accord, virtual veto power over economic and tax policy. People are increasingly asking where the real government in Australia resides — in the Cabinet Room or in the trade union hierarchy.

The special privileges of the public service include job security, working conditions and retirement benefits unparalleled in the private sector, and access to government to influence policy in their own interests. These privileges can be sustained only by the willingness of governments to raise the taxes necessary to finance the imperial ambitions of the public sector.

Although private enterprise retains some privileges in the form of government assistance, limited liability and property rights, these rights, as Barry Maley points out in his article in this Review, "Workers' Control", are being rapidly eroded.

Some public service privileges may be justified in the public interest (for example, tenure for judges), but what we are seeing at the moment is the massive growth of privilege in institutions simply because they are powerful and have direct access to government. This is not only unjust but is damaging to the well-being of Australians. By maintaining the privileges of these groups government is finding it impossible to tackle the major source of poverty in the community — unemployment.

Employment opportunities in the private sector are diminished by the ever-increasing tax burden needed to finance the government sector. The power of trade unions has grievously harmed the economy, condemned many employees to unemployment and interfered with the freedom of individuals. The unions' labour
market privileges have produced perhaps the most inflexible labour market in the Western World and must be seen as a major continuing cause of Australia’s slow growth and unemployment.

This stratum of privilege in society, composed of public service professionals and powerful union bureaucrats, is tending to use the Labor Party as its political wing. The dilemma this poses for the ALP is that its traditional commitment to the weak, the powerless, and the underprivileged, and its traditional distaste for privilege in any form has been replaced by an apparent commitment to defending a new layer of privilege.

As a consequence the ordinary working man, the taxpayer who pays for the public sector, the unemployed and the disadvantaged are being left without adequate representation. Ironically, this creates opportunities for the other political parties to put themselves forward as representatives of the little man, the average Australian, and to defend him against exploitation by powerful self-serving interest groups.

Something similar to this seems to have taken place in the United States. Increasingly the U.S. Democratic Party, once the Party of the downtrodden, is seen as the spokesman for special interest lobbies and the Republican Party (the traditional defender of powerful interests) is being seen as the voice of the public interest.

The task before Mr. Hawke, if the Labor Party is not to lose its credibility, is to revive the Party’s traditional ideal of representing the interests of the common man.

UNDERSTANDING TAX REFORM

by Mr. John Harrowell, FCA

(formerly National President, Institute of Chartered Accountants and Member of the Taxation Board of Review)

— a detailed explanation of why fundamental tax reform is necessary, and
— a proposed new integrated tax system for Australia

(a modified, expanded and up-dated version of the Author’s “Outline” of a new system published in February 1984)

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Tax Reform: Have the Liberals missed the real issue?

Whatever the benefits of widening the tax base by imposing an across-the-board consumer tax, it has the serious defect of enabling governments to turn on the tax tap with ease.

Peter Robinson in his column “Candid Comment” (The Sun-Herald, June 2, 1985) noted:

“You do not have to be unduly cynical to perceive that once all this is in place, any Federal Government is sitting pretty. Not only does it have a taxation structure which is indexed precisely for inflation (some of it arising from the effects of taxation) but it also has great flexibility in deciding when and where to boost its revenue.

“One year, it might decide to add half a per cent to the general consumption tax. (Half a per cent! What a modest demand. Who could do more than raise a passing grumble?)

“Next year, it could put in an infinitesimal increase in income tax. After all, you lucky Australians now have one of the lowest personal income tax rates in the world (it could argue), a slight increase won’t hurt anyone, will it?”

Terry McCrann, Associate Business Editor, The Age, supports a similar line (5/6/85):

“The so-called Hawke-Keating preferred option does nothing for genuine tax reform, but gives this and any future government a new means of revenue via the consumption tax”.

While the Liberal Party is supporting the general thrust of the Keating proposal, it has noticeably failed to come out with an expenditure limitation programme. It is ironical that the Party which emphasises smaller government has a tax programme but not an effective and marketable programme to reduce government spending. Indeed a golden opportunity to promote the whole issue of the size of government and policies to reduce spending is in the process of being missed.

As Peter Samuel points out in his article in this Review, “Limiting Government Spending”, there is a very healthy debate in the United States on how the spending ambitions of governments can be restrained. Indeed the most visible policy on expenditure limitation in Australia comes from the Labor Party, Mr. Hawke’s trilogy. The Liberal Party should be pointing out the dangers, as well as any advantages, in widening the tax base.

One approach for the Liberal Party would be to insist on indexation of income tax brackets. Another proposal would be to incorporate the essence of Mr. Hawke’s Trilogy in legislation. For example, the real growth in tax revenues could be limited to say 2 per cent per annum in real terms. This would help ensure that revenues do not grow faster than the economy as a whole, (provided Australia continues the growth trends of recent years). Any excess revenue could be returned to the taxpayer through a tax cut in the following year.

The political parties should be looking towards correcting the dangerous institutional bias in our system towards bigger and bigger government. The Americans are looking towards constitutional expenditure limitation arrangements. A debate along these lines has not yet started in Australia.

The growth of government expenditure should be the central issue in any tax reform package. As yet it has not being convincingly addressed by any political party.

Budgetary Restraint: The problems of compound growth

Mr. Keating’s mini-budget which cut approximately $1.3 billion from the forward estimates (just under 2 per cent of outlays) has received a pass mark from most commentators. Likewise the Premiers Conference, which held
the Commonwealth revenue grants to the States to almost zero growth in real terms, has also attracted favourable comment.

Overall it appears that the growth in budget outlays this year will be around 2 per cent — well below the levels of the previous Keating budgets.

The fiscal problems confronting Mr. Keating — notably the huge deficit (now being estimated at around $6.5 billion for 1985/86) — are largely the result of the lack of discipline exercised in the first two Hawke budgets. In the first budget, outlays grew by 7.7 per cent in real terms; in the second by 6.1 per cent.

If Mr. Keating had been able to hold spending to a 2 per cent growth rate in his earlier budgets (the average of the previous seven years) the prospective deficit this year, as indicated in the table below, would be only $154 million. And on the basis of reasonable assumptions he would be happily contemplating a budget surplus in 1985-86. In short, if Mr. Keating had been able to impose reasonable fiscal discipline earlier on he would not now be contending with a serious budgetary problem.

In the table below the growth of outlays from the actual 1982/83 figure is projected on the basis of inflation plus 2 per cent real growth. The receipts column in the table has been taken from the budget papers for 1983/84 and 1984/85. The growth in receipts for 1985/86 has been estimated at a conservative 9.3 per cent. Under these assumptions, as the table shows, Australia's deficit problem would have disappeared by 1985/86.

<table>
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<th>Outlays</th>
<th>Receipts</th>
<th>Deficit/</th>
<th>Deficit (Actual)</th>
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<tr>
<td>1982/83</td>
<td>48,935</td>
<td>44,462</td>
<td>-4,473</td>
</tr>
<tr>
<td>1983/84</td>
<td>53,657</td>
<td>48,610</td>
<td>-5,047</td>
</tr>
<tr>
<td>1984/85</td>
<td>57,357</td>
<td>57,203</td>
<td>-154</td>
</tr>
<tr>
<td>1985/86</td>
<td>62,056</td>
<td>62,500</td>
<td>444</td>
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Budgetary restraint is not a one-off effort but a continuing task for governments. Every one per cent growth adds some $650 million that has to be raised from the public. Given the inability of governments to contemplate reducing spending this additional $650 million has to be raised not only in year 1 but in every succeeding year.

Having to date recorded a real increase in government expenditure of 14 per cent (total of the two budgets) Mr. Keating is now facing the problems arising from compound growth.

**Media: Who watches the public watchdog?**

Yet another survey has revealed the mistrust of the public for the press. This time the survey, conducted in the United States, was commissioned by a leading press body, the American Society of Newspaper Editors — hence its importance. The results indicate, among other things:

- 63 per cent of people feel the press place too much emphasis on what is wrong with America.
- 71 per cent believe that accused people are frequently convicted in the press.
- 60 per cent disapprove of the use of anonymous sources
- 47 per cent think that once a newspaper endorses a political candidate it stops being fair to others in an election.

These findings were reported by the President of the Associated Press, Louis Boccardi, at a conference marking 50 years of Australian Associated Press. He also estimates that over 80 per cent of jury verdicts in libel cases go against the press.

The problem is, at least in part, one of accountability. The press has claimed the position of public watchdog, demanding accountability from other institutions in society, but usually rejecting such demands on itself as an infringement of press freedom. The publicly-owned media, such as the ABC, have been particularly unresponsive to demands for accountability, as Ken Baker illustrates in his research report in this Review.

In the United States, however, steps are being taken in some newspapers and television networks to allay audience and reader concerns:

- Some staff journalists are being given the task of acting as ombudsmen — investigating readers' complaints and publishing an assessment, which strives to be objective, in the newspaper;
- Readers have been invited to say how they would have handled a particular editorial decision, with their views then being publicly compared with the editor's decision;
- Greater efforts are being made to explain why the paper acted as it did, for example why a
particularly gruesome picture had been published on the front page;
- PBS television network has introduced a programme, "Inside Story", devoted to media criticism. In June, it put to air "Television's Vietnam: the Real Story", produced by Accuracy in the Media and highly critical of the network's own series on the Vietnam War.

Apart from one or two exceptions, such as David Solomon's column in the Financial Review, it is hard to find parallel attempts at self-scrutiny in Australia's media. (Solomon was the only Australian journalist to give coverage to Robert Manne's detailed critical analysis of the press's treatment of the Combe-Ivanov affair — Quadrant, October, 1984).

During the period of the last federal election The Age ran a regular analysis of the media and a tribunal was temporarily set up to ensure balanced coverage at the ABC. It would be a move in the right direction — towards ensuring free and responsible media — if initiatives of this type became permanent features of media organisations in Australia.

SOCIALISM IN AUSTRALIA

A new booklet published by Australians for Commonsense, Freedom and Responsibility (ACFR) as part of a community education project on public issues.

"The bureaucrat who lobbies for a new program for a purported socially desirable end which he may believe in, also knows that his power will increase and prospects of promotion improve by the creation of a new unit with more bureaucrats... The pressure groups advocating regulatory government action know that if legislation is enacted as a consequence of lobbying, they may be appointed to implement the act. Some advocates of the Sex Discrimination Act, 1983 (Commonwealth) expect to find themselves lucrative posts as advisers or bureaucrats when the Act is being implemented."

"...the very systems of checks and balances to authority that are seen by those proposing radical constitutional change as impeding human progress are the same mechanisms that liberal reformers painstakingly constructed in days gone by to safeguard the liberty of the individual from the tyranny of despots, or from the tyranny of transient majorities".

Socialism in Australia costs $5. To order it or enquire about other booklets in the series write to ACFR, P.O. Box 414 Epping, NSW, 2121.
Government Expenditure Can be Cut

John Stone

The most useful outcome of that doubtful exercise — the so-called Tax Summit — has been the strongly widening community understanding and acceptance that government expenditures must be cut.

It is vital to reduce the burden of personal income tax, and it may be necessary to do so by “switching” some of that burden to a new broadly-based indirect tax. But more and more people are now realising that the real culprit is the total burden of taxation — that is, the total level of spending by our governments, Federal, State and Local.

Note also that, high though that total burden of taxation is, it would be higher still if part of the total spending bill were not being met by borrowings by those governments.

Those borrowings are themselves creating growing problems for those governments and will do so exponentially the longer they continue. Thus, unless spending can really be cut, taxes (however raised) will have to increase further.

So we need to deal with the real culprit, the total level of spending.

The expenditure element of the Prime Minister’s “trilogy” of promises during the 1984 election campaign commits the Commonwealth Government to “restrain” the growth in its own budgetary outlays to not greater than the rate of growth of nominal Gross Domestic Product (GDP). That is, outlays as a proportion of GDP will not increase further.

Since that proportion is scheduled to rise this financial year to a record 31.1 per cent, that might, in any case, not be regarded as a striking achievement.

Even so, the Government’s prospects of achieving even that limited objective have not until recently looked good. First, there has been the general disintegration of the Government, including its capacity to take unpalatable decisions, since the election. Secondly, certain particular budgetary developments, such as the defeat in Caucus of the Minister for Finance on his proposals for savings in the area of tertiary education expenditure, have not augured well.

Such developments have led some to the despairing view that cutting government expenditure is just “too hard”. Nevertheless, government expenditure can be cut; it is a question of whether governments are put under sufficient electoral pressure to do so. Which is why, as I say, the “tax summit” charade may nevertheless prove to have one useful outcome in helping to generate that pressure.

More recently, the pressure which the Government has come under because of what has seemed at times to have been the “free fall” of the Australian dollar, has served to concentrate wonderfully Ministerial minds in Canberra, including that of the Prime Minister in particular.

State Governments, as much as Federal, have pursued the extravagant spending policies which have characterised Australian fiscal performance over the past fifteen years or so. Appropriately, therefore, the Commonwealth Government has now begun to cut at the roots of State Government spending powers by sharply reducing the rate of increase in its financial transfers to State budgets.

One such step has been directed to reining in the growth of Commonwealth funding of roads. New arrangements now proposed to replace the Road Grants Act will produce payments to the States (and Northern Territory) in 1985-86 which, in conjunction with the amount to be paid under the Australian Bicentennial Road Development programme, will total only $3 million more than the total of $1,242 million
being paid under these programmes in this financial year.*

Roads payments of this money magnitude would represent a significant reduction in real terms, particularly having in mind that the inflation of road-building costs will now, in the aftermath of the recent depreciation of the currency, be a good deal greater than previously envisaged. As such, these decisions will certainly assist in reaching the Commonwealth's budgetary objective.

Much more significant, however, are the tax-sharing grants arrangements, which expire on 30 June this year. These provide for 20.72 per cent of the Commonwealth’s total tax revenues (excluding the proceeds of the Medicare levy, the ABRD excise surcharge and some more minor levies) in a given year to be provided to the States in the following year. If those arrangements were to persist into 1985-86, the States would receive something like a 15.5 per cent increase in their tax-sharing grants.** This component of the Budget, which this year is estimated to account for 14.2 per cent of total Commonwealth outlays, would therefore be growing considerably faster than GDP in 1985-86 (which, for these purposes, we might put at around 10-11 per cent in nominal terms). Clearly, that could not be allowed if the Government was to meet its (limited) expenditure objective.

There are any number of alternative "formulae" which the Commonwealth might have sought to impose upon the States in this area.

What they have in fact done, for 1985-86 at least, is to agree to raise these general revenue grants (including the identified health grants) by an amount which, on present estimate, would work out at something like 7.5 per cent, or roughly 0.5 per cent in real terms.

The saving involved, in the case of the tax-sharing grants compared with the outcome under the present arrangements, would be in the order of $725 million. It should however be noted that such an outcome would in fact represent an increase of some $680 million on the figure for the tax-sharing grants which has been included in the forward estimates documents released by the Minister of Finance on 9 May last, and which the Government then used as its “reference base” for purposes of the Treasurer's expenditure restraint statement on 14 May.

Nevertheless, such an outcome (together with what appears to be even greater proportionate savings in the comparable grants to the Northern Territory) represents a worthwhile step towards the Government’s objective.

Such an outcome will also place most State Governments under pressure to re-examine their proclivities to spend our money so freely. That will be wholly to the good.

The Government has already decided to make some savings this year in its grants to local authorities. Under present arrangements, payments are made each year to State Governments, for distribution to their local authorities, amounting to 2 per cent of the net receipts from personal income tax (excluding the Medicare levy) in the previous year. If these arrangements had continued such payments would have risen in 1985-86 by around 19.9 per cent.

These payments were a regrettable "initiative" of the Fraser Government. The present Government has now decided to end them, by providing an increase of "only" 2 per cent in real terms in 1985-86 (saving $62 million) while it considers more permanent arrangements.

As to what these permanent arrangements should be, doubtless future payments to the States will need to be supplemented to allow them to go on assisting their local authorities in some degree. If, for example, the sums to be paid in respect of local authorities in 1985-86 were to be added to the new general revenue grants to be paid to the States and subjected to the same "formula" as for those grants, there would be further savings in future years compared with the present arrangements. Appreciably more austere provisions could be made — and justified.

There is another saving to be had in this area. These payments to the States for their local authorities are made each year in a single lump sum as soon as the necessary administrative arrangements have been made, usually in September/October. As a result, a large lump of

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* The ABRD is financed from the proceeds of a 2 cent/litre excise surcharge on motor spirit and distillate, which in 1984-85 was estimated to raise $410 million.

** After allowance for the effect in 1984-85 of a real terms guarantee provisions, which would be inoperative in 1985-86.
Commonwealth funds flows into the money market at that time each year.

Payments by monthly instalments from (say) October onwards each year would reduce significantly the interest cost to the Commonwealth and would also improve the present maldistribution of the seasonal pattern of Commonwealth transactions in the money markets. An additional advantage of rolling these payments into the successor to the tax-sharing grants (paid monthly at the Treasurer's discretion) would thus be an automatic improvement both in the timing of such payments and in their financing costs to the Commonwealth.

Clearly, if the Government was going to achieve even its limited objectives in restraining its spending, it simply had to make significant ground in the ways I have noted. However, even making that ground would have been largely pointless if the States and their authorities could then proceed to step up their borrowings so as to keep spending as before.

In short, a cut in the Commonwealth's share of the total Public Sector Borrowing Requirement (PSBR), through a reduction in its own deficit, would be to no avail if offset by an increase in the borrowings of State authorities. Decisions now taken in this area at the recent Loan Council meeting are, therefore, highly relevant.

One such decision at that meeting involved the level in 1985-86 of the so-called "governmental" borrowing programme, the State component of which amounts this year to $1,564.5 million. At present one-third of this programme is in fact provided to the States in the form of grants. At the very least, one would expect to see no increase in money terms in the size of this programme in 1985-86, and that is what has now been agreed. Beyond that, does any rationale now exist, any longer, for the interest-free grant component?

Termination of the latter (which did not emerge from the recent Loan Council meeting) would produce savings to the Commonwealth Budget in 1985-86; the savings would be considerably greater in 1986-87 and would thereafter mount progressively. Equally importantly, State Governments would also then be faced in this area with paying something nearer (at least) to the true cost of the capital involved, rather than only two-thirds of that cost.

In the foregoing I have touched on only a few of the expenditure programmes in the area of Commonwealth payments to the States (including the Northern Territory) and local authorities, as candidates for the expenditure "restraint" the Government needs if it is to achieve even its limited expenditure objective.

Commonwealth Governments are usually more ready to impose spending constraints upon the State Governments than they are upon their own spending agencies. In the 1984-85 Budget, for example, spending by the Commonwealth Government itself was estimated to rise by 15.1 per cent, while payments to the States, Northern Territory and local authorities were estimated to rise by 8.9 per cent.

The Government has already, in its statement of 14 May last, extended some restraints to the spending of its main agencies in 1985-86. Nevertheless, in the Budget itself that process will undoubtedly have to go further.

There is, after all, no lack of candidates; space alone precludes their enumeration, and elaboration of the points involved. One has only to consider, however, such items as the Australian Broadcasting Corporation ($396 million), the foreign aid programme ($973 million), the First Home Owners' Scheme ($265 million), and a hundred others, to begin to see the opportunities which would exist for a government really determined to save our money rather than hell-bent to spend it for us (and tax us accordingly).

In its May statement the Government has indeed already scratched the surface of each of the three specific items mentioned above; more, clearly, could be done in each case, and in the many other cases not separately enumerated.

The challenge which the Expenditure Review Committee of Cabinet — and the Government more generally — has been confronting in recent weeks — and which will continue to confront them in the run-up to the Budget proper is not, therefore, that there is any lack of appropriate candidates for spending restraint. The challenge is rather to the will of senior Ministers in prosecuting that task. At this stage we can only wish them well in doing so. As to the final outcome, we shall see.
Limiting Government Spending

Peter Samuel

In the U.S., electors in many States have decided that constitutional limitations on government taxing, spending and borrowing are the only ways to control the profligate habits of politicians.

