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To Our Readers

This IPA Review carries articles by an outstanding range of experts — from business, politics, academia, the churches and the professions. Contributors include Paul Keating, Ian McLachlan and John Stone. The first of Professor Porter’s regular IPA Review columns “Economics and Society” also appears in this issue. We aim to keep readers informed of developments from overseas “think tanks”. Dr. Madsen Pirie of the Adam Smith Institute in the U.K. writes on privatisation and Adam Wolfson from the Heritage Foundation in Washington analyses human rights in Africa.

There are many journals dealing with day-to-day current affairs. The IPA Review is a policy journal analysing issues and ideas of lasting relevance.

Rod Kemp
Editor

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Australia's BHP
EDITORIAL

Will Mr. Howard Deliver Smaller Government?

“Our real aims are to halt the growth of government spending. If the next Coalition