The philosopher David Hume wrote that it is always 'very tempting to a (government) minister to employ such an expedient, as enables him to make a great figure during his Administration, without overburdening the people with taxes, or exciting any immediate clamors against himself'. Government expenditure without matching tax revenues is one of the ultimate temptations of governments, and Hume concluded: 'The practice therefore of contracting debt will almost infallibly be abused by every government'.

The people of most States of the US have used their powers of initiative by petition and referendum to amend their constitutions so as to outlaw unbalanced budgets and deficit financing. There's a similar drive at the Federal level with an amendment likely to the US Constitution to limit spending and mandate a balanced budget.

The struggle to contain taxation and deficit spending in America is an old one. The first revolt by Americans was the cry 'No taxation without representation'. Then George Washington's army that fought the British and eventually established America's independence by force of arms was heavily demoralised and nearly fell apart in the midst of the Revolutionary War because of the worthlessness of the currency in which they were being paid. The American Revolution was nearly aborted by deficit spending! 'Not worth a Continental' became a common phrase of the contempt for the first American currency as mismanaged by the Continental Congress in the 1770s.

But for draconian last-minute monetary reforms, the American Revolution might have been undermined by government profligacy and inflation.

At other times in American history, State, city and local governments have been on the brink of bankruptcy — most notably in recent times, New York City in 1975 (see Ken Auletta's The Streets were Paved with Gold, Random House, New York, 1979).

Progressively-rated income taxes, combined with double digit inflation, engineered 'bracket creep' and brought vast increases in revenues to American governments during the 1970s. But they also spawned the 'tax revolt' — vocal popular protest, active political organising and quiet personal efforts at evasion and avoidance of taxation.

On June 6, 1978 the voters of California by 65 per cent to 35 per cent approved Proposition 13, which amended the State constitution to cut property taxes ('rates' in Australian terminology) in half. National and international attention was focussed on the American 'tax revolt', and its hero the curmudgeonly old Howard Jervis, a veteran campaigner against taxes.

Anti-tax campaigning goes back many years. Howard Jervis suffered many defeats and much derision as a crank before he won in 1978. New Jersey, whose businesses and workers have always played second fiddle to adjacent New York and Philadelphia, proved the first State to be responsive to the potential economic benefit of breaking with the big spending policies of its neighbours and in 1976 the annual budget was by law tied to per capita income to try to limit spending. Colorado in 1977 legislated to limit its budget increase to seven per cent yearly. The first constitutional limit on spending growth was in
Tennessee in March 1978 when the voters changed the State constitution to limit the growth of State government spending to the rate of growth of the State's economy, so freezing the State government's share.

Opinion polls show the 'Balanced Budget Constitutional Amendment' is favoured by about three-quarters of Americans.

Arizona, Hawaii, Idaho, Michigan, Nevada and Texas all had constitutional amendments in 1978 to limit spending and taxes. In 1979 California followed up Jervis' Proposition 13 with a comprehensive spending limits amendment to the Constitution, voting by a masssive 74 per cent to 26 per cent for Proposition 4. It limited the expenditures of all branches of government within the State to the inflation rate and population growth, intending to freeze per capita real spending. A referendum could adjust the spending limits, up or down, if a simple majority of the electorate voted for it.

In 1979, Louisiana, Nevada, Oregon, Utah and Washington followed. Increasingly State legislators followed the popular mood, or anticipated it. Sometimes to forestall moves for constitutional amendment they enacted tax-limiting laws. Tax reductions were initiated by responsive or panicky politicians. (This period is well described in Alvin Rabushka and Pauline Ryan's, The Tax Revolt, Hoover Press, Stanford, 1982).

Amending the US Constitution

It was also in the late 1970s that one State legislature after another passed bills calling for a national convention to amend the US Constitution to mandate a balanced budget and limit federal government spending. By the end of the 1970s some thirty States had called for such a convention, though two-thirds, or thirty-four, States are needed.

1980 saw the defeat of President Carter by Ronald Reagan who pledged to cut income taxes by a quarter and to balance the federal budget. It was a sweeping popular vote victory — 51 per cent to 40 per cent (an Independent Republican, Anderson, got 8 per cent). The tax reduction pledge was honored, and so were pledges to increase defence spending and retain America's over-generous social security system for an ageing population, so the Reagan budgets made a mockery of the promise to get into 'balance'. The $50 billion budget deficit nearly quadrupled in the first Reagan term, 1981-84.

It remains an accomplishment of the Reagan first term that the rate of growth of government spending was cut and after an unscheduled recession, the US economy showed more healthy growth than for two decades with strong capital formation, new business formation, and six million new jobs. Mr. Reagan's opponents were reduced to criticising him for the deficit and his challenger for the presidency, Walter Mondale, felt forced to promise a tax increase. Reagan promised only to raise taxes as an absolute last resort. Re-elected in a massive landslide (59 per cent of the popular vote to Mondale's 41 per cent), Reagan got an all-time record of electoral college delegates, 525 to 13 on November 6, 1984. In his second term he is pledged to tax simplification, the balanced budget amendment and further efforts to reduce government, though it is unclear how much he will achieve.

It is paradoxical that just as America has elected a President personally antagonistic to big government, so much of the fire has gone out of the tax revolt. In the first four years of the 1980s only two more States have passed bills for a constitutional amendment for a balanced US budget, still two short of the number needed. But the recent elections saw Republican landslides in two critical hold-out States, Michigan and Montana. So there is an opportunity for movement for the conservative forces.

During Reagan's first term such a constitutional amendment bill passed both houses of the US Congress, but in the Democrat controlled House of Representatives without the necessary two-thirds majority. Two Washington lobby groups, the National Taxpayers Union and the National Tax Limitation Committee are working strongly for the constitutional amendment, which opinion polls show is favoured by about three-quarters of Americans.

Spending Bias

An excellent statement of the case for such a constitutional clause, and indeed of the whole history of such moves, is the report of the Judiciary Committee of the US Senate titled, Balanced Budget-Tax Limitation Constitutional
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Amendment (Report 98-628, Calendar no.1214, September 20, 1984). It states (p3): ‘The proposed amendment addresses a serious spending bias in the present fiscal process ... Members of Congress are free to respond to the concentrated pressures of spending interest groups — and reap the political advantages of doing so — without having to reap concomitant political disadvantages by reducing spending programmes favoured by some other spending interests or expressly raising taxes. The result is that spending continues inexorably to rise whatever the genuine will of the people. The result is an essentially undemocratic and unresponsive process that enables members of Congress to avoid ultimate accountability for their spending and taxing decisions. It is the existence of this institutional bias that convinces this committee (of the US Senate) that a constitutional solution is now required ...

Note this is politicians talking!
The proposed constitutional amendment would require a balanced budget to be adopted unless otherwise voted by a three-fifths majority of both houses of Congress. Tax receipts budgeted must not increase at a greater rate than national income in the preceding year unless both houses explicitly vote for the excess tax increase. In time of declared war the provisions are waived.
The American States have some experience with similar budgetary restraints. Thirty-nine States have constitutions demanding balanced budgets and eight have laws requiring them, leaving only three without such restraint. Most US States require bond issues or borrowing to be positively approved by voters in a ballot, acting as a limit on governments and some of their instrumentalities.

The high spending coalition of big government, big business and government employee unions has counter-attacked.

By 1982, eight States (Arizona, California, Delaware, Hawaii, Michigan, Missouri, Tennessee, Texas) had adopted constitutional limits on spending as well as having the balanced budget provision. Another twelve States have statutory limits on spending. Most provide for emergency ‘over-ride’ with three-fifths or two-thirds of votes in both legislatures, or by voter approval. The most comprehensive study of the effect of such limits says they have had a ‘constraining effect on the proclivity of public sector spending’ (Uhimchuk, Constitutional Limits at the State Level). A recent survey by Peter A. Holmes ('Flush Times at Statehouse', in July 1984 issue of Nation's Business journal) shows both the potential and the limits of these constitutional and legal restraints.

In the 1982 recession when State tax revenues were under extremely heavy pressure because of the economic downturn, many States found ways around their restraints. Some avoided tax restraints by raising user fees or won court battles to validate some tax increases despite the restrictions. A few made use of their two-year budget cycle to run a deficit one year and have been lucky that the vigorous 1984 recovery has got them big surpluses this year.

Big Spending Coalitions

Also in the 1980s the high spending coalition of big government, big business and government employee unions has counter-attacked against the tax-revolt forces. The tax-and-spend coalitions have been winning lots of the battles in the 1980s against further constitutional amendments and restrictions. In the elections in November last year a series of voter initiatives for new State constitutional amendments were defeated, as in 1982. This year in California, Jervis lost 55/45 in an attempt to close loopholes in Propositions 13 and 4. Jervis’ proposition to the voters was considered too radical by many middle-ground voters in that it provided for large refunds of past property taxes, and many said that Jervis’ style in TV ads was overbearing. Narrowly defeated this year was an electors’ attempt to overturn a sales tax in Idaho and an attempt to limit property taxes by constitutional amendment in Oregon.

Defeated by large margins were a tax rollback in Michigan, a two-thirds vote requirement on increased taxes and spending in Nevada and a Louisiana move to constitutionally limit taxes and spending. There were also successes for the opponents of big government. Virginia and New Hampshire adopted balanced budget clauses to their constitutions and in South Carolina a package of spending limits (with State congressional support) was passed.

Alvin Rabushka (The Tax Revolt) is pessimistic about the lasting power of tax revolts, suggesting they are likely only to have short-term victories and only against the most egregious tax
LIMITING GOVERNMENT SPENDING

increases: 'It is almost impossible for any organisation representing an ad hoc group of taxpayers, with only one common goal, to sustain interest, loyalty and participation in longer term goals ... in contrast with individual taxpayers, the proponents of taxing and spending, are a far more unified and enduring group whose view of the future is usually tied to the next annual budget or election. This group enjoys access to an army of tax-supported statisticians and researchers who can be marshalled to back up announcements of impending cuts in services if tax cuts are enacted ... if expediency demands an acquiescense to a tax cut, the coalition may temporarily accommodate; however once a crisis is over, it quickly resumes its natural inclination to tax and spend ...' (p. 202)

Rabushka, despite his pessimism about the political viability of tax revolt activists, says the record bears out the public benefits of tax cuts. Jobs and economic activity burgeon after such limits on State government. California and Massachusetts have seen massive business investment and unprecedented prosperity in the wake of the late 1970s tax revolts and the changed climate about taxing and spending.

Holmes (Nation's Business, July 1984) is somewhat more optimistic about long-term results, saying that even though the anti-tax/spending activists have been defeated in the constitutional tussles, they have created an atmosphere in which State government has been more restrained: 'The tax rebellion has had a chilling effect on legislatures' largesse'. Holmes cites a lot of statistics to bolster his case that the tax revolt people have only been defeated through the spenders making major concessions and exercising more self-restraint. In the two decades prior to 1978, at the height of the tax revolt, real government spending by US State governments rose an average 4.4 per cent a year. Inflation-adjusted growth since 1978 has been less than one per cent. Most states have had freezes on numbers of employees for several years now, and many go for long stretches not fully replacing workers who leave, so running down their numbers. There is active interest in contracting-out and privatisation of services.

Unlike the Federal government, the States are running up considerable surpluses in their budgets, which according to some estimates will reach some $60 billion to $70 billion this financial year. This will lead to major retirement of State debts.

Low Tax Competition

One marked advantage the US has over Australia is the potential in a country of geographically small states for competition in low taxes. Many good-sized US cities spread across State boundaries and it is possible for one State to attract business and population through a reputation for lower taxes. Thus northern New Jersey and western Connecticut have attracted business out of New York City and in the process acted to limit New York's big-government excesses. Southern New Jersey and Delaware are relatively low-tax, small government areas on the fringe of Philadelphia which is in the state of Pennsylvania. New Hampshire is the supply-side competitor for business from Boston, Massachusetts, which in the 60s and 70s anyway got the nickname Taxachusetts — before a tax revolt caught on there. Relatively free enterprise Delaware and Virginia act as a restraint on the welfarist-Democrat politicians of Maryland and the District of Columbia. The West Virginian government spenders are sometimes limited by tax rates in bordering Ohio with their major cities being located along the Ohio River that forms the border. Between the relatively big-spending and left-liberal States of the Pacific coast and the conservative business-minded Rocky Mountains states of Colorado and Nevada, there has also been some tax/jobs competition, which is sometimes a restraint on big State government.
The Two-Airline Policy
and lessons from South Australia

Professor David Starkie

The success of airline deregulation in the United States in producing better services for customers is now clear. In Australia, however, the Two-Airline Policy survives. The 1979 decision to allow some regional air services has now provided relevant Australian experience on the likely effects of deregulation. The results are positive.

The Two-Airline Policy survives in Australia because of government fears that its abolition will lead to monopoly and reduced services. Australian experience with some regional services does not support these fears.

In essence, the Two Airline Policy is an agreement ratified by legislation, between the Federal Government, Ansett and the government-owned TAA. It limits competition on all major routes to those two airlines. The Policy was instituted originally in the 1950s to provide a stable environment in a national market presumed to be too thin to sustain a competitive balance.

The latest airline agreement enacted in 1981 requires, like previous agreements, that the capacity offered on competing trunk routes by the two airlines, be equal. The Government retains control over potential competition on these interstate routes by controlling the import of aircraft (and therefore capacity) using its trade powers under S.51(1). Base fares are set by a formula determined by the Independent Air Fares Committee, but the 1981 agreement does allow for greater fare competition with respect to special fares.

Government Fears

The new Minister for Aviation, Peter Morris, has yet to announce his views on the subject of the Two-Airline Policy. However, the previous Minister for Aviation, the Hon. Kim Beazley, signalled that he was a supporter of a regulated airline system — although dissatisfied with the existing arrangements — and that the issue is not whether to deregulate but what is the most appropriate level of regulation. He had put forward two arguments in support of his position. First, deregulation in the United States is not instructive for Australia because of major differences in the scale of the airline industry in the two countries (speech at the National Aviation Press Club Luncheon, 26.3.84; reported in The Financial Review 27.3.84). Second, he foresaw deregulation leading to cut-throat competition, in turn leading to eventual monopoly on the Melbourne-Sydney-Brisbane route and fare increases and/or reduced services on the less profitable trunk routes with remote centres sharing a similar experience (National Times, 9.9.83 and speech to Aviation Law Society, October 1983).

Deregulation Exists

There is, however, an instructive case of how airlines operate in a deregulated environment within Australia which thus far has not received the attention it perhaps deserves. South Australia (and Victoria) are in the peculiar position of having no state controls on aviation. This was of little consequence prior to 1979. Until then the Commonwealth Government controlled the situation using powers under the Air Navigation Act of 1920. But, in 1979, the Commonwealth decided to adopt a more hands-off approach to regional air transport,
maintaining an interventionist role only with respect to air safety matters. The Independent Air Fares Committee, which since late 1981, has had powers to approve intra-state air fares also appears to have adopted a benign approach. The result is that South Australia has had for nearly five years what amounts to an 'open skies' policy.

The consequences have been monitored by myself and the Senior Economist in the South Australian Department of Transport. The situation is as follows:

- Up to 1982 there was a significant growth in services. This growth was consolidated during the recession when there was some trimming and some turnover of operators. But, from the consumers' point of view, the substantial service improvements of the earlier period have in general been maintained. The new approach has stood the test of the recession well.

- The total number of scheduled flights into and out of Adelaide has increased by nearly 20 per cent to a figure in excess of 500 per week. Much of the increase in weekly flights relates to new routes and new ports-of-call rather than to competition on a particular route. Where competition on a route has increased, the tendency has been to fill gaps in the timetable.

- Service levels between the Southern Eyre Peninsula (Port Lincoln/Cummings) and Adelaide have been examined in detail. Until late 1970 the protected monopolist, Airlines of South Australia (ASA), was the only operator with 40 weekly flights. By February, 1985, there were 126 weekly flights, 46 by ASA's F27 or aircraft chartered by ASA. A range of promotional fares is now offered in contrast to only the standard economy fare in 1979.

- About half of the routes were single firm (monopoly) routes, some new and some long established. There is little evidence in either case of the established single operator in these 'thin' markets experiencing hit-and-run entry. Competition in the market has focussed on the denser routes operated by ASA.

- A comparative analysis of fares on single and multi-firm routes indicated no significant difference on a cents-per-kilometre basis. This suggests that because thin routes were open to entry, monopolists acted as though they were operating in a competitive market.

- ASA has announced that it is to introduce new F50s in 1987. Competition has not precluded re-equipment with new technology, but it is most likely that it has forced ASA to become a leaner and more efficient business.

Theory Provides Explanation

Recent developments in industrial organisation economics — referred to as contestability theory — have re-emphasised the idea that the structure of an industry — the number of competing firms — may have little bearing on the efficiency of an industry and therefore the extent to which consumers benefit.

The competitive pressures required for an efficient solution can come equally well from potential rather than actual competition.

The theory revolves around the idea that the competitive pressures required for an efficient solution can come equally well from potential rather than actual competition. The key is the capacity of firms to contest a market (rather than actual competition within it). This ability to contest, depends upon the ease with which a firm could enter and exit from a market without cost. This, in turn, depends upon whether capital is mobile or irretrievably committed to a particular service. Aircraft of course are particularly mobile between markets and serve this theory well. Consequently, it is feasible to have a route which is a natural monopoly (i.e., where production by an efficient single firm is cheapest given the size of the market), but, because the natural monopolist is threatened by the possibility of fly-in and fly-out competition, he is not able to exploit his monopoly power. In other words, if the monopolist is to maintain his position as sole producer he must not behave other than in a manner one would expect to find in a competitive market; he must keep his operations efficient and his prices down sufficiently to deter entry.

1 Extensive detail of developments up to mid-1983 will be found in C. Findlay, Changes in the Air? Centre for Independent Studies, 1984.
The theory also points to a limitation in this argument. In certain circumstances where costs are rising it is possible that the natural monopolist whilst behaving in an efficient manner, is not able to deter competitive entry; or as the jargon has it, he is unable to “sustain” his services against entry. Bearing in mind that, by definition, a natural monopolist is the lowest cost means of fulfilling market demand, an unsustainable natural monopoly will result either in higher production costs (if market demand is satisfied by more than one firm) or consumers will be worse off because output is restricted (to a level at which costs are not rising thus making it impossible to under-price the monopolist). Here lies the case for airline regulation. But the proponents need to show not that deregulation of the domestic trunk routes may lead to monopoly, but that such a monopoly is either not contestable, or if contestable (and therefore efficiently serving the customer), is not sustainable against entry i.e., is unstable.

The regulators have yet to argue their case on these lines but they have positioned themselves to reject the U.S. evidence. This is unreasonable. The U.S. market, although much larger in total, does contain within it a variety of sub-markets, some of which are ‘thin’ and some of which resemble the Australian circumstances which so worried the previous Minister. The U.S. experience deserves further study.

Since the last agreement was ratified there have been developments of significance. The two major airlines have re-equipped with dissimilar equipment — TAA with the A300 Airbus and Ansett with Boeing 767s. Because each airline is required to offer the same total of seat-kilometres on competitive routes in each half year, TAA with the larger aircraft has had to offer a lower frequency, on average. Consequently, seasoned interstate travellers will have noticed a reduction in parallel (or nose-to-
tail) scheduling. But the potential advantages of the split schedule have been nullified by a general reduction of frequencies during the 1982-84 recession.

Weak market conditions did not deter East-West Airlines from launching a major challenge to the Two-Airline Policy in 1983. East-West launched a no-frills service between Brisbane-Sydney-Melbourne and Melbourne-Adelaide effectively in competition with the two majors but with an intermediate stop. East-West also entered a legal challenge to the constitutional validity of the Two-Airline Policy. The subsequent sale of East-West to Skywest of Western Australia resulted in the withdrawal of the challenge. The profile of the new company appears innovative but less aggressive.

**Application**

We can speculate on the applicability of our South Australian findings in a broader Australian context. The varied character of the South Australian market — the stage lengths involved, range of aircraft used and the size and nature of the sub-markets — suggests that it provides a strong case that conditions of minimal regulation would probably translate well to the other States with current restrictions on entry.

The implications of the findings for the domestic trunk network are less obvious, given the different scale and type of operation. Nevertheless, I am encouraged to be optimistic. It is by no means self-evident that services on the less important trunk routes will deteriorate, nor is it self-evident that the basic route structure will be monopolistic. But if monopoly was to occur, recent developments in South Australia suggest that, in practice as well as in theory, thin markets, monopoly, competitive fares and efficient levels of service that benefit the consumer are not necessarily incompatible.

*See, for example, Michael Kirby, 'The U.S. Airline Deregulation Experience and its Implications for Australia', in Changes in the Air? The Centre for Independent Studies, N.S.W., 1984, and Peter Samuel, Airline Deregulation: The Pleasure and the Pain, IPA Review, Summer 1984.*
Department of Unemployment
Dr. Gerard Henderson

Despite its title the actions of the Department of Employment and Industrial Relations often serve to create unemployment. Dr. Gerard Henderson explains why.

When I worked in the Department of Employment and Industrial Relations (DEIR) its twin functions were clearly delineated.

In Employment the aim was to push people into work — preferably on the public payroll (particularly through the Commonwealth Employment Programme).

In Industrial Relations, on the other hand, we were busy lengthening the dole queues. This was done by securing the enforcement of our rigid centralised federal award system that is so beloved by the Industrial Relations Club. The various State Departments fulfill a similar role concerning State awards.

In the midst of the 1982 recession there were massive lay-offs in Australian industry.

To some extent this resulted from the international recession. But many workers were priced out of jobs by our home-made wages explosion.

In December 1981 the Conciliation and Arbitration Commission ratified the Metal Industry Agreement which provided for a 25 per cent increase in hourly labour costs.

The President, Sir John Moore, declared that the Commission regarded the agreement as being in the "public interest". The learned President used a double negative — but his meaning was clear nevertheless.

The Metal Industry Agreement flowed through the wages system as a centralised wages flow-on. Virtually all employers — whether they were making profits or on the verge of bankruptcy — were compelled to pay the increase. Not surprisingly there was a massive and sudden increase in unemployment.

In order to save jobs, many four-day working week agreements were reached between employers and employees. In these circumstances the employer agreed not to retrench. In return the employees agreed only to work, and be paid for, a four day week.

One would have thought that this was unexceptionable. After all, bosses and workers were voluntarily co-operating to save jobs.

But no. Not all these work-sharing agreements had been ratified by the Arbitration Commission. Consequently, awards had been breached. Horror.

For a brief time I formed the view that the lunatics had taken over the asylum. But gradually I realised that this was what our cherished sacred cow — the centralised wages system — was all about.

The Australian arbitration system has had the effect of making full employment illegal!

Yet the members of the IR Club engage in bouts of mutual self-congratulation about their essential realism and moderation.

During my time in the Industrial Relations Bureau and in the Department of Employment and Industrial Relations between 1980 and 1983, I encountered numerous examples of centralised wage system madness. In all cases the officials enforcing the economic insanity laid down in the awards were working under clear ministerial direction and putting into practice the collective wisdom of the IR Club. Moreover they were

"Professor Michael Porter, "Legalise Full Employment", IPA Review, Spring 1984."
paying due respect to the determinations of that gigantic Geneva hoax - the International Labour Organisation.

Case Study No.1 —
Making Latch Keys Necessary

In an inner Sydney suburb the employees (mainly migrant women) petitioned the management to alter their working hours. By starting thirty minutes earlier and having only a half hour for lunch they could be home when their children returned from school. The management agreed.

Enter the award inspector on a routine visit. He declared that the award, as laid down by the IR gnomes in Melbourne, had been breached since standard hours were not being worked.

The employer was warned that should the award be violated again he would have to pay each employee an hour's overtime per day. He would be so liable to every employee who had worked in the factory over the past six years.

Not surprisingly the employer got the hint and returned to standard hours. As a result the children of the workers spend an extra hour every day without parental care.

Case Study No.2 —
Adding to the Dole Queues

A butcher in a small provincial town employed six workers. For twenty years the butcher had paid his employees according to the State award. The relevant State department had continuously informed the employer of his obligations under this award. No contrary advice had been received from any Commonwealth Department or from the Arbitration Commission.

An inspector paid a routine visit to the premises of one employer in the industry. He decided that the butcher was bound by a Federal, not State, award. Since the Federal award provided for a higher hourly rate, back payments had to be made — to the tune of $10,000. The employer said he couldn't pay without sacking one employee. The inspector declared that the arbitration law was the arbitration law.

In the end one individual was added to the dole queues. But the centralised system had been upheld.

Case Study No.3 —
Making More Youth Unemployment Possible

In a medium sized city there is a fast food outlet which employs two cooks and one junior trainee.

The junior complained that, really, he wasn't getting much money for his labours. The Department of Industrial Relations took over. An inspection was ordered. It revealed that the appropriate rate was being paid.

But (wait for it) the inspector found that the award determined that the ratio between senior and junior cooks should be three to one. In this case the ratio requirement was not being met. The same situation applied to virtually every other restaurant in the city.

Therefore there had been an award breach. It could only be rectified if the employer put the junior on the full adult wage. Any juniors employed over the previous six years were also entitled to receive the adult rate for their past labours.

The employer declared that, if this were the case, he would not employ any more juniors.

Over to the Employment section of the DEIR to put the case for more government subsidies to encourage employers to take on juniors. Over to the Taxation Office to raise the necessary finance. Over to the Australian taxpayer to cough up the money.

During my period in the Department such cases were discussed by tenured public servants who were quite unaware of the harsh realities of the market-place. I was invariably told that it was more important that principles be upheld than that jobs be saved. They were out to stop "exploitation" — irrespective of the consequences.

The Hancock Committee (which was established in July 1983 to enquire into Australia's industrial relations laws and system) did not devote its attention to overcoming the insanity produced by a rigid, inflexible centralised wage system. Rather it has recommended that the power of the IR Club (industrial tribunals, unions and employer organisations) be further enhanced.

This is precisely the wrong remedy for Australia's economic and industrial relations ills. Quite predictably, the Hancock Report has proved to be an expensive and harmful bureaucratic waste of time.
Unleashing the Unions

Tying up Management

Peter Costello

The Hawke Government has moved to deregulate two major areas of activity — the financial system and trade unions. The first should be applauded, the second is unlikely to gain the support of most Australians. The Government has removed restraints imposed on unions under current industrial laws. At the same time, there has been an increase in the regulation of management. The overall effect of these developments is to concentrate more power in the small, powerful and highly organised group which controls Australia's trade unions.

A trade union registered under the (Commonwealth) Conciliation and Arbitration (C&A) Act obtains valuable privileges such as a legal personality, the right to appear before the Commission, be a party to an Award and the protection of its membership from “poaching” by other unions.

In return, unions have been required to adopt certain standards in their organisational rules and, more recently, to have their financial statements audited.

Unions, like employers, were previously liable for penalties and fines if they breached an Award to which they were parties, but since 1969 they have been largely untroubled by such requirements.

To monitor compliance with the Act and with Awards, the Fraser Government in 1977 amended the C & A Act to establish an Industrial Relations Bureau. The Bureau was to investigate and prosecute breaches of Awards by unions and employers alike — a seemingly uncontroversial task. It was portrayed by the union movement, however, as a vicious industrial policeman in attempting to obtain union compliance with the law, and was actively opposed from its inception. One of the Hawke Government’s first legislative actions after its election in 1983 was to abolish it.

Immediately after its election the first Hawke Government also repealed, or substantially watered down, the provisions of the Commonwealth Employees (Employment Provisions) (CEEP) Act, the Commonwealth Employees (Redeployment & Retirement) (CERR) Act and the Public Service & Statutory Authorities (PSSA) Act which had been introduced by the Fraser Government to handle militancy by the public sector unions. The “no work as directed — no pay” amendments to the PSSA had been introduced in 1980 to enable the Commonwealth to withhold pay from staff who, without refusing to work altogether, refused to work as directed.

Once this legislation had been repealed, there was no control over public servants who appeared at work but declined to perform their duties. Whilst not working as directed they were legally entitled to full pay, security of employment and their massive superannuation entitlements. Not surprisingly, this change signalled a green light for
disruption and industrial turmoil in the public sector, culminating in the strike by customs officers and tax office officials who refused to collect Government revenue because their wage claim had been rejected by the Arbitration Commission. As a result of the “reform” of the PSSA Act the Government was forced to sit helpless whilst being deprived of revenue; and to pay its public servants at their full rate while they refused to work!

After a number of weeks, the Minister was eventually forced to rely upon slow and cumbersome stand-down provisions.

To signal the resumption of cosy relations with the public sector unions, the Hawke Government also agreed to restore the facility of collecting union fees from union members. This facilitated the collection of fees and no doubt greatly assisted the unions in amassing the funds needed later to fight damaging strikes against the Government. Why should the Government play debt collector for unions which have the capacity to strike at its very stability?

But more was to come. In 1977 the Fraser Government introduced provisions into the Trade Practices Act (TPA) to outlaw the practice of secondary boycotts in industrial disputes. Secondary boycotts occur where a union in dispute with an employer seeks, either through its own resources or those of kindred unions, to prevent firms supplying the employer (e.g. by arranging disruption of the supplier’s business) or to disrupt the trading activities of the employer other than by enlisting merely the employees directly affected.

The TPA provisions allow an action to prohibit secondary boycotts to be brought in the Federal Court. Judges, who by the terms of their commission are obliged to dispense justice according to law without fear or favour, tend to treat unions breaking the law like any other citizen. This is anathema to trade unions. In its desire to free trade union activity from restraints, the Hawke Government sought to remove the secondary boycott provisions from the TPA.

Lest it be thought that this would encourage unions to engage in such activities the Government justified its decision by saying that it would make provision for disputes involving secondary boycotts to be brought before the Arbitration Commission, as the appropriate body to hear such matters.

The track record of the Arbitration Commission in treating citizens (including trade unions) as equal before the law speaks for itself. One should not totally blame the Arbitration Commission however since its charter is to prevent and settle industrial disputes. Disputes involving militant unions are often most easily settled by granting them their demands rather than by treating them equally with employers in the process of enforcing the law.

Once this legislation had been repealed, there was no control over public servants who appeared at work but declined to perform their duties.

The Hawke Government’s proposals would therefore have had the effect of removing all real barriers to unions engaging in secondary boycotts if an industrial advantage could be obtained.

These proposals were too much even for the Australian Democrats who combined with the Opposition to defeat the proposals in the Senate. The Hawke Government has not resiled from its position however, because to do so would incur the wrath of the trade union movement. This further piece of deregulation presumably awaits more fortuitous political circumstances.

Regulating Management

While trade unions have been progressively freed from regulation, wide-reaching increases have occurred in the regulation of management. The most important is the Arbitration Commission’s decision in the Termination Change and Redundancy case. This case was well under way before the Hawke Government was elected but after that date the Commonwealth became far more supportive of the ACTU case, which was also strongly backed by the State Labor Governments. In its decision of 2 August 1984 and a supplementary decision of 14 December 1984, the Commission indicated that it was prepared to include terms in Awards providing protection against “unfair dismissals”; added benefits to employees whose jobs became redundant, and increased requirements for management to consult with trade unions on technological change.

Previously, under most Commonwealth Awards, an employee was engaged on a week-to-week basis and could be given one week’s notice before his employment was terminated. The Arbitration Commission is now of the view that
"an employer shall not dismiss an employee in a manner or for a reason which is harsh, unjust or unreasonable". What might amount to a "harsh" dismissal will no doubt be much debated, but one can imagine a very flexible meaning given to that word by unions with the "industrial muscle" to enforce their own interpretations of it.

The Commission also ruled that an employee whose employment has been terminated by reason of redundancy should be given the right of extended notice (or payment in lieu) on a sliding scale amounting to 8 weeks where the employee has been employed for more than 4 years. The Commission said that these generous provisions would compensate employees for the loss of seniority, sick leave "rights", holiday leave loading and other entitlements which they could not take with them to their next job. An employee who is entitled to 8 weeks notice (or 8 weeks pay in lieu) is entitled to that payment even though he might commence work with a new employer long before 8 weeks have elapsed.

Clearly the notion that an employer is obliged to pay an employee a fair price for his services is on the wane. To set up a business and employ people now involves certain welfare obligations which were once thought to belong to the field of social policy rather than industrial policy.

In addition, the Commission decided that employers be obliged to notify unions of relevant decisions, and consult with employees as soon as a firm decision has been taken about major changes in production programmes, organisation structure or technology which are likely to have significant effects on employees. This information is to be provided in writing to employees and their representatives. However, the employer is exempt from disclosing confidential information.

Information relating to technological change which is given to employees and their representatives has the tendency "to fall off the back of a truck". No doubt provision of such information may, in certain circumstances, deter an employer from proceeding with major changes in the management and development of his business.

The "Termination Case" will substantially transfer what have been traditionally considered management prerogatives from that category to the category of supervised decision-making. The fact that an employer may have established a business, and may own it, no longer entitles him to control it but obliges him to consult with his employees regarding its management.

This development relating to the control of management is further reinforced by the recent guidelines issued by the National Labour & Consultative Council on Employee Participation.

In its guidelines on the sharing of information released in August 1984, the NLCC stated that:

"...the regular and systematic provision of accurate and comprehensive information to employees on a range of financial, industrial, personnel and organisational matters is a vital element of good employer/employee relations. ....an effective system of information sharing is an important precondition for the introduction of employee participation" and "....information sharing increases the role of Unions".

It certainly does.

These guidelines list the subject matter which may form the content of an "information plan" for employees. This embraces information such as prospects and plans involving mergers and take-overs, export performance, research and development, sales performance and financial matters including the reasons why dividends have been paid or not paid.

The implications are clear: the material needs to be shared with employees so they can take an active part in advising management on ways in which the business should be managed. Since employee representatives (trade union officials) exist to further the interests of employees, presumably their advice will be directed towards bettering the position of their members and not towards bettering the position of the shareholders to whom the directors of a business are ultimately responsible.

While at this stage these are merely guidelines, one can easily imagine pilot projects (similar to the "affirmative action" pilot projects) being introduced and used to justify further demands in the future. It is clear that what have traditionally been considered employer prerogatives may now be turned into employee-supervised decisions.

It is not surprising that the deregulation of trade unions has been accompanied by increased regulation of management. One might have thought that the two processes were not consistent. In fact they can only be reconciled on the basis that both advance the interests of the officials who control our powerful trade unions.
Workers' Control
by Barry Maley

The Hawke Government's policy of 'industrial democracy' has immense implications for the efficiency and vigour of private enterprise and Government departments in Australia.

Few subjects are discussed in a more confused, and confusing, way than the proper role of an employee in controlling the work he does or in exercising a more extended role, beyond his immediate job, in controlling the organisation in which that work is done. In debates on such matters, 'industrial democracy' is the favoured term of those who wish to appropriate the rosy hue of the word 'democracy' for issues which have little to do with political democracy. 'Worker participation' or, less rosily, 'worker control' are somewhat more specific but by no means capture the wide range of matters — practical, theoretical and ideological, — which are discussed in the extensive and often turgid literature on the subject.

Transferring Control to Unions

At the heart of the debate is the fundamental issue of who should have the right to control decisions affecting organisational assets and the engagement and deployment of labour. Until a few years ago, before the systematic attack on property rights by governments and trade unions, the common view — the 'consensus' if you like — was that the legitimate owners of assets (machinery, buildings, land, goods of various kinds) had control over them. In a business situation, owners could conclude contracts with workers which provided that those workers, in return for a wage and other benefits, would work with those assets in ways prescribed in the freely-made contract, under the supervision of the owner or the owner's manager.

Among the many different practices and proposals which fall under the heading of 'industrial democracy', the most alarming are those which will destroy this basic arrangement and transfer control over assets and the deployment of labour from the owners and managers to employees, trade union officials and industrial courts. This can be brought about (and it is now openly on the agenda of government and trade unions) through:

- the legislatively-enforced transfer of rights of ownership and control over assets from existing private owners to the body of workers in an organisation or to those elected or appointed by the trade unions represented in the organisation;
- legislation requiring equally-shared rights of organisational control and decision-making between 'owners' and employees (or trade unions) — often referred to as 'co-determination';
- minority representation of employees/trade unions on the controlling bodies (e.g. boards of directors) of organisations — i.e. 'worker directors';
- government regulations or determinations by tribunals which establish employee rights (e.g. systems of appeal against retrenchment or dismissal, severance payments, occupational health and safety obligations on employers) or which require that organisations must follow certain procedures in controlling and managing their employees (e.g. requirements to 'consult' on technological changes or to divulge 'information').

What such measures have in common is the driving of a wedge between ownership and control. Once one loses control over an asset (a house, a car, a tool, a business) nominal rights of ownership become meaningless, and those who control that asset can use it or ruin it in any way they choose and the owner is powerless to stop them.

Most of us rarely think about the complex
system of rights and expectations that underlies the way in which the large and small organisations of our economy deliver the milk, or mine the coal or make the cars, or sell the groceries upon which we depend. When the corner delicatessen owner sells me some olives we have a straightforward transaction between a person who 'owns' something (olives and perhaps the shop in which they're housed) and a customer who offers money in exchange. We accept that the shop-owner has a 'right' to put a price on his olives and to determine the conditions under which they are offered for sale, provided those conditions are hygienic, honest, etc. Correspondingly, I, as the customer with money in my pocket, have the right either to conclude the exchange or go somewhere else for my olives. Two sets of decisions are at stake here, one belonging to each of the parties. Each set of decisions is 'legitimate' in terms of accepted rights — the ownership rights of the shopkeeper in his olives and my ownership of 'my' money.

The dispossession of property rights — loss of control over goods — is involved in some forms of industrial democracy

We should think it strange if the shopkeeper's employee (i.e. somebody who has freely contracted to exchange his labour for wages), simply by being an employee, acquired power to determine the price at which the shopkeeper sold his olives, or to determine whether olives are sold at all. We would readily see that the shopkeeper had lost control of his business and that an important part of his ownership rights had been given, in effect, to somebody else. Most Australians would regard it as unjust if this happened to the shopkeeper; just as they would regard it as unjust if the mechanic they hired to repair their car was given, in addition to full payment for his services, the right or 'prerogative' to use the car for a period after it had been repaired. Yet it is exactly that kind of dispossession of ownership rights, of loss of control over their goods, which some forms of 'industrial democracy' envisage for the owners of Australian enterprises.

Unforeseen Consequences

But what the proponents of industrial democracy say, of course, is that 'worker participation' is really an extension of ownership rights more generally throughout the community; a consummation, in economic affairs, of the political democracy we value so much. So, if it changes rights, it will change them for the better because it will give workers 'the right to influence organisational decisions which affect them', it will distribute control over property more equitably, it will lead to less alienated, better motivated, more satisfied employees, improved organisational decision-making and hence a more prosperous economy from which all will benefit. But while it may be true that there are no 'natural', immutable property or ownership rights but simply the established practices of a society which may be changed as the society evolves, it is nevertheless the case that the distant effects of established practices, and the consequences of changing them, may not be fully understood or foreseen, and that altering them may have results which cause serious damage to the whole society and create grave injustices.

Indeed, it is just these sorts of unforeseen consequences that flow from destroying the link between owning assets and controlling them effectively which have contributed to the malaise of the economies and the world of work in China, Russia and Eastern Europe, including Yugoslavia, which is often held up as a model by 'industrial democracy' proponents. And, within the West itself, some of the disabling effects of more modest tampering with effective control — such as West German 'co-determination' — are becoming painfully apparent. But more of this, and of the false justifications offered for these radical measures, in a moment; there are a number of worker participation or industrial democracy measures which have been taken voluntarily and which have evolved spontaneously out of the industrial scene, which should first be mentioned.

In a competitive, capitalist economy where there is freedom of entry into industries and occupations, unhindered by licences, quotas, closed shops, demarcation rules, restrictive practices, government-supported monopolies, and so on, there is a ceaseless search for new and better ways of doing things and organising enterprises — including the better employment and supervision of men and women. Out of this search and out of the free collective bargaining
between management and labour have arisen a variety of arrangements which may be included under the heading of worker-participation and industrial democracy. Such things, for example, as:

- share ownership and profit-sharing schemes for employees;
- consultative councils established by management and having no powers of control but designed to improve communication and co-ordination between management and employees;
- re-designing work groups, relations between work groups and individual jobs to:
  — improve performance
  — improve worker satisfaction
  — achieve greater flexibility and co-ordination, by such means as ‘job enrichment’, ‘semi-autonomous work groups’, ‘quality circles’, joint management-worker committees and related methods.

This is the merest summary of an immense variety of innovations initiated by owners and managements, often stimulated by the theories and recommendations of social scientists and management consultants. The actual contribution of such initiatives to more efficient and effective organisations is often hotly debated, but the important point is the voluntary, experimental, spontaneous character of these activities. What is remarkable, therefore, is that nowhere, in an otherwise free society, has there been the same spontaneous appearance of those more radical industrial democracy and worker participation measures — such as ‘co-determination’, ‘worker-directors’, ‘job ownership’ or direct transfers of control to employees — which have been urged either in the name of equity or efficiency. Yet, if they are more efficient, why have they not happened naturally?

There is no legal impediment to firms putting workers on their boards of directors. Firms and their contracting workers can agree, if they wish, to formally involve workers in controlling councils, decisions about production methods, and offer permanent tenure. For their part, workers (or their unions) can start firms of their own and, if they choose, borrow capital, hire equipment and hire technical (including managerial) expertise. More satisfying, less ‘alienating’ jobs can be contracted into existence if workers are prepared to meet part of the costs (assuming they are most costly) by trading satisfaction for less wages. If the benefits, in terms of increased profits, exceed the costs of such proposals there is every incentive in a capitalist society for such things to appear out of the competitive scramble. Yet the reality is that those measures which break the link between ownership and control — which is essential for the proper, conscientious management of assets — can only come about through legislative coercion of government, the fiat of industrial tribunals, or unconstrained intimidation by unions. One can only conclude that pleas for their introduction on the grounds that they will contribute to economic efficiency are grounded either in ignorance or humbug and, if the latter, what is really being sought is the transfer of control over assets (‘ownership’) from one party to another.

The argument in terms of enhanced efficiency, therefore, is highly suspect on these grounds alone. It becomes untenable when we examine the actual operation of worker control in Yugoslavia and co-determination in Germany.

**Yugoslav Experience**

The Yugoslavian firm
- is worker-managed and controlled,
- but the workers do not own the capital assets of their firm,
- their rights to a share in the firm’s revenue and internal control exist only while they work in the firm; they are not saleable or transferable and, because of this, they have no tradeable ‘equity’ in the assets or revenue of the firm or their own jobs as it is understood in capitalist societies.

In short, the Yugoslavian system drives a wedge between ownership and control. The workers control the firm but they do not own it. The result is that they have a strong incentive to use their powers of control in such a way as to convert the capital assets of the firm (which they don’t own) into income upon which they do have a claim. The outcome, as might be expected, is that plant and equipment is not adequately maintained or replaced, stock is used up, revenue is distributed in the form of personal income and insufficient is retained in the firm for investment in the future. Yugoslavian industry is relatively inefficient, inflation and unemployment are
high, investment is low and the economy stagnant. At the heart of these failures is the separation of ownership and control and the destruction thereby of positive incentives to use assets responsibly and efficiently. It is consumers — and all workers are consumers — who suffer. The structure of property rights and organisational control encourages the erosion of capital and productive capacity, the diversion of assets into personal consumption by workers, the dissipation of effective control, and the substitution of political wrangling for rational decision-making.

German Experience

The German system of co-determination has a long and complex history, but its modern form did not arise naturally from industrial experimentation but was forced upon the Germans by the victorious allies after World War II, mainly on the insistence of the British Labour Government of the day which believed that if only the workers had had a say in German industry (especially steel and coal) before the War there might not have been a war. The system of co-determination as it has since evolved is the creature of government legislation urged on by the labour unions. In essence it endows non-owners (the workers) with equal control via an equal number of seats on the 'supervisory board' (similar to a board of directors) in those firms (about 470) with more than 2000 employees. This outcome has had a number of legislative stages since the Montan Act of 1951, the Works Constitution Act of 1952 and the Co-determination Act of 1976.

It is too early to assess fully the consequences of the 1976 Act, but much is already evident. For instance, it has become customary for the two groups on the board — the shareholder representatives and the employees representatives — to meet separately before a board meeting and work out their respective positions. Board meetings are thus not opportunities for a genuine sharing of views but adversarial encounters and bargaining exchanges. Volkswagen's decision to open a plant in the U.S.A. was delayed for two years for these reasons. Wrangles over information and illicit disclosure of confidential information given to supervisory boards have been issues. Not surprisingly, board information that bears upon jobs and wages has been divulged, illegally, by worker representatives on boards to trade unions.

The fundamental problems that afflict the Yugoslavian firm reappear in the 'co-determined' firm.

Outrageous attacks on the right to work have come from closed shops, minimum wage laws, and restrictive practices of unions.

"Co-determination shifts the responsibility for decisions to a group of people who are not at all affected by the consequences of the decisions. No matter what the outcome of the decision is, the worker receives contractual wages — his risk is limited. Co-determination puts stockholders into an uninviting situation — if the corporation makes an investment decision that is successful, the gains are shared with labour. If, on the other hand, the investment decision is not successful stockholders alone bear the losses. Co-determination violates the risk — reward relationship which, in turn, must raise the cost (reduce the supply) of equity capital"!

If the argument for legislatively-coerced industrial democracy in the name of enchanted efficiency begins to fall apart when we look at the facts, what of the argument in terms of equity and justice?

Democratic Theory

Democracy is a means of establishing a system of government.

It does not, of itself, guarantee that the laws passed by such a government will be just, equitable or efficient, but it usually means that laws passed by a democratically-elected legislature are more likely to be seen as legitimate. By analogy, industrial democracy in organisations would not guarantee that the decisions made by democratically-elected governors will be just, equitable or efficient or more likely to be so. Indeed, as we have seen, there is strong evidence that they would not be.

1 Pejovich, Stev, Co-determination in the West: The Case of Germany, Heritage Foundation, Washington, 1982, p.18
If it could be demonstrated to a democratic government that industrial democracy would be unjust, inequitable and inefficient, and if, in the light of that knowledge, such a government ruled against industrial democracy, would that (democratic) ruling be readily accepted because "those affected by the decision had influenced the decision" by exercising their electoral rights? It seems that it ought to be so accepted as legitimate and as democratically establishing a 'non-democratic' mode of decision-making in organisations.

In a richly interconnected and interdependent society like ours, there is no significant social, political or economic decision which doesn't affect somebody or some group remote from the actual decision, and more usually it will affect hundreds with all sorts of different interests in the decision, and affect them in a multitude of different ways. Must they all, therefore, be 'involved' in such decisions? It is plainly absurd to suggest this and, being so, the principle is seen as a ridiculous one which, far from distributing power more equitably, in fact renders everyone powerless before the weight of a meaningless, disembodied 'majority' whose abstract legitimacy would in fact be seized upon and used by organised minorities to justify ends remote from the real wishes of the individuals who compose the 'majority'.

Yet the Federal Minister for Employment and Industrial Relations declares that: 'The essence of industrial democracy is the right of employees to influence decisions affecting their working lives'. Insofar as this slogan has any real content at all, it ought to consist in the right of individuals to choose when and where they will offer their services to those who want to buy them. But the most outrageous attacks on that right have come from closed shops, minimum wage laws, pickets, and the restrictive practices of unions aided and abetted by industrial tribunals.

What rights to "influence those decisions which affect their working lives" have been given to those tens of thousands of young men and women who have been excluded from a working life by absurd minimum wage decisions enforced by tribunals, governments and unions?

In all of this, what is overlooked is the crucial part played by a system of ownership and property rights, developed over centuries, which serves to 'socialise' things in the sense that it brings objects into a human order in a way which allows that human order to deal with them (i.e. 'property' or 'commodities') in an orderly, systematic and predictable way.

If my society is satisfied that I 'own' something, I, and other people, know that I can control and use it in certain ways, that I can make plans for its use and that I and others can be joined purposively in those plans, and so on in ever-widening and interconnected circles. My life, my way of life, my motives, my energies become intimately attached to those things which stand in that special relationship to me in such a way as to give my life a special vigour and purpose, which may, in turn, be noted by others who shape their plans in terms of mine. If I own an enterprise, or if several people share ownership of an enterprise, that fact, and the presumptions which go with it, is the foundation upon which mutual employment and cooperation may be based.

But when the bond of ownership is broken, a form of connection of things to persons is profoundly changed with vital consequences for the effective and efficient employment of economic resources and life in general. When things in general, or complex enterprises, become 'common' property, when everybody owns everything, nobody owns anything. Unowned things are usually treated badly and when costly human artefacts (e.g. public trains) are treated badly there is a loss, eventually, to all of us. We each, ultimately, pay the cost. But when individuals are attached to things by the bond of ownership they care for what they own and a resource is therefore sustained not only for the benefit of that individual but also for others who may benefit from their attachment to that individual and that resource — the attachment, for example, of the employees to the delicatessen shop and its owner.

Rights of ownership, therefore, have profound implications for incentives which are essential for the creation and husbanding of resources upon which we all depend. To hand over the resources of industry to controlling non-owners is to ensure their misuse and destruction.
Neglect of so-called "youth issues" and "women's issues" has been cited as a reason for the lack of success of the Liberal Party in recent elections in Australia. Yet in America in the November 1984 election President Reagan won strong support from youth and women. Greg Sheridan examines the reasons for Reagan's success.

One of the most significant and intriguing aspects of the American presidential election last November is the extraordinary degree of support the President gained among young people.

I happened to be in the USA for much of the campaign and it was remarkable to see the septuagenarian president wildly cheered and welcomed wherever he spoke on a campus, to see the huge crowds of students who turned out to support Reagan and, to a much lesser degree, George Bush.

On the other hand Walter Mondale and Geraldine Ferraro aroused little enthusiasm among students, with Mondale even complaining that young Republicans on campus were turning up to heckle him, and preventing him from getting his message across. Given the penchant of militant students for the most vile behaviour through the sixties and seventies in order to stop Conservative spokesmen from appearing on campus, this seemed to some, even if they didn't approve of the young Republicans' behaviour, a sweet irony.

1984 was the first election in decades in which the youngest group of electors voted more heavily Republican than the second youngest group of voters, who voted more heavily Republican than the third youngest group of voters. The result could be portentous. If the young people who voted Republican last year continue to identify themselves as Republican, and vote Republican in 1988, they could provide the basis of the long-awaited realignment in American party politics, with the Republicans attaining permanent majority status.

The American liberal* establishment has proposed a number of self-serving theories to explain this extraordinary phenomenon. The major one is a variant of the theme which they use to explain Reagan's general support throughout the country. They argue that American youth, especially middle-class youth, have become selfish, are no longer interested in idealistic causes and vote simply to get the best deal for their wallets.

This is a typically self-serving liberal delusion. There is no empirical evidence that American voters, old or young, are any less idealistic now than at any time in the recent past.

However, the strength of Reagan's appeal to the young is worth analysing in some detail to see if there are any lessons for conservative politicians in other parts of the world.

Firstly, the phenomenon of Reaganism does not exist in a political vacuum. The conservative intellectual revolution, which has swept America, is full to the brim with idealism, and as such has an immense appeal to America's young. The new conservatism embodies many and sometimes contradictory themes, but one that is paramount is patriotism.

Patriotism is one of the most powerful contemporary forces in America. It shows no sign of degenerating into jingoism, or even isolationism. It is simply a pride in, and love of, America. This feeling is pervasive throughout

*Ed. Note: liberal, in the American context, is associated with left of centre views.
THE key issue in the whole debate on tax reform is in danger of being overlooked.

The crucial problem is the burden of government taxes. Unless policies are adopted to contain the growth of government taxes then the benefits of any tax reform will be short-lived.

The visit of J. Peter Grace to Australia — described by the Press as President Reagan's chief cost cutter — highlighted one major reform which needs to be taken: cutting Government waste and inefficiency.

In short, the Grace Commission presented President Reagan with an alternative to raising taxes.

The Grace Commission in the U.S. indicated that at least 13 per cent of budget outlays could be saved by cutting out waste and inefficiency.

In the context of the Australian Government budget this would represent close to $8 billion.

Peter Grace was appointed by President Reagan in February 1982 to head a private sector enquiry into public sector waste. The enquiry, called the President's Private Sector Survey on Cost Control, became known as the Grace Commission.

After 18 months work the Grace Commission produced a report with 2428 specific recommendations on how to achieve US $424 billion of savings over a three-year period.

Peter Grace's visit to Australia was sponsored by the Institute of Public Affairs. Co-sponsors were: Australian Chamber of Commerce, Australian Mining Industry Council, Business Council of Australia, Confederation of Australian Industry, Institute of Public Affairs (NSW) and the National Farmers' Federation.

PETER GRACE described the workings of his Commission to the Prime Minister, Mr. Hawke, during a two hour meeting in Canberra.

The Minister for Finance, Senator Peter Walsh, and the Minister for Industrial Relations, Mr. Ralph Willis, also attended the meeting.

The IPA was represented by our President, Charles Goode, the Treasurer, Hugh Morgan, and the Director, Rod Kemp.

The Australian Chamber of Commerce was represented by Ken Court, the Business Council of Australia by Jim Kirk, the Confederation of Australian Industry by Ken Williams, the National Farmers' Federation by Ian McLachlan and the Institute of Public Affairs (NSW) by Sir Eric McClintock.

The message Peter Grace conveyed to the Prime Minister was that his experience in the U.S.A showed that government expenditure can be significantly cut provided there is sufficient political will.

Mr. Grace pointed out that the Commission did not attack the substance or existence of any federal programme, it was concerned with how services could be delivered more efficiently.
Community leaders hear the Grace message

THE private sector can take a leading role in persuading the government to reduce waste and inefficiency.

This was the message that J. Peter Grace gave to some 700 leaders from business, government and academia during his visit.

Two major functions were held, one at the Victorian Arts Centre in Melbourne and the other at the Regent Hotel in Sydney.

Mr. Grace's message was well received. The Business Review Weekly wrote that: "The capacity audience of about 340 stood and applauded Grace's tirade against waste in government spending and his plea to shift the attitudes of politicians towards what is 'politically feasible'."

Bob Gottliebsen, the well-known financial journalist, wrote that:

"Australia's business community was being inspired by Peter Grace to push for government cuts on a scale that had never been seen before."

Mr. Grace pointed out that in order to carry out his work for President Reagan he enlisted the assistance of the private sector. Over 160 top executives were recruited from private business and other organisations to chair and staff 36 task forces with more than 2,000 of their professionals.

More than 850 companies donated people, money and/or services and equipment with a value totalling more than $75 million. Not one cent came from the federal government.

Examples of government waste

The Grace Report highlighted many examples of government waste and inefficiency. Here are just a few.

Food stamp fraud totalled $1 billion in 1981, or 10 per cent of the program's benefits.

Civil service and military retirees collect three and six times, respectively, the total lifetime pension benefits of their counterparts in the private sector. Bringing these retirement plans into line with those in the private sector would save $58.1 billion over three years.

The average estimated costs of 25 major weapons systems that were started in the 1970s increased 223 per cent before delivery, an added charge to taxpayers of $234 billion.

The Agency for International Development spent $3 million to buy vehicles for projects in the Middle East. Of these 399 cars and trucks, five are missing, 91 are used for personal transport, 84 have been idle for up to two years, and uncounted others have been commandeered by host-country officials.

Productivity levels for private sector maintenance workers are as much as 50 per cent higher than the average for comparable federal workers. Improving the productivity of these federal workers to the level of comparable private sector workers would cut federal maintenance costs by $1.1 billion over three years.

About 60 per cent of the 82 special and deputy assistant positions in the Environmental Protection Agency do not require performance of functions that justify these titles and salaries. Restructuring these titles would save $11 million over three years.

Using year-end personnel limits to control the numbers of federal employees, agencies "fire" some employees for one day at year-end, then "rehire" them the next day. In this way, the agencies comply with their personnel ceilings — at significant cost to taxpayers. If these ceilings were removed, the Air Force alone would save $96 million over three years.

One quarter of all federal white-collar employees are in jobs that pay at the wrong level or the wrong title. These incorrect classifications cost the government an extra $682 million a year. In Washington D.C. alone, nearly one third of all federal jobs are at salary levels higher than they should be.

Government growth threatens freedoms

Past trends in government spending must be stopped says Charles Goode

The growth of government threatens our political and economic freedoms, said the President of the IPA, Charles Goode, at the dinner held for Peter Grace in Melbourne.

"In Australia government expenditure has gone up in the last ten years from 32 per cent of our national output to 43 per cent.

"This trend just cannot continue if we are going to have the mixed economy to which we are accustomed.

"At the IPA we consider there are two positive steps to combat the trend for increased government expenditure. The first step is to make the public more aware of the level of government expenditure and marshall public attitudes against it.

"We want public opinion to be such that a Minister no longer gets applauded when he announces a new public expenditure initiative. We want shadow Ministers to see as their major task the critical examination of public expenditure.

"The second step we need to address is the question of what government expenditure should be cut. This is a difficult question, partly because of the lack of information we have.

"President Reagan asked Peter Grace to answer this question when he appointed a committee of enquiry and he came up with 2428 specific answers".

The Agency for International Development spent $3 million to buy vehicles for projects in the Middle East. Of these 399 cars and trucks, five are missing, 91 are used for personal transport, 84 have been idle for up to two years, and uncounted others have been commandeered by host-country officials.
Hugh Morgan says Australia can learn from Grace

Australia's problem with government spending is even more deep-seated than the U.S., according to IPA Treasurer, Hugh Morgan.

"In the United States their response was the Grace Commission. In Australia our response to date is a tax summit, the purpose of which is to reallocate the current level of government spending, 43 per cent of the GDP.

"Another contrast between Australian and American society is this: American corporations, unlike Australian corporations generally, see themselves as legitimately playing an independent political role within society and I hasten to say this role is not politically partisan.

"They fund literally scores of independent institutes which take an active and vigorous part in American intellectual life.

"Accuracy in Media, the Institute of Humane Studies, the Rockford Institute, for example, are very small organisations which exemplify the corporate commitment to health and vigor in American public debate in addition to the better known and substantially funded American Enterprise Institute, the Heritage Foundation, the Brookings Institute and the Manhattan Institute to name a few.

"This is something of which we in Australia should take note".

Terms of reference of The Grace Commission

On June 30 1982, President Reagan issued an executive order which established the "President's Private Sector Survey on Cost Control in the Federal Government".

The terms of reference included the following:

"The Committee shall conduct a private sector survey on cost control in the Federal Government and shall advise the President and the Secretary of Commerce, and other Executive agency heads with respect to improving management and reducing costs.

"The Committee shall conduct in-depth reviews of the operations of the Executive agencies as a basis of evaluating potential improvements in agency operations.

"In fulfilling its functions the Committee shall consider providing recommendations in the following areas:

1. opportunities for increased efficiency and reduced costs in the Federal Government that can be realised by Executive action or legislation;
2. areas where managerial accountability can be enhanced and administrative control can be improved;
3. opportunities for managerial improvements over both the short and long term;
4. specific areas where further study can be justified by potential savings; and
5. information and data relating to governmental expenditures, indebtedness, and personnel management."

The Private Sector role

Why did President Reagan believe the private sector was particularly qualified to undertake the huge role of cutting government expenditure?

The Report, War on Waste, answered this question in the following terms.

"Private sector management is driven by the need to ensure the enterprise's continued economic survival. This is a precondition for profit or any other measure of success and the satisfaction of this precondition requires constant attention to managerial efficiency and the effective use of resources in a competitive arena. The unforgiving tests of both the balance sheet and the marketplace must be met.

"Failure to meet the demands of either will, in time, bring the enterprise to an end, with the attendant consequences not only to management but to the investors, employees, suppliers, customers and the community as well. In short, the private sector cannot operate with a continuing and growing deficit.

"Failure to operate efficiently and to ensure a satisfactory return to investors will cause private sector enterprise to fail, with devastating effects on all its components — particularly its employees.

"Government has no such incentive to survive, let alone succeed, nor any such test to meet. The Government, unlike private sector enterprise, is not normally managed as if it were subject to the consequences of prolonged managerial inefficiency or persistent failure to control costs. Such consequences have historically been avoided in the public sector — or, more accurately, postponed — by Government's propensity to increase tax revenue, engage in deficit spending, and spend yet more money on failed programs with the result of masking their ineffectiveness.

"The members of the President's Private Sector Survey on Cost Control (PPSS) believe that the disciplines necessary for survival and success in the private arena must be introduced into Government to a far greater degree than previously had been the case.

"It is that belief which motivated the PPSS effort. A government which cannot efficiently manage the people's money and the people's business will ultimately fail its citizenry by failing the same inescapable test which disciplines the private sector: those of the competitive marketplace and of the balance sheet."

A Grace Commission for Australia?

Rod Kemp, Director, IPA.

There has never been a government "razor gang" with the scope and expertise of the U.S. Grace Commission in Australia.

Paul Keating's Expenditure Review Committee announced cuts in the May mini-budget amounting to just under 2 per cent of proposed government expenditures — significantly below the 13 per cent cuts proposed by the Grace Commission. This review of government expenditure, like the Fraser Government's razor gang in 1980 and the Bland Committee in 1976 was staffed by public servants; whereas the Grace Commission was a private sector review of the public sector.

Certainly features of the Grace Commission relate to specific problems with the U.S. Federal Government structure. However, what is also apparent is that many of the problems and areas of waste highlighted by Peter Grace have their counterpart in Australia.

Public service pensions, overmanning, inefficiencies in social security provisions will strike a responsive cord among public sector analysts in Australia.

Recognising the limitations of previous government efficiency reviews President Reagan developed a new structure to come up with practical recommendations to save the taxpayers funds.

It was a bold step and has produced dramatic results. Already some $110 billion of the Report's recommendations have been accepted. It has also had the important effect of helping to educate the public on the excesses of government.

There is no reason why a similar commission in Australia could not produce significant savings for the taxpayer.
Could the projected savings of 422 billion dollars (US) over three years (the Grace Commission) be translated into A$8000-9000 million dollars over three years in Australia.

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CHAIRMAN OF PRESIDENT REAGAN'S PRIVATE SECTOR SURVEY ON COST CONTROL

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YOUTH AND THE LEFT

the USA, and crosses age groups and party affiliations. The old-time 1970s guilt is passe. Even rock stars of the ilk of Bruce Springsteen affirm America with such songs as “Born in the USA”. Indeed, USA was a favorite chant at Reagan rallies.

Secondly, the conservative intellectual revolution has affected bright students at universities. Bright students are notorious for their tendency to rebel against orthodoxy. The American Left-liberal establishment is still the determinant of what is orthodox on American campuses. But this seeming victory for the Left has its problems, for the brighter students are now politically active conservatives. Across America, conservative political student activism is flowering.

Whether it be the ideologically tough campus Republicans, committed to free enterprise at home and anti-communism abroad, pro-life groups, students in support of the Committee for the Free World, groups expressing solidarity with Eastern Bloc dissidents, orthodox Catholic activists, evangelists or whatever, the energy, the vigour, the strength and the vision are with the Right.

Reagan’s strength among the young shows how anodyne and uninspiring, and ultimately how futile, is an attempt to win the young by promising more government programmes aimed at youth. Walter Mondale was the candidate of government programmes and he got creamed more heavily in the 18-24 age group than in any other. You can’t capture the imagination of a healthy 18 year-old by offering him a future of bureaucrats; you can perhaps capture his imagination by offering him a future of opportunity.

Economic self-interest undoubtedly played a part in the way the young voted, as it plays a part in the way most people vote on most occasions. Americans en masse simply did not believe that the solutions to their economic problems lay in the higher taxes proposed by Mondale.

However, that is not for a moment to accept the liberal slander that the young are immorally selfish and insensitive to the plight of the poor. There is an overwhelming belief in America that only through lower taxes, less regulation, and the restoration of incentive and opportunity can the lot of the poor be significantly improved.

There is a consensus among economists, for example, that minimum wage laws have disproportionately hurt young people and blacks, in denying them job opportunities. The proponents of the free market in the USA, including its young proponents, do not see their programme as lacking in compassion. Rather it is the undeniable failure of big government to keep its promises that has led them to a reappraisal. Now they believe that there is a harmony between older American virtues of freedom, self-reliance and opportunity, tempered by compassion and emergency relief.

You can’t capture the imagination of a healthy 18 year-old by offering him a future of bureaucrats; you can perhaps capture his imagination by offering him a future of opportunity.

Part of Reagan’s strength comes from the way he effectively ignores pressure groups who claim to speak on behalf of large segments of the population and instead speaks to those segments of the population directly himself.

Thus the League of Women Voters, by no means an extreme feminist group, for the first time endorsed a candidate, and that candidate was Walter Mondale. Mondale supported all the feminist positions, abortion on demand, support of the Equal Rights Amendment etc. All the feminist groups supported Mondale ahead of Reagan.

But Ronald Reagan has never believed that feminists speak on behalf of most women. Self-appointed spokesmen really only speak for themselves. Instead Ronald Reagan spoke directly to American women, he spoke about family life, about old-time values, he spoke about law and order and the fight against crime, he spoke about his own deep conviction that abortion is murder.

And the result? A majority of American women, like a majority of American youth, voted for Reagan. It appears that most Americans think of themselves politically first as citizens of America, and only secondly as part of some classification, such as youth, or women or whatever. Thus a political leader who communicates a clear, forceful, relatively integrated, coherent vision has a better chance of
capturing their support than does a leader who panders to specific demands by generally self-appointed spokesmen or women for specific groups.

The one group for whom this generalisation most obviously does not hold is blacks. American blacks have unfortunately been convinced, partly, though not entirely, by a self-serving black political leadership, that the only way for the black community to advance economically is through direct political intervention. It is a view which almost every other American group has abandoned. In electoral terms it damages the Republicans because the black political process is overwhelmingly identified with the Democratic party.

The Republican response is interesting. One group of small 'c' conservative Republicans tends to write-off the black vote altogether. Another group, the dwindling liberal Republicans, tends to bid against Democrats in terms of government programmes. Blacks naturally regard this as ridiculous.

The third response is best embodied in New York Congressman Jack Kemp, and it is the approach which in the long-run has the greatest chance of yielding the Republicans results. Kemp makes a direct appeal to black communities to vote Republican out of measured self-interest. He demonstrates the way blacks have suffered through minimum wage laws and regulation of small business. He proposes that urban renewal, and the revitalisation of communities in which blacks live, can be assisted by the creation of enterprise zones. He points out that if they are to break the circle of poverty then new jobs must be provided and these can only be provided by private enterprise. He seeks to make the social security system work to help black families rather than to act as an incentive for their dissolution.

Jack Kemp is the Republican with the greatest access to black leadership. It appears that a significant number of blacks are starting to take his ideas seriously. There is, of course, already a black conservative movement, one of whose heroes is Thomas Sowell. Whether that movement grows, and whether Kemp's approach proves successful, remains to be seen, but it is so far the most honest and vigorous Republican response to the lack of Republican support among blacks.

The lessons of Reagan's appeal to the young and to women is that mainstream people who are not alienated from their society can be won by a coherent vision as opposed to pork-barrelling. And the Republicans take the view that even those who are alienated are best won back by demonstrating that the vision can include them too.

Of course, it takes a certain political courage, and a certain political competence, to champion a vision and a programme which cut across the interests of self-appointed bureaucratic elites who claim to speak on behalf of large groups of people. It is far easier for a politician to try to stitch up all kinds of deals with the professional political manipulators. That is the essence of the corporatism now in vogue in Australia. Ronald Reagan has shown that it is not the only way.
“Work, Discipline and Emulation”

the new French socialist education policy

a special correspondent

In Australia, the symptoms of declining standards in our educational institutions are widespread. In the last “Review” Dame Leonie Kramer and David Dyer, Headmaster of a leading private school, examined aspects of this decline. In France the socialist government has responded positively to the bankruptcy of the radical philosophies and policies which continue to have such an influence on schooling in Australia.

Is Jean-Jacques Rousseau’s (educational) ghost about to be laid to rest in France?

Of the new winds blowing in the country one of that most unexpected has been the recently appointed Education Minister’s cry of “enough” to what he sees as an insidious white-anting of the country’s educational standards. For years successive Governments (nominally of the Right) have embraced the soft option in education — elimination of examinations in favour of continuous assessment, abolition of streaming and emphasis on “thematic” learning rather than absorbing hard facts and figures by rote. This deterioration in standards may come as a surprise to foreigners imbued with French education’s elitist reputation.

France is of course not the only country to have embraced the predominant “progressive” educational philosophies of the 1960s and 1970s, but, in an educational environment permeated by politics, these have been promoted by a seemingly unstoppable juggernaut in the form of the Federation de L’Education Nationale (FEN). Only some 25 per cent of the overall French labour force is unionised (about one-half of the United Kingdom and Australian rates), but close to 60 per cent of teachers belong to 49 unions affiliated to FEN which, while incorporating an important Communist minority among the secondary school teacher unions, enjoys close links with the Socialist Party. (Its then General Secretary received a Ministerial appointment when the Socialists assumed power in 1981).

Such is the FEN’s hegemony in the educational world that no policy initiatives were considered capable of getting to first base without its blessing. And the FEN’s educational philosophy is unequivocally anti-elitist. It is not surprising, but no less forgivable, that successive Governments under the “ancien regime” embraced FEN-inspired measures, culminating in the reforms bearing the name of Mr. Haby, Mr. Giscard D’Estaing’s Education Minister. The slide was not initiated by the May 1968 events but received a mighty push from them. As early as 1947, a plan for reform of the educational system, was commissioned from Mr. Wallen, an active Communist sympathiser with radical views on the subject.

The results of this abnegation of responsibility are as eloquent as inevitable. According to the Ministry of Education itself, some 20 per cent of pupils enter secondary school unable to read fluently and, for example, knowledge of pre-revolution French history is almost non-existent. The problems created by lumping pupils into the same class irrespective of capacity have been magnified in the major cities...
by the presence of large numbers of immigrant children — in large measure North Africans with severe assimilation problems.

However impenetrable the arcane arguments of educational specialists may appear to ordinary mortals, users of the service have left no doubt as to their judgment. Concerned parents have voted with their feet. The numbers of pupils opting for private schools (about 90 per cent run by the Roman Catholic Church) has started to increase over the past couple of years and currently account for about 15 per cent of the total.

The natural reaction of the FEN and its vociferous ally, the CNAL (Comite national d'action laique), to this unwelcome competition was to increase pressure on President Mitterrand to honour his election pledge to absorb private schools into the public system. In passing, it is interesting to note that the President himself had received a strict Roman Catholic education and up-bringing (Remember Arthur Augustus Calwell?)

Mr. Mitterrand's first Education Minister faced the thankless task of seeking to honour this election promise at a time when disillusion with the public school system was attaining new heights and defenders of the private sector (including large numbers with children in the public schools, but desirous of preserving freedom of choice) sensed the life or death nature of the looming struggle. These people, encouraged by the Left's dwindling electoral popularity in the face of the demonstrable bankruptcy of its initial economic policy prescriptions, organised what have been probably the largest popular demonstrations ever witnessed in France, culminating in a march by around 1½ million supporters in Paris in June last year. The unfortunate Education Minister was disavowed by Mr. Mitterrand and resigned shortly before the President changed Prime Ministers in July, 1984.

The new Minister, Mr. Jean-Pierre Chevenement, is a man of impeccable socialist credentials, a true darling of the Left. As leader of the left-wing CERES faction of the Socialist Party, he has been instrumental in defending the challenge to Mr. Mitterrand's leadership of the Socialist Party at its 1979 Congress and in forging the Programme Commun of the Union de la Gauche. He was a principal author of the 1981 "Project Socialiste" which, decrying the utilitarian motives of education policy and calling for increased emphasis on "awakening" themes, claimed that true education depends more on what young people experience than what they learn from school books.

As from the next school year the three Rs make a triumphant return and history instruction will revert to its old methods based on chronology and inculcation of dates.

Mr. Chevenement, in his new role, has adroitly defused the public/private debate by recognising the private sector's right to continued existence — action which needless to say has provoked the wrath of many Socialist Party colleagues (almost 60 per cent of the Socialist Parliamentarians are former teachers), the FEN and CNAL. Hardly had the dust begun to settle, than the Minister, deploiring the decline in educational standards, called for a return to "work, discipline and emulation".

What's more, action is scheduled to follow words — beginning at the root of the problem, the primary school. As from the next school year (beginning in September 1985) the three Rs make a triumphant return and history instruction will revert to its old methods based on chronology and inculcation of dates (rather than themes). Science is being elevated to a fully-fledged subject rather than accorded a mere "stimulatory" role, and an education in civics is being introduced. Exams are coming back.

Interestingly enough, Mr. Chevenement is the son of a schoolteacher and a product of the elite ENA (Ecole Nationale d'Administration). For all his far-left pedigree, he has always manifested a strong nationalist streak — appreciated by such political opponents as Mr. Debre (one of the General de Gaulle's Prime Ministers). His call for "Republican elitism" is doubtless more than glib talk and translates a deep-felt conviction of the necessity for decisive action. His earlier stint as Industry Minister surely brought home France's need for highly-qualified people — scientists and managers — to man the business and administrative apparatus if the country is to survive and prosper in the modern competitive world. Presumably, he has
modified his former advocacy of a "fortress France" with high frontier protection and competitive devaluation.

What to make of all this?

Pedagogics, like economics, is not a "hard" science and as such offers fertile ground for proponents of theories based heavily on political preconceptions and prejudices. The Minister will be obliged to walk a narrow tightrope and it remains to be seen whether he is equally talented in such acrobatics as in describing U-turns. He has the full support of the President and Prime Minister, but powerful interests oppose his ideas; the FEN has cried "betrayal" and many of his party colleagues castigate a return to the bad old days. Nevertheless, carrying the day on the political plane is only the first (and possibly easiest) step. It is necessary to distinguish between jousting at the centralised political decision-making level and what is happening out in the field. The enormous educational apparatus (with its formidable built-in inertial forces) which could not hope to pirouette with the Minister's agility even if it wanted to, offers enormous possibility to sabotage the implementation of reforms.

The high degree of administrative centralisation in France has probably accentuated the weakness of linkages between decision making and implementation. Careful observers of the French scene are struck by the relatively limited impact which previous reforms appear to have had at the classroom level. Their application has been largely restricted to the problem areas (in the large industrial suburbs) where the need for innovation has been most keenly perceived.

Plus ça change!

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1The Education Department has in all about 1.1 million people on the payroll and swallows about 18 per cent of the budget.
RESEARCH REPORT

Four Corners: The Pattern Of Bias

Dr. Ken Baker

The Prime Minister, Mr. Hawke, has alleged "a pattern of bias" in parts of the ABC. Ken Baker examines a year's output of Four Corners, the flagship of in-depth current affairs analysis on ABC TV, and assesses its content against the official ABC guidelines on balance and impartiality and the Prime Minister's allegation.

It would hardly be an overstatement to suggest that the ABC is facing major public relations problems. According to the Corporation's own $100,000 self-promotion campaign — involving full-page advertisements run in major newspapers towards the end of last year — public criticism of the organisation has "reached a new pitch". And this was prior to the launching of The National! Ironically, the advertising campaign itself raised criticisms of an inappropriate use of public funds. Clearly, to the extent that public disillusionment with the ABC is based on legitimate grievances, advertisements alone will not appease the critics or restore public confidence and credibility to the organisation.

The key doubts surrounding the ABC concern the question of whether the organisation is adequately satisfying its charter on impartiality. In April last year Prime Minister Hawke alleged 'a pattern of bias .... apparent in parts of the ABC' (reported in The Australian, April 13, p.1). The question was legitimately raised and certainly warranted investigation. The Federal Opposition's attempts to divert the issue of bias to one of political interference was, in this context, misguided. After all, allegations of bias in the ABC have not been confined to politicians, or to only one side of Parliament, as the quotations in box 2 show.

Yet while there are certainly numerous documented cases of bias in particular ABC programmes, the editorial guidelines on balance endorsed by the ABC Board require only that balance be achieved over a 'reasonable' period of time:

"Balance will be sought through the presentation as far as possible of principal relevant viewpoints on matters of importance. This requirement may not always be reached within a single program or news bulletin, but will be achieved within a reasonable period".

My own research in 1983 ("Bias in the ABC", IPA Review, Winter, 1983), involving a survey of sixty radio programmes over four months, was an attempt to address this question of systematic bias over an extended period. It concluded that the section of ABC Radio concerned was indeed politically unbalanced, having given recurrent airing to the concerns of the radical left while relatively neglecting more moderate opinion.

The research reported below is an attempt to apply fundamentally the same method of systematic analysis to examine the pattern of programming of "Four Corners", ABC TV's leading programme of background news analysis.

The Survey

The survey of Four Corners was conducted from February to December 1984, and covered forty programmes, the entire number televised over this period.

The method of analysis employed involved looking at two inter-related aspects of the programmes: first, whether each programme gave an equal hearing to each of the major sides of an issue; second, whether the topics featured favoured the concerns of a particular political philosophy.
The assumption underlying this second aspect is that different philosophies tend to identify different issues as "problems" needing solution. A matter of concern to the proponents of one philosophy will often be of little interest to the proponents of another. Each philosophy, in other words, generates its own 'agenda'.

In the 1983 study, referred to above, I elaborated on the nature of agendas in some detail: "For example, the concerns that libertarians have with government regulation, and the inefficiencies which they claim result from interference with the workings of the market place, are of little moment to those who place small value on economic freedom.

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

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

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

In this article, for the sake of simplicity, I shall deal with two general political agendas: that of the radical left and that of, what might be called, liberal-conservatism, combining a moderate form of economic libertarianism with a mild social and moral conservatism.

The former position, that of the radical left, favours an increase in economic regulation, an anti-traditional approach to moral issues and an anti-American stand on foreign policy. It supports increased government intervention in the lives of people to redistribute resources in the name of greater equality of outcome and more State welfare. Supporters of this philosophy will tend to focus on issues which highlight their views about the risks of uranium mining and nuclear power, the need for a Bill of Rights, the shortage of public housing, the exploitation of the third world by multinational corporations, the need to sever ties with Britain, the dangers of American bases and the U.S. alliance in making Australia a nuclear target, the importance of land rights in compensating Aborigines for their unjust treatment at the hands of white Australia, the unscrupulous power exerted by business corporations, Israeli aggression and the threat posed by Reagan's America to the integrity of socialist countries, particularly in Central America.

One theme is the antagonistic attitude displayed to America, presented as a society stricken by poverty, violence and social injustice.

By contrast, liberal-conservatism favours leaner government and less regulation of the economy, defends traditional values and social institutions and supports a strong Western military alliance as a deterrent to war. Adherents to this philosophy will tend to focus on issues which highlight matters such as the growth and inefficiency of the public sector, the excessive power of trade unions, the role of the arbitration system in keeping young people unemployed, Soviet imperialism and the massive Soviet arms build-up in the last decade, declining standards and discipline in schools, threats to the nuclear family, the importance of ANZUS to Australia’s defence, tougher penalties for lawbreakers and Israel’s right to exist.

The Findings

Of the forty Four Corners programmes monitored in the survey nineteen fell within the radical left agenda. By comparison only three fell within the liberal-conservative agenda:— March 10 on the entry of foreign banks into Australia, September 15 on the bureaucratic inefficiency of the Department of Aviation’s rescue procedure and July 7 on medifraud and bureaucratic ineptitude in the Department of Health — despite its failure to raise the economic libertarian argument that a strong link exists between government involvement in universal health schemes and incentives to defraud. (See “Doctors Who Cheat” by Dr. Peter Arnold, IPA Review, Autumn 1983). The remaining programmes were concerned with issues which did not fall within either of these agendas. For example, October 27 on the Costigan Commission gave an equal hearing to civil libertarian arguments against the powers of the Commission and law and order arguments about its role in curbing crime. June 9 on pornography failed to canvass the objections of moral conservatives, but did nevertheless present a case for banning x-rated videos through the views of radical feminists.

Several topics had no obvious connection with any political agenda. These included the plight of brain-damaged car accident victims (September 22), Olympic training at the Australian Institute of Sport (April 28), the questionable use of forensic evidence in legal trials (April 24) and art fraud (October 6).

Reagan’s America

A number of recurrent themes emerge from the nineteen programmes which were biased to the left. One is the antagonistic attitude displayed to America and particularly to President Reagan. The features of the U.S.A. selected for coverage tended to present the society as one stricken by poverty, violence and social injustice. It was seen as pursuing a foreign policy which involved illicitly intruding in the affairs of Central America (October 13) and bullying a small island in the South Pacific to advance its own military goals (December 8).

Of six programmes relating to America five

2: Allegations of Bias

The editorial guidelines published by the ABC Board last year state in part:

“The ABC has a statutory duty to inform its Australian and overseas audience of important news and relevant issues around the world. This obligation requires of its staff journalists the highest professional standards of accuracy, impartiality and fairness. In pursuing the Corporation’s objectives to inform, ABC journalists will not allow their professional judgment to be influenced by pressure from political, commercial or other sectional interests, or their own personal views”.

“The ABC”, state the guidelines, “takes no editorial stand in its programming”.

Concern that the ABC is failing in its charter to be impartial and balanced is hardly new. The Dix Inquiry into the ABC stated in its 1981 report: “We are unimpressed by arguments that programmes giving prominence to committed left-leaning views ... are balanced by others produced in other areas”. (10.24)

Even the Deputy Chairman of the ABC, Wendy McCarthy, in an interview published in the National Times (January 13-19, 1984, p. 8) acknowledged the existence of a “reformist” bias in the ABC, although she argues that it is “confined to a very few departments”. Given that only a few departments are involved with current affairs, this is hardly reassuring.

In an interview with Mike Broadhurst on ABC radio, Mr. Hawke repeated his charge of a pattern of bias when pressed repeatedly about uranium mining and peace marches: “If you want to keep arguing the antiuranium case and implications of marching — do so and it will be another example of the way in which on this programme, this institution is going to push a particular line”. (reported in The Age, April 27, 1984)

Clement Semmler, former Deputy General Manager of the ABC, writing at the end of 1983, also pointed to “the existence of Left-wing bias in the ABC and its divisive effects on the broadcasting audience”. He continues “... the idea that a public broadcasting organisation should attempt, so often with glib and shallow presentations, to form public opinion in a certain direction, should be anathema to anyone concerned with intellectual values in our community”.

On Sunday March 17, The National led with a story that the very next day the U.S.A. was going to test-fire a MX missile which would splash down off the coast of Tasmania. The source of the report was a protestor demonstrating against the visit of two U.S. Navy ships to Brisbane. Quite obviously the report was wrong, but no apology or explanation was forthcoming on following nights. As David Solomon, The Financial Review’s media critic, concluded: “Once upon a time, the fact that the ABC ran a particular news item meant that it was almost certainly correct. That sort of standard no longer appears to matter”.

The Financial Review (March 13, 1985) has editorialised in favour of privatising the ABC on the grounds that “it could well make the ABC management far more genuinely responsive to the wishes of the public than they are present... The ABC, if it were to be a viable commercial organisation, would have to change its ways drastically, perhaps spending more of its funds on production, and less on Byzantine administration. It might even be able to get ratings with quality news, public affairs, information, and cultural output. But it would have a much harder time peddling low grade propaganda”.

Max Harris in a scathing article in The Australian (May 4, 1985) has also joined the chorus of voices critical of left-wing bias in the ABC:

“The lasting malignancy of the ABC is the bias, bigotry, ignorance, and plain disbalance of the general talks and social discussion programs. The omnipresence of raw and under-educated voices sounding off with leftist-trendy-Trotskyite views on anything and everything, is not to be found in any public service broadcasting anywhere in the world (outside the totalitarian countries).

Radical ratbagtery, especially from semi-literate academics, runs riot on ABC radio, there’s no attempt to reflect community values by pursuing the counterbalance which would give objectivity to presentations of controversial themes.

It’s a hangover, many of us believe, from the invasion of the ABC by fixated young radicals of no great brain during the free-wheeling Whitlam seventies.

These bodies are now part of the ABC furniture, screwed to the floor, despite the fact that the times they have a-changed. Reason is in. Ranting radicalism is about as relevant to our less emotional heads as the hula hoop is in the playground.

The ABC top brass know this, but there’s not much they can do about getting rid of the middle-level detritus. At least, they believe there isn’t!”

What can be done won’t be done until we cease nit-picking over the poor old unassuming “National”, boring as it may be, and continue to squawk for socio-political balance, balance, less half-baked lefty unalloyed bias, balance, balance, and balance again”.

Media critic, Anthony McAdam, has documented numerous examples of Left-wing bias in ABC current affairs, part of what he sees as a “seemingly concerted campaign of ABC programme makers ... fundamentally to alter the value system of our political culture”.

B.A. Santamaria has also been a regular and consistent critic of the ABC:

“Since it is financed exclusively by public money, the ABC ought not belong to any political party or to any intellectual current whether of left or right, feminist, homosexual, lesbian or traditionalist. It should not serve as the propaganda voice for any opinion. In fact, it does ... With few exceptions, the public affairs programs of the ABC emerge as extreme left-wing ...”
FOUR CORNERS

portrayed the record and aims of the Reagan Administration in a predominantly negative light. Reagan was described in terms such as a "gun toting, swaggering cowboy" (April 7) and a President whose speeches, when it comes to women, always contain a patronising attitude, a "caveman joke" or a "Freudian slip" (May 1).

It is notable that "The Gender Gap" (May 19) in confusing the views of radical feminists, such as Bella Abzug and Betty Friedan, with the views of American women, failed to account for why, in the end, the majority of American women who voted, actually voted for Reagan.

In many people's eyes Reagan's re-election with overwhelming support in November, 1984, reflected significant achievements in his first term. In foreign affairs, Reagan is widely thought to have made important steps towards restoring credibility and authority to the American Presidency. Many also point to the economic recovery under Reagan — the reduction of the inflation rate from 11.9 per cent in 1981 to 4.1 per cent in 1984, the creation of a massive seven million jobs (overwhelmingly in the private sector) in the twenty-five months to February 1985 and the achievement of an economic growth rate currently running at 4 per cent — although the deficit remains a major problem. Four Corners, however, managed to largely overlook these achievements. As such, were its viewers to have depended upon it for their conceptions of the United States today, they would have been staggered by the Presidential election outcome.

Free Enterprise

Five programmes looked at issues relating to the operation of the free market. Only one of these — (March 10) on moves to allow foreign banks into Australia — focussed on the potential benefits to consumers of economic deregulation. The other four examined business enterprises in the context of the exploitation or deception of consumers, and, implicitly or explicitly, advocated greater government regulation of business.

"The Pillbox Profiteers" exposed the marketing of dangerous drugs in the third world by Western multinationals in pursuit of high profits at the expense of people's welfare. The programme gave support to the banning of fifty per cent of available drugs by Bangladesh's military government. The impression is left that the main impact of multinationals on third world nations has been to the detriment of their economic and physical well-being. No Four Corners programme dealt with the benefits of foreign investment and Western technology to the third world and/or the extent to which third world development has been stultified by indigenous governments hostile to free enterprise. Fathers Gore and O'Brien (June 30 — "This Turbulent Priest") advocated a form of non-violent liberation theology in the name of achieving a more equitable and just society in the Philippines.

But in none of the programmes dealing with developing countries was any attempt made to account for the high average annual growth rates (per capita GDP) in predominantly free enterprise developing economies such as Hong Kong (6.9%), Sth. Korea (8.1%), Singapore (6.6%), in comparison with authoritarian economies such as Angola (-10.5%), Mozambique (-5.5%) and Libya (-2.6%) for example. (May 5 on poverty in Upper Volta made no mention of the fact that the country's economic development is restricted by a socialist military dictatorship.)

"Buy Now, Pay Forever" (August 11) consisted of case studies of bad debtors, depicted as the victims of unscrupulous finance companies. It failed to give equal attention to the view that finance companies provide a service to consumers (allowing them to purchase goods they would otherwise be forced to do without) and that responsibility for one's debts is a necessary condition of economic freedom. The tendency of Four Corners was to blame the system for the plight of the individual (the bad debtor), rather than treating the individual as responsible for the debts he incurs.

The impression is left that the main impact of multinationals on third world nations has been to the detriment of their economic and physical well-being.

Overall, by their presentation of consumers as victims, these programmes failed to reasonably consider the view that the free market actually empowers consumers, by providing them with competitive choices — a blind spot perhaps aggravated by the ABC's own position outside the market. Nor was it adequately suggested that "consumer protection" in the form of government regulations can often serve to increase costs to consumers and create disincentives to invent and market new products.
3: The Problem of Accountability

At the heart of much of the controversy surrounding the ABC is the issue of accountability, of how an organisation which absorbs annually around $400 million of taxpayers' money — excluding transmission costs — can be made to better serve the interests of the public who fund it. The issue of accountability, in terms particularly of editorial responsibility, but also of cost control, is a central problem facing the ABC. A number of factors have aggravated this problem:

- The decision by the Federal Labor Government soon after winning power in 1983 to dump plans to appoint an independent ABC Commissioner whose function it would have been to investigate complaints from the public.
- The growing autonomy and power of ABC staff (and declining authority of management) in editorial matters, now institutionalised in the official charter of editorial practice published by the ABC Board which states in part “Authority for editorial directions and decisions will be vested in editorial staff”. As David Solomon, in the Financial Review, has written: “Taken literally, that injunction would prevent ABC management, or the ABC Board, from exercising authority over sensitive programme matters. This is no doubt what the programme-makers want, and represents an extraordinary surrender of power from the top of the ABC”.

This charter, while endorsed by the ABC Board, was initiated by Australian Journalists’ Association. The particular injunction cited above is, moreover, consistent with the ABC Staff Association’s commitment to “workers’ control”.

The point is reinforced by media critic, Anthony McAdam’s comment: “The real power in the ABC today resides not with Mr. Whitehead (the Managing Director) and least of all with Mr. Myer (the Chairman of the Board), but with a small group of highly motivated program-makers who were radicalised on the campuses during the Vietnam years...”. (Melbourne Herald, September 14).

Ken Inglis’ anecdote in his history of the Commission, This is the ABC, is also of relevance. He reports a case where the acting General Manager, complaining to the Controller of Programmes that he should have been informed about the broadcasting of a politically controversial item, was told by the Controller that “reporters were uncontrollable”.

- As the recent history of The National illustrates, the ABC operates without those checks on spending which would be imposed by the market place. Such a situation tends to increase the indifference of the organisation to the values of the wider community, as well as to generate attitudes such as that reported in the Comalco case, mentioned in Box 1 in which an Acting Director of Public Affairs at the ABC, when told that a Four Corners programme to be broadcast was probably defamatory, replied: “If you do not like the programme, you can sue us on Monday morning”.

4: The Pattern Continues

Four Corners in 1985 has adopted a longer format and is televised at a new time. There is, however, no indication that the ideology of Four Corners has changed.

A sample of the “new look” Four Corners is contained in the following excerpts from the March 12 programme on the arms race. The statements are by Four Corners presenters and reporters.

On Reagan’s intentions and competence on arms control:

“Ronald Reagan gives cause for concern at two levels. Firstly, he’s been an aggressive and vehement critic of the Soviet Union for most of his political life. He once inferred it was a mistake to think of Russians as people. Can a man of his record really bring himself to seek common ground for agreement that doesn’t make the Russians eat dirt?.... Secondly... does he have the intellectual capacity to understand the subject? His critics say there’s plenty of evidence that he lacks the grasp, like the incident last year when he appeared unable to answer a simple question like what are you doing about the arms talks, without prompting from Nancy”.

On the American view of the world:

“All the eight post-war presidents have presented the world to Americans as them and us. America is always the good guy, Russia’s always the bad guy. Even in detente, the image wasn’t lost. But the eighth President for the whole of his first term, was surrounded by the toughest coterie of anti-Soviet hardliners ever to grace the White House ... more important than all of them was the third-level Pentagon bureaucrat named Richard Perle, dubbed by one of his critics as the prince of darkness”.

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FOUR CORNERS

The scope for topics dealing with the costs to consumers of government regulation in Australia is considerable: the Two Airline policy; the government communications' monopolies, Australia Post and Telecom; the inhibition of mining activity by land rights legislation etc. But such topics, it seems, fell outside Four Corners' narrow agenda.

Finally, against these programmes dealing with business abuse of power, only one programme (August 25) purported to raise the question of union power. Yet even here the weight of the report — on the miner's strike in Britain — suggested that a greater threat to democratic freedoms than the exercise of union power was the extension of police powers by Mrs. Thatcher's Government. Virtually no analysis was undertaken of Arthur Scargill's totalitarian sympathies — his former Communist Party affiliations, his public condemnations of Solidarity and of attempts to form a free miners' union in the Soviet Union, his soliciting of financial support from both Moscow and the terrorist regime of Libya's Colonel Gaddafi.

Nuclear Arms

Of the four programmes which looked at various aspects of the nuclear arms issue none presented the arguments in a balanced way. The one-hour special, "Uranium: Handle with Care" presented a case that the existing strict safeguards on uranium exports are ineffective, a case overwhelmingly in opposition to the policies of the present Government (and the Opposition). It thus argued, implicitly, for the cessation of uranium mining. Senator Walsh, then Minister for Resources and Energy, said in Parliament of this programme that it failed to make any "real effort to inform viewers of exactly what safeguards techniques involve and to explain the objectives and goals of safeguards measures" (Senate Hansard, 4 May 1984).

In "Eagles in the Bear's Den" (July 21) — a one-hour special — the threat of nuclear war was presented as a consequence of irrational mistrust and misunderstanding between Russia and America generated by Cold War warriors on both sides. Each side is accused of dehumanising and negatively stereotyping the other. The implicit suggestion is that both Russia and America are equally culpable for the state of international tensions.

The mainstream view — held by all Western Governments except perhaps New Zealand — was treated as at best marginal in Four Corners interpretation of international relations. This view, simply stated, is that

- the chief threat of nuclear war falls squarely with the expansionary ambitions of the Soviet Union and her client states;
- Reagan's programme to strengthen America's defences has contributed to the stabilisation of international relations and brought Russia to the disarmament negotiating table. Similarly, Western Alliances, such as NATO and ANZUS, are crucial if a credible deterrent to war is to exist;
- the so-called Western cold war warriors who portray Soviet communism as an inhuman, oppressive and evil system are not guilty of "negative stereotyping", but are describing reality.

Perhaps the programme that best encapsulated the anti-American, anti-nuclear thrust of Four Corners was "Paradise Lost" (December 8). It combined criticism of U.S. "cultural imperialism" in the third world for its destruction of an indigenous culture, an expose of bullying and manipulative tactics employed by the U.S. to advance its own military goals and promotion of a nuclear free Pacific. As the title of the programme suggests, America is portrayed as the bearer of original sin corrupting the primitive garden paradise.

By contrast no programmes dealt with Soviet missile tests in the Pacific (reportedly 24 since 1978) or Soviet and Cuban influence in Central America. Indeed the only threat which John Pilger's report on Nicaragua (October 13) revealed was the American threat. Reports of the Sandinistas' violations of human rights, restriction of press freedom and the severe economic problems faced by socialist Nicaragua were not analysed (cf. Freedom at Issue, Jan — Feb, 1984; May — June, 1984; Encounter Dec., 1983).

One programme focussed on Israel. "The Merchant of Menace" (September 8) (note the association with Shakespeare's anti-semitic play) consisted of a profile of a Jewish "fascist", an ardent Zionist, Rabbi Kahane, who was elected last year to Israel's Parliament. There is no evidence that Kahane's election was indicative of a general shift to the Right in the Israeli Parliament. There is no evidence that Kahane's election was indicative of a general shift to the Right in the Israeli Parliament. Yet links were made in the programme to the rise of Hitler in Germany in the 1930's. Given that Israel is exceptional in the Middle-East in the relative stability and democratic nature of its political system it seems a distortion for the only Four
FOUR CORNERS

Corners programme of the year on Israel to choose to focus on a marginal, unrepresentative “fascist”. The underlying message of the programme, that Zionism equals fascism, is a familiar leftist theme.

The two programmes on Aboriginal Land rights (April 21 and November 17) also demonstrated a selective focus. “Riches Beyond Dreaming” (April 21), the worse of the two programmes, editorialised in favour of stronger legislation to protect Aboriginal sacred sites against the rapacious activities of mining companies. Peter Ross, the reporter, argued that the Heritage Bill would place Aboriginal land under just the same protection as is afforded to European land. This plainly misses the whole debate about the principles of land rights legislation which would place Aboriginal land under special conditions, including inalienable freehold title, a title granted to no other land in Australia.

Finally, just as the Gender Gap (May 19) confused the views of radical feminists with the views of American women, so “No Power No Passion” (November 24) confused the interests of young people with the concerns of radical political activists (including Socialist Left member, Pete Steedman, NDP candidate, Peter Garrett, and various socialist coalitions). While Steedman was presented as having lobbied hard for the rights of the young unemployed, no attempt was made to deal with the libertarian position, widely held, that one answer to youth unemployment lies in deregulating youth wages (The adverse effect on youth employment of the relatively high level of youth wages was a central finding of the Bureau of Labour Market Research's Report, Youth Wages, Employment and the Labour Force, 1983).

Solutions

The pattern of bias documented above is a recurring feature of Four Corners and, as such, plainly a violation of the ABC’s official guidelines on impartiality and balance. The evidence strongly suggests that the Prime Minister was justified, at least in regard to Four Corners, in stating that ABC programmes revealed “a pattern of bias”. My own earlier study of a section of the output of ABC Radio as well as the numerous instances of bias alleged and documented by others suggest that current affairs bias in the ABC is very likely more widespread than that apparent in Four Corners.

How is the problem of bias to be solved? Any solution must necessarily involve measures to introduce a greater degree of accountability in the ABC as a whole and to resolve the apparent lack of leadership in the organisation, both at the Board level and at all levels of management (see box 3).

There are a number of steps which could be taken immediately:

- The ABC’s charter on impartiality and balance is unambiguous. The ABC Board should take tougher measures to enforce it. It is not as if ABC management is not capable of acting swiftly in response to allegations of bias when it wants to. Apparently a single complaint was sufficient to close down the weekly radio broadcast by economic dry, John Hyde, on the ABC in Western Australia (reported in the W.A. Times, November 25, 1984). Surely the production of systematic evidence, as distinct from a mere complaint, of left-wing bias should elicit at least as rapid a response.
- Ultimate authority for editorial practice must be removed from programme-makers and given to the ABC Board. This is a point made very effectively by David Solomon in his column in The Australian Financial Review (see box 3). The current arrangements have allowed journalists to push their own ideological barrows free from considerations of accountability.
- The Board should recognise, as do leading newspapers, that the way an issue is reported and analysed typically reflects the journalist’s values. The issues important to a left-wing journalist and the way in which they are reported differ from the issues important to a journalist who holds more conservative values. It is thus imperative, if the ABC is to allow a wider spectrum of topics and views to be represented in its current affairs programmes, that the organisation appoint journalists who are outside the prevailing left-wing consensus.
- The Board should seriously consider establishing a current affairs programme which explicitly reflects economically libertarian and socially conservative views at present largely excluded from its airwaves.
- The Minister for Communications should have a report prepared assessing whether the ABC has responded to the findings of the Dix Report concerning the left-wing bias of a number of ABC programmes and recommending that a wider range of views be aired.
- A monitoring committee was established during the last election campaign with the aim of ensuring balance on the ABC. A similar
independent body should be permanently established to monitor the ABC's output.

- The Government should also clarify the relationship that should exist between the ABC and community values. The present confusion is well illustrated by the claim in the recent ABC advertisements that a central goal of the organisation is to contribute to “the development of values within the community”. As Barry Hill in *The Age* has asked, exactly which particular values does the ABC intend to “develop”? While it is not the ABC's role to reflect popular tastes in the Arts or the sensationalism of popular tabloids, neither does it have a charter to radicalise the community. It would be absurd to suggest that serious and challenging journalism need be left-wing.

- It is the Federal Government which has ultimate responsibility for the ABC and is charged with the duty to represent citizens and taxpayers whose money funds the ABC. The Government’s first attempt to reform the organisation, in the opinion of people as far apart on the political spectrum as Phillip Adams and Anthony McAdam, has failed. Matters are rapidly approaching the point where tinkering with the organisation will no longer suffice and a more drastic solution is required.

  In the long term, the government of the day must assess whether it is in the public interest for the ABC to remain in the public sector. Problems of accountability — relating to administration, industrial relations and output — are endemic to public sector organisations.

  *The Financial Review* (March 13, 1985) has editorialised in favour of selling off the ABC. This is a suggestion with considerable merit. It would lighten the tax burden and stimulate greater efficiency in the organisation. And it would help curb the self-indulgence of an organisation too much of whose programming seems to be directed towards satisfying the preoccupations and sympathies of an unrepresentative group of reporters and programmers.

  Unless the ABC is prepared to display less contempt for the values of the community who finances it, it is hard to see how it can continue to justify taking around $400 million per annum of public money.

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FOCUS ON FIGURES

Jacob Abrahami

The Trilogy

The May mini-budget and the Premiers Conference suggests that the Commonwealth Government is determined to achieve its trilogy of election promises on government spending, taxes and borrowing. But how exacting are these promises?

The three elements of the trilogy are:

Expenditure

- “The growth in outlays will be held within the rate of growth of the economy as a whole”.

Taxation

“There must be no increase in the overall tax burden, as measured by the share of Commonwealth Government tax revenue in gross domestic product, next year or through the Government’s next term of office”.

Deficit

- In 1985/86 the deficit will be further reduced, not only as a share of GDP but also in money terms. In the subsequent two years the deficit will not be increased as a share of GDP”.

One way to assess the task that Mr. Hawke has set himself is to look at the record of previous Prime Ministers in relation to the trilogy. The table below enables us to compare performances.

<table>
<thead>
<tr>
<th>THE TRILOGY: 1953/54 TO 1984/85</th>
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<tr>
<td><strong>Govt. GDP Outlays % Increase</strong></td>
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<tr>
<td><strong>Menzies</strong></td>
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<tr>
<td>1953/54 9.3</td>
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<td>1954/55 6.5</td>
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<td>1965/66 5.1</td>
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<td><strong>Holt</strong></td>
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<td>1967/68 6.7</td>
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<td><strong>Gorton</strong></td>
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<td>1969/70 10.8</td>
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<td>1970/71 10.5</td>
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<td><strong>McMahon</strong></td>
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<td>1971/72 11.7</td>
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<td>1972/73 13.8</td>
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<td><strong>Whitlam</strong></td>
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<td>1973/74 19.7</td>
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<td>1974/75 20.2</td>
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<td>1975/76 17.9</td>
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<td><strong>Fraser</strong></td>
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<td><strong>Hawke</strong></td>
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<td>1983/84 13.4</td>
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<td>1984/85 11.0</td>
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The left-hand column shows the annual percentage growth of the economy (measured in GDP in money terms). The next two columns show the growth of Commonwealth Government spending and taxes respectively (also measured in money terms). Where these two elements grow at less than the economy we can say the targets in those two areas have clearly been kept. The right hand column looks at the third promise — to reduce the share of the deficit.

Mr. Hawke's major promise relates to expenditure. A cut back in government outlays, as the table shows is always accompanied by a reduction either in taxes or the deficit or both (as a proportion of GDP). **Outlays in short determine the other two variables.**

Some 18 budgets over the last 32 years have grown by less than the economy.

In every one of the 18 years in which Federal Government outlays expanded less rapidly than GDP so did taxes or the deficit; in five of the years both taxes and the deficit diminished as a proportion of GDP.

Thus, it has to be said, restraining government expenditure to within the growth rate of the economy as a whole is a rather modest achievement — at least in the context of it being achieved more often than not in the past 32 years.

In more recent times — the past twelve years of government under Whitlam, Fraser and Hawke — success in achieving government restraint has been more elusive. On only four occasions, all of them during the life of the Fraser Government, was the growth rate of Commonwealth government outlays less than the growth of GDP.

### Governments are fuelling inflation*

Public sector inflation is rising at significantly faster rates than inflation in the private sector. Unless the government is prepared to exercise tight fiscal and monetary discipline, Australia may well be heading towards double digit inflation in twelve months time.

The public sector's direct contribution to the increase in the CPI in the past twelve months was one and a half times that of the private sector — 6.0 per cent against 3.9 per cent.

Even after adjusting for the impact of the introduction of Medicare, the increase in the public sector's contribution to the CPI was substantially higher than that of the private sector.

**Public and Private Sector Contribution to the CPI**

(Percentage increase March Qtr 1984 to March Qtr 1985)

<table>
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<tr>
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<th>All Items After Medicare</th>
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<tr>
<td>Private Sector Index</td>
<td>3.9</td>
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<tr>
<td>Public Sector Index</td>
<td>6.0</td>
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<tr>
<td>Total CPI</td>
<td>4.4</td>
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</tbody>
</table>

Since March 1982 public sector inflation has amounted to 32.5 per cent compared with 23.8 per cent in the private sector.

### Cutting the Size of Government

Although the objective of cutting the size of government is supported by both major political parties, an overriding air of pessimism prevails. The main obstacle appears to be the belief by many — particularly politicians — that the task is too difficult and because of past mistakes we are now stuck with big government.

In fact however, an examination of the figures suggests that the task of reducing the size of government is well within our capabilities.

If the growth of government outlays could be held to around 2 per cent per annum then, assuming the economy expands at levels similar to the last twenty years, the share of government in GDP in the year 2000 would drop from the current level of around 43 per cent to 32 per cent.

If, however, government outlays in real terms follow the trend of the last twenty years (5.7 per cent per annum) then outlays will absorb some 55 per cent of the nation's product.

These figures illustrate an important principle in the whole debate about cutting the size of government. There is no need for major programmes to be cut (although undoubtedly many should) as the 2 per cent growth rate would enable government to maintain current programmes.

However, this figure would not allow new programmes to be added without offsetting...
IPA POLICY ISSUES No. 1. The Land Rights Debate
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| Total Welfare beneficiaries | 1071.6 | 3256.5 |
| No of persons in receipt of welfare per 100 private sector employees | 26 | 66 |
| Government Employees* | 1027.3 | 1663.3 |
| No of government employees per 100 private sector employees | 25 | 34 |
| Total Recipients of Income from Government | 2098.9 | 4919.8 |
| Private Sector Employees | 4132.6 | 4930.7 |
| No of persons in receipt of govt. income per 100 private sector employees | 51 | 100 |

*Employees of Federal, State and Local governments and their Authorities.
John Curtin and the American Alliance

The Prime Minister, Mr. Hawke, has identified former Labor Prime Minister, John Curtin, as his model for a national leader. In 1941, John Curtin changed the course of Australian history by his historic appeal to the United States to come to Australia's aid in its hour of need. Since then the American alliance has been the foundation of Australia's security arrangements. Key aspects of the speech remain particularly pertinent today. One is Curtin's castigation of the Allied nations for their lack of preparedness in the period leading up to the War. Another is the importance of traditions and symbols, such as the Anzacs and the Flag, in uniting a nation. A third aspect is the continuing bipartisan support for the American alliance, despite attempts by the far left to undermine it. Also notable is the strong sense of communal purpose and the self-sacrifice of Australians elicited by an external threat to the nation.

Here we reprint an extract from John Curtin's inspiring address to the American people delivered at a critical moment in our national history.

Men and women of the United States, I speak to you from Australia. I speak from a united people, and my speech is aimed to serve all the people of the nations united in the struggle to save mankind.

On the great waters of the Pacific Ocean war now breathes its bloody steam. From the skies of the Pacific pours down a deathly hail on countless islands of the Pacific. The tide of war flows badly for you in America. For us in Australia it is flowing badly.

Let me then address you as comrades in this war and tell you a little of Australia and Australians. I am not speaking to your Government. We have long been admirers of Mr. Roosevelt and have the greatest confidence that he understands fully the critical situation in the Pacific, and that America will go right out to meet it. For all that America has done, both before and after entering the war, we have the greatest admiration and gratitude.

It is to the people of America I am now speaking, to you who are or will be fighting, to you who are sweating in factories and workshops
to turn out the vital munitions of war, to all of you who are making sacrifices in one way or another to provide the enormous resources required for our great task...

But facts are stern things. We, the Allied nations, were unready and Japan, behind her wall of secrecy, had prepared for war on a scale of which neither we nor you had any knowledge. It was therefore but natural that within twenty days after Japan’s first treacherous blow I said on behalf of the Australian Government that we looked to America as the paramount factor on the democracies’ side in the Pacific.

There is no belittling of the Old Country in this outlook. Britain has fought and won in the tremendous Battle of Britain. Britain has fought and with your strong help has won the equally vital Battle of the Atlantic. She had a paramount obligation to supply all possible help to Russia. She cannot, at the same time, go all out in the Pacific. We, with New Zealand, represent Great Britain here in the Pacific — we are her sons — and on us the responsibility falls. I pledge you my word: We will not fail. We will pull knee to knee with you every ounce of our weight.

We have all made mistakes. We have all been too slow. We have all shown weakness, all the Allied Nations. This is not the time to wrangle about who has been most to blame. Now our eyes are open. The Australian Government has fought for its people. We never regarded the Pacific as a segment of the great struggle. We did not insist that it was the primary theatre of war. But we did say, and events have unhappily proved us right, that the loss of the Pacific can be disastrous.

Who among us, contemplating the future on that day in December last when Japan struck like an assassin at Pearl Harbour, at Manila, at Wake and Guant, would have hazarded a guess that by March the enemy would be astride all the south-west Pacific except General MacArthur’s gallant men and Australia and New Zealand? But that is the case, and realizing very swiftly that it would be the case, the Australian Government sought a full and proper recognition of the part the Pacific was playing in the general strategic disposition of the world’s warring forces.

We looked to America, among other things, for counsel and advice, and therefore it was our wish that the Pacific War Council should be located in Washington. It is a matter of some regret to us that even now, after ninety-five days of Japan's staggering advance south — ever south — that we have not obtained firsthand contact with America.

Therefore we propose sending to you our Minister for External Affairs, Dr. H.V. Evatt, who is no stranger to your country, so that we may benefit from his discussions with your authorities. Dr. Evatt’s wife, who will accompany him, was born in the United States.

Dr. Evatt will not go to you as a mendicant. He will go to you as the representative of a people as firmly determined to hold and hit back at the enemy as courageously as those people from whose loins we spring, those people who withstood the disaster of Dunkirk, the fury of Goering’s blitz, the shattering blows of the Battle of the Atlantic. He will go to tell you that we are fighting mad, that our people have a Government that is governing with order and not with weak-kneed suggestions; that we Australians are a people who, whilst somewhat inexperienced and uncertain as to what war on their own soil may mean, are nevertheless ready for anything, and will trade punches, giving odds if need be, until we rock the enemy back on his heels.

We are, then, committed heart and soul to total warfare. How far, you may ask me, have we progressed along that road?

I may answer you this way. Out of every ten men in Australia four are now wholly engaged in war, as members of the fighting forces or making the munitions and equipment needed to fight. The other six, besides feeding and clothing the whole ten and their families, have to provide the food and wool and meals which Britain needs for her very existence...

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It was therefore ... on behalf of the Australian Government that we looked to America as the paramount factor on the democracies’ side in the Pacific.

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We have no qualms here. There is no fifth column in this country. We are all the one race, the English-speaking race. We will not yield easily a yard of our soil. We have great space here, and tree by tree, village by village and town by town, we will fall back if we must. That will occur only when we lack the means of meeting
the enemy with parity in materials and machines.

For remember, we are the Anzac breed. Our men stormed Gallipoli. They swept through the Libyan desert, they were the "rats" of Tobruk, they were the men who fought under "bitter, sarcastic pugnacious Gordon Bennett" down Malaya and were still fighting when the surrender of Singapore came.

These men gave of their best in Greece and Crete. They will give more than their best on their own soil, where their hearths and homes lie under enemy threat.

Our air force is in the Kingsford Smith tradition. You have no doubt met quite a lot of them in Canada. The Nazis have come to know them in Hamburg and Berlin, and in paratroop landings in France. Our naval forces silently do their share on the seven seas.

I am not boasting to you. But, were I to say less, I would not be paying proper due to a band of men who have been tested in the crucible of world wars and hall-marked as pure metal...

Business interests in Australia are submitting with a good grace to iron control and drastic elimination of profits. Our great labour unions are accepting the suspension of rights and privileges which have been sacred for two generations, and are submitting to an equally iron control of the activities of their members. It is now "work or fight" for everyone in Australia.

The Australian Government has so shaped its policy that there will be a place for every citizen in the country. There are three means of service — in the fighting forces, in the labour forces and in the essential industries. For the first time in the history of the country, a complete call-up or draft, as you refer to it in America, has been made...

Australia is the last bastion between the west coast of America and the Japanese. If Australia goes, the Americas are wide open.

It is said that the Japanese will by-pass Australia and that they can be met and routed in India. I say to you that the saving of Australia is the saving of America's west coast. If you believe anything to the contrary, then you delude yourselves.

Be assured of the calibre of our national character. This war may see the end of much that we have painfully and slowly built up in our one hundred and fifty years of existence. But even though all of it go, there will still be Australians fighting on Australian soil until the turning point be reached, and we will advance over blackened ruins, through blasted and fire-swept cities, across scorched plains, until we drive the enemy into the sea.

I give you the pledge of my country. There will always be an Australian government and there will always be an Australian people. We are too strong in our hearts, our spirit is too high, the justice of our cause throbs too deeply in our being, for that high purpose to be overcome.

For remember, we are the Anzac breed. Our men stormed Gallipoli. These men gave of their best in Greece and Crete. They will give more than their best on their own soil.

I may be looking down a vista of weary months of soul-shaking reverses, of grim struggles, of back-breaking work. But as surely as I sit here, talking to you across the war-tossed Pacific Ocean, I see our flag, I see Old Glory, I see the proud banner of the heroic Chinese, I see the standard of the valiant Dutch. And I see them flying high in the wind of liberty over a Pacific from which aggression has been wiped out; over peoples restored to freedom; and flying triumphant, as the glorified symbols of united nations strong in will and in power, to achieve decency and dignity, unyielding to evil in any form.

The Bicentenary Controversy

The Summer IPA Review carried a report by Dr. Ken Baker critical of plans released by the Australian Bicentennial Authority (ABA) for their failure to reflect an adequate appreciation of Australia’s foundations, traditions and achievements. Below the Chairman of the ABA, John Reid, responds to these criticisms, and in the pages following Ken Baker replies.

J.B. Reid

When in 1979 the Prime Minister, Mr. Fraser, announced that Australia would celebrate its Bicentenary in 1988, and the creation of the Authority to develop a programme for the celebrations, the task was at the same time easy and extraordinarily difficult.

On the one hand, the Authority was given no directions or policy — in other words a blank piece of paper, and on the other, no precedents to guide or shackle in mobilising almost sixteen million people to join in one cause, of which most were totally ignorant and some who, thought they knew, were thoroughly disapproving.

In order to develop a philosophy and direction for the Bicentenary it would have been easy to gather up a collection of tenets from the main political streams and cobble them together. That course, however, was rejected because its end would have been to encourage division rather than to seek as a base the things that tend to unite us as a people.

We therefore called groups of people together for discussion and advice round Australia. They had a great diversity of backgrounds. From that process slowly emerged some principles which have been and continue to be tested at meetings throughout the country of Bicentennial Community Committees, clubs, societies, sporting bodies etc. etc. and they remain intact.

What the Australian people told us then and repeat again today are:

1. We are proud of, and we love, our country but we are not going to make a public spectacle of that loyalty.
2. We think a national celebration is important or very important.
3. We are sick of divisions and see the Bicentenary as an opportunity to unite us as one people
4. We want to know more of the background of the over 100 nationalities who make up the Australian people — who they were, where they came from and the contribution they have made to Australia.
5. We want to know more of what we have done in Australia in the past 200 years — the good things and the achievements, but to preserve a perspective we want to know about our failures — to help us plan the next 100 years for Australia and its people.
6. In planning the Bicentenary, we don’t want to be told what to do. We want to develop our own plans for our community, city, society, company etc. etc.
7. While fireworks, spectacles and fun have their places, we want to leave behind memorials of use to future generations to tell them this was what we did in our Bicentennial year.

Some people may find this a surprising set of attitudes held by Australians. They are certainly demanding if rigorously applied. But they are firmly held, make no mistake about it. Let us come to the groups who might be hostile to participating, or shy, or for other reasons reluctant.

If one accepts, as the Authority does, that maximum willing and enthusiastic participation of 16 million people is a prime objective, then it
is worth taking some time in explaining and persuading. The more so, since the Authority's role, apart from developing the Commonwealth and State Government funded programmes, is to act as a catalyst and stimulant for the Australian community to develop and stage its own celebrations which, if human time and energy were to be costed, will aggregate many times the cash contribution of governments.

Programmes for the Bicentenary will, with the exception of the Tall Ships and The Australian Exhibition, be run by the thousands of organisations and individuals who run things now each year. They will make a special effort for 1988 and the results of that experience will enhance the quality of what they do in later years.

A large number of potential participants have and will have little difficulty in developing their special contributions and joining in. However, as every interviewer is quick to ask, why should the Aboriginals find anything to celebrate? In years of discussions with Aboriginal peak bodies, the Authority has put the view, which is largely accepted, that we are all Australians, including the Aboriginals, and there will be much better opportunities for bridge building between black and white Australians within the framework of the Bicentenary, rather than by the Aboriginals staying out or boycotting the Bicentenary, as has been proposed on several occasions. Aboriginal communities, tribes and organisations are already planning their participation.

In the case of many migrant groups, long and careful discussion has encouraged them to see not only a place for them, but one where effort in planning and accomplishment will make a realistic achievement of some of the objectives set out earlier.

The handicapped, the aged, the shut-in, other who for a variety of reasons find it difficult or impossible to join in — have all been contacted and are working at their contributions.

The Authority does not apologise for its cautious approach in seeking national definitions, nor the painstaking efforts, in terms of people's time and in the language used, in communicating it to the people mainly through our publications.

Dr. Ken Baker, so far as can be determined, has not spoken to any one of the Board or management before writing his article. He relies upon one document to judge the attitudes and role of the Authority. There are many publications, films, posters and tapes which do this.

He assumes that it is the role of the Authority to lay down in specific terms what Australians believe in and hold dear as institutions. As indicated above, we do not see the role of the Authority as telling anyone to do or not do anything. To suggest that it should is to go beyond its role as expounder and to give it one as director of the collective view (whatever that might be and however derived). To do so would take away from the people what they have said they require, namely the right to determine the form and content of their own celebrations, which will reveal in the process their own priorities.

While, therefore, the Authority quite deliberately takes no advocate position on the matter of the flag, present or hypothetical, anthems, monarchy vs republicanism, etc. etc. a cursory examination of Bicentennial publications will show the Australian flag as a standard feature.

For the Authority, maintaining a politically bipartisan position has its hazards. A public competition and survey selected “Living Together” as the theme, despite the snears and sniggers of some. When the Fraser Government changed the theme to “The Australian Achievement”, the adverse reaction was fierce as letters to the Authority indicate. The change back to “Living Together” by the Hawke Government was well received, albeit quietly.

To be even-handed, the Authority, on the best advice available used blue and gold as the national colours, incorporated as they are in the Australian Coat of Arms and the Order of Australia. The decision of the present Government last April on the national anthem and its announcement of green and gold as the national colours required a major redesign of everything.

Dr. Baker’s highly selective assessment of what the Authority is doing or fails to do, neglects two important facts:

First, to take his Themes Ignored, if they were to be produced as the main agenda for the Celebrations a large number of Australians would reject it, not necessarily because they disagree or do not subscribe to the views, but
because they will not tolerate dogmas being rammed down their throats. Themes Ignored could well have included nuclear disarmament, abortion, anarchy, a 24 hour week. While some people may advocate these they are not on the Authority's agenda either. The list depends very much on the selective eye of the beholder.

Second, within the Government funded and community programmes all of the items he lists will have their place, together with hundreds more, to the extent that enough Australians wish to include them — and they, in all probability, will.

A serious error of fact must be corrected. At no time has the Authority planned or endorsed a reenactment of the arrival of the First Fleet in Sydney, accordingly it has not dropped plans to stage it. The Authority funded a study which revealed that it would cost between $25m-30m, and most of that would be expended in the U.K. or en route to Sydney. Even more serious than that, however, the Board of the Authority could see no justification for such expenditure which would be of no interest to the rest of Australia. On the contrary it would be a perfect agent for national divisiveness.

As matters stand today, awareness of the Bicentenary is growing at an appropriate pace, given that we are just over 1000 days from 1st January 1988. Equally gratifying is the uniform enthusiasm right across Australia. The Authority has been at great pains to assure the rest of Australia that it is not just a glorified celebration of Sydney Harbour.

The Authority is concerned that the celebrations should not just be inward looking.

Australia's relations with Britain are particularly important. As the founding nation, the supplier of the greater part of Australia's migrant population, the Westminster system of Government, the rule of Law and a great deal of early trade in both primary and secondary industries. The British also gave us the foundations of the trade union movement, the basis for our defence forces and world communications systems.

The British Government has created the Britain Australia Bicentennial Committee which is working on a programme for involvement in the Bicentenary, the World Exposition in Brisbane (where they are the first signatory as an international participant) and the opening of Parliament House in May 1988.

The Authority is working with the Committee to give them a list of activities in which they might participate. We are also planning manifestations of Australia in Britain during 1988.

In the United States, the American Australian Bicentennial Foundation has been established by President Reagan for the same objectives. Once again good progress has been made. In the recent visit by the Prime Minister to Washington the President agreed to important American contributions to the Bicentenary. The Foundation is working on others.

In Japan, Holland and Germany similar committees have been created. The work continues in drawing international involvement into both the Bicentenary and the Exposition.

Round Australia, quietly and with little media recognition, the smaller communities are getting on with their planning.

Out of the 839 Local Government units — cities, municipalities and shires — 400 have established Bicentennial Community Committees and more are in process of formation.

They are working to enhance the size and quality of the annual calendar of events. Surprisingly few of us actually know what happens in our own community, so that is the first step. The annual show, football carnival, guide or scout concert etc, etc are indentified and plans made to enlarge them and make them even more interesting. To that is being added special projects, frequently under discussion for a long time, now given a sense of urgency because time is running out. Like restoring old buildings, tidying up a piece of wasteland, a new swimming pool — the list is almost endless.

Therefore, be not afraid. The Australian people will celebrate their Bicentenary. It may come as a surprise to some what traits of character may thereby be revealed. As Lord Asquith said in 1915, "Trust the people".

Dr. Ken Baker replies

My criticisms of the current Bicentennial plans were directed at the Australian Bicentennial Authority's "National Programme of Projects and Events". This is far from being just any document. Indeed, Mr. Reid himself states in the opening sentence of the Chairman's introduction to the ABA Annual Report...
The most significant event relating to the Authority in the year under review was the decision by Federal Cabinet on 8 May to approve the National Programme of Projects and Events for the Bicentenary.

The "National Programme" as stated in its preface (again by Mr. Reid) provides the "focus and overall direction for the Bicentennial Year .... and establishes guidelines for further activities". It is the Bicentenary's "focus and overall direction" as laid down in this document which stimulated my criticisms.

The concern I expressed in my article centred on the omission of themes from the National Programme central to the origins, development and identity of Australia (see table). At the same time a number of groups and issues are given special attention, for example multiculturalism, women's activities, Aboriginal culture and the contribution of trade unions to Australia's development. The plans suggest that the Bicentennial Authority may have been overly responsive to the demands of vocal special interest groups, such as the trade union movement, at the expense of the interests, aspirations and concerns of the unorganised mass of ordinary Australians.

The National Programme is not the only ABA document to suggest this conclusion. The February '85 issue of "Bicentenary '88", published by the ABA is a eulogy to trade unionism, describing the international trade union movement as "the greatest bond of common interest humanity has ever known".

Turning now to specific points in Mr. Reid's response, let me say, first, that I welcome the acknowledgement of the particular importance of Australia's relations with Britain. I also welcome Mr. Reid's recognition of the value of Australia's links with the United States. The point remains, however, that relationships as important as these should be accorded a central place in the National Programme.

I cannot agree with Mr. Reid's suggestion that a re-enactment of the landing of the First Fleet would be of interest only to Sydneyites and "a perfect agent for national divisiveness". Applied consistently this argument would lead to the cancelling of the planned opening of the new Parliament House in Canberra in 1988 an event which is also located in one city. As for my "serious error of fact" it is true that the ABA has not dropped plans to support the re-enactment; simply because it never officially endorsed such plans. It is true however that such endorsement was under consideration.

If the Authority is anxious to avoid "national divisiveness" as indeed it should be, then it should look harder at aspects of the existing programme — such as multiculturalism and trade unionism — which seem far more likely than a reenactment of the First Fleet's arrival to provoke division.

Mr. Reid offers nothing other than impressionistic evidence based on letters received by the Authority to justify the change of the Bicentennial motto from the "Australian Achievement" to "Living Together". Yet a survey published by the ABA in its December '82 - January '83 Newsletter — only a few months before the change was made — revealed that, of eight projects listed, the "Australian Achievement" ranked highest in terms of level of interest and support. This scarcely speaks well of the Authority's willingness to respond to public opinion.

Most perplexing is the Authority's officially stated stance of neutrality towards Australia's national symbols and institutions, such as the flag and monarchy. It is surely ironical that a body whose very raison d'etre is the celebration of Australia's national heritage should refuse to endorse the nation's key symbols and institutions.

Nothing better illustrates this equivocal attitude of the Authority to Australia's cultural traditions than the guidelines released by the Authority for the commissioning of works of art for the Bicentenary. The guidelines state in part: "Preference will be given to commissionings which reflect present day Australia, or deal with the future, rather than projects which re-enact the past". As the composer, Larry Sitsky, has argued, such a ruling would have excluded many of the great works of musical composition of the last two centuries.

In another sense, of course, the Authority is not as neutral as it alleges. As the Bicentennial Authority's agenda indicates (see the table), there are some themes which are given special place in the National Programme and others, such as British heritage and key national symbols, which are excluded. Systematic exclusion hardly equals neutrality.

Mr. Reid's comments on my "Themes
Ignored” is based on a misunderstanding of either my argument or Australian culture. To suggest that “anarchy” and a “24 hour week” could be thrown into the same basket as private enterprise, the ANZAC spirit, the successful absorption of migrants and the family is plainly ludicrous.

It misses the point that there are core values, institutions and traditions which unite the nation and give the society its identity. The fact that it is possible to find individuals who believe in anarchy is entirely irrelevant, because such a belief occupies at best a marginal position in Australian culture. Private enterprise, the family, the Anzac spirit and so on do not. Mr. Reid’s comment simply underlines the Bicentennial Authority’s image of Australia presented in the “National Programme”: a land of incoherent diversity without a core of identity, without unifying institutions, traditions and values.

As should be evident, far from it being my intention to advocate that the Authority attempt to define Australians’ values, my argument is that the Authority should be more responsive to the existing values of ordinary Australians. To fail to do so will mean as I concluded in my earlier article, that the 1988 Bicentennial celebrations will not arouse the support they should and, indeed, might even breed the sort of national division which the Authority is keen to avoid.

Finally, I am pleased to see from a recent interview in The Bulletin (June 18) that at least the ABA’s Chief Executive, Dr. Armstrong, has acknowledged that he found my criticisms of the National Programme “helpful”. He also concedes “that we (the ABA) have to give more attention to the mainstream and to give more time re-assuring the mainstream that we are not a mob of trendy, long-haired anarchists...” I look forward to moves in that direction.

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### The Bicentennial Agenda

This table sets out some of the themes, institutions and groups singled out for special attention in the ABA’s programme. The right hand column lists themes not covered in the programme.

#### The Current Bicentennial Programme

- “Living Together“
- Multiculturalism
- Leisure & recreation
- Sport
- Religious diversity
- Arts
- Aboriginal Culture
- Links with Pacific neighbours
- Community based activities
- Womens activities
- Contribution of trade unions
- Film & television
- Education
- Aviation, tall ships
- Skill Olympics
- Science
- Historic sites, tracks & manuscripts
- Youth
- The aged
- Participation of disabled
- Bicentennial flag & logo

#### Themes Ignored

- “The Australian Achievement”
- Successful assimilation of migrants
- Work ethic
- High living standards
- Christian traditions
- The Anzacs
- British Heritage
- British Commonwealth
- Alliance with America
- The family
- Private enterprise
- Federation
- The legal system & the rule of law
- The Monarchy
- Entrepreneurship
- A workable Constitution
- Freedom of speech & press
- Freedom of association
- Democracy
- Relative social harmony
- The Australian Flag
Controversy surrounding the Bicentennial Authority

The 1988 industry

"This is the scandal of the 1988 industry. The bicentennial year has already spawned a sizable industry of construction projects, publications, organisation and propaganda. One of the most significant aspects of this is the way in which the current orthodoxies of the 'progressives' in the universities have taken over the bicentennial. In effect, they are at public expense re-writing the history of Australia to fit their own views, and in the course of it trying to convince Australians that they have nothing to be proud of in their history, no reason to celebrate the bicentenary, and have no right to Australia anyway. The writing of the bicentennial history is dominated by the kindergarden Marxists, the peaceniks, the loony feminists and the inverted racists of the black land rights movement".  "Editorial", The Australian Financial Review, April 1, 1985.

No "White Wank"

"I for one would not want to be involved in a Bicentenary that does not address the running sore of black/white relations in this country. If it is to be a white wank I want nothing to do with it".
Dr. David Armstrong, Chief Executive, Australian Bicentennial Authority; quoted in Quadrant, October, 1984.

British Pioneers

"Instead of being inspired by the short history of this nation of ours since 1788, the present generation is being brainwashed into feeling guilty about the Nazi-scale sins of the founding fathers.

"The Bicentenarian celebrations seem to be firmly in the hands of a bunch of academic wimps trying to orchestrate an orgy of breast-beating and hand-wringing about the last 200 years".

Ruling Ideology

"The Australian Bicentennial Authority was one of the biggest winners of the August budget... Regrettably it is one of the least deserving of the Commonwealth's sixteen cultural authorities. It is a scandal that a body charged with celebrating our history in this bicentennial year is so woefully underfunded. The ruling ideology of the Authority is an unworthy. This ideology holds that 1988 should not be a year of celebration but a year of self-accusation. Australia is an unjust and repellent society characterised by (in the words of its General Manager) "racism, philistinism, materialism, lack of national pride, widespread inequalities of opportunity, desecrated historical sites, polluted streams". According to this ideology 1988 will be splendid opportunity to instruct the great mass of Australians who love Australia on its true nature".
Quadrant, October, 1984.

Contempt for our Heritage

"It is in short a scandalous document. If, after all, under the guise of an official celebration, we demonstrate such utter contempt for our past, what, one wonders can be said of the future".

The ABA and Historical Reality

"In the case of the Australian Bicentennial Authority the white-anting of our heritage is less subtle — it simply pretends it's not there, or at least, so it appears to critics embroiled in the controversy that continues to surround the ABA and its General Manager, Dr. D. Armstrong, whose extraordinary caution against a "white wank" in the 1988 commemoration was appropriately dissected by a columnist Alan Fitzgerald in this newspaper on February 2".

"The government should... instruct the ABA to fall into line with historical reality or make way for those who will".

Silencing the Past

"The National Bicentennial Commission Program was advertised in newspapers all around Australia recently. The Bicentennial Authority, not before time, and possibly too late yesterday, is hoping to create multi-art works of a grand scope to mark our 200 years. I was appalled, however, to read that "preference will be given to commissionings which reflect present-day Australia, or deal with the future, rather than projects which re-enact the past."

"As a composer interested in opera and music-theatre, I could not but reflect upon the singular narrowmindedness of such a policy. If the remembrance or glorification of the past is considered unsuitable, just think how many great works of music and opera would never have been written: none of the "Ring Cycle" (or indeed any Wagner), most of Verdi, Monteverdi, Donizetti, Moussorgsky, Tchaikowsky, etc. etc."

The Flag

"...I find it extraordinary that the body charged with organising activities to celebrate 200 years of our national heritage should refuse to support our national symbols. After all, symbols such as the flag, the Crown and (whatever your religion, or lack of it) the Christian cross are integral to Australia's history and identity.

"Failure to give such symbols and institutions a central place in the bicentenary is bidding fair to turn 1988 from a year of celebration of national unity and achievement into a year of national division and self-doubt"
John Stone, former Secretary to the Treasury; Canberra Times, April 2, 1985.

Bicentennial Motto

"...Mr. Speaker, it comes as something of a considerable surprise to read "Bicentenary '88: Special Issue", released by the Australian Bicentennial Authority, which outlines the program for the celebration of our 200 years of history. The theme "Living Together" is bad enough — it is insipid, uninspiring and reminiscent of the political tortures of the past two years — but to have discarded in its favour the theme "The Australian Achievement" is unthinkable. Then we have the emphasis on the "diversity of cultural groups that have settled here in successive waves of immigration", without any emphasis on our extraordinary achievement in coalescing those groups to produce a free and unified society"
Julian Beale, MP; House of Representatives Hansard, April 17, 1985.

Bicentennial Budget

"The most damning accusation is that not much substantial seems to be actually happening.

"Despite its 5-6 years of operations, despite the millions already spent on salaries, special consultants, travel, expensive offices, computers, publicity, and overseas trips, the authority allegedly has lots of concepts but very few finalised details".

National Division

"Bob Hawke has thus inherited what might be termed a festival for positive discrimination. In effect the national programme divides Australia by race, gender and age. For Hawke — whose electoral strength is derived from his wide appeal to the general population — identification with a Bicentenary of minorities and political favourites could backfire".
Telecom and Competition

In the Summer IPA Review, Chris Trengove argued against the Government continuing to bolster Telecom’s monopolistic status. Here Telecom’s Chairman responds to Chris Trengove’s criticisms.

R. W. Brack

May I make a few observations about Mr. Trengove’s article on Telecom in your Summer 1985 Issue?

Telecom is not retarding technological progress. The Australian network with the rapidly expanding use of digital switching and transmission puts it in the first rank of developed countries. Telecom’s special data transmission networks (Digital Data Network, AUSTPAC, etc) compare favourably with any country.

There is competition in the supply of terminal devices which are electrically safe and maintain network standards. Over 7000 different terminals have been approved for connection, and these compete with Telecom offerings.

Telecom support for hi-tech development in local industry has meant all new services have electronic push button telephones as standard equipment — the only authority in the world to do so.

Certainly Telecom is introducing a ComputerPhone, but this will face strong competition from other suppliers.

Mr. Trengove quotes from a quite inaccurate article in the Australian Financial Review of November 22, 1984 which alleged that prohibitions are placed on the connection of terminals with built-in modems. These are permitted, and at any data rate when connected to the switched telephone network. He need only look at the spate of advertising to see that terminals of the ComputerPhone type are being offered by private suppliers.

Telecom encourages customers to use the network and does not deny access to safe and reliable equipment.

Cross subsidy of telecommunications for rural and remote areas is inherent in the Telecom charter which has been maintained by successive governments. The costs are on record.

It is questionable whether deregulation in the USA has speeded up progress. The 43rd report of the US Congressional Committee on Government Operations expressed reservations. At the recent convention of the US Telephone Association the keynote speaker observed that the results of deregulation and divestiture reminded him of the American soldier entering a town in France in World War II. He said “We sure liberated the hell out of this place”.

Chris Trengove Replies:

While I do not question the veracity of Mr. Brack’s statements regarding Telecom’s recent performances, I do not feel that they necessarily address the criticisms of Australian government policy contained in my article. My principal theme is that, while other countries are progressing, in a variety of ways, in the direction of greater liberalisation of their telecommunications industries, Australia’s Labor Government has adopted policies aimed at strengthening the monopoly position of Telecom. In an industry long characterised by government intervention worldwide, I would argue that policy initiatives favouring liberalisation are all the more desirable, given the rapid and divergent technological change which is taking place.

Of course Telecom has been instrumental in introducing new technology into Australia. My concern, though, is rather more with those innovations which emanate from outside Telecom. History has shown that legally protected monopolies inevitably become vehicles for resisting changes which proceed from elsewhere.

This is borne out by the three examples I gave in my article. To reiterate:

• AUSSAT has been prohibited from engaging
in the provision of telecommunications services which might compete with Telecom;

- While Mr. Brack implies that permission is given for attachments which are "electrically safe and meet network standards"; others allege that these are not the only criteria employed. To quote once again from The Canberra Times (September 21, 1984), new import regulations are "designed to prevent imports of phones which compete with Telecom models".

- In the case of the ComputerPhone, the editorialist of the Australian Financial Review (September 12, 1984) is not the only person to express some concern over Telecom's role. To quote from the review of the product in Australian Personal Computer (January, 1985 p.26): "Just as the law must be seen to be upheld, so it would have been wise for Telecom to encourage such a product in the Australian market-place but leave the marketing to someone else... As it stands now, Telecom has left itself open in the long — and short-term to claims of vested interests in a whole spectrum of its activities".

Finally, it would appear likely that the policy of cross-subsidisation is partly responsible for some of the tardiness in introducing new technology, since the uneconomic rural services must be paid for by elevated charges elsewhere. While it may well be the case that government policy mandates that such cross-subsidies take place, I would reserve my right to disagree with government policy. At the very least, I would argue that if rural services are to be subsidised, then they should be explicitly subsidised, whether by taxpayers as a whole, or by explicit levies on other telecommunications services. In that event, the costs of the subsidy would be more visible, and more liberal policies could be adopted.
The Institutes of Public Affairs seek to promote awareness and debate in matters of community interest and public policy. A basic aim of the Institutes is to advance the cause of political and economic freedom. In pursuit of this aim they endeavour to inform the Australian public about the workings of our economy and society.

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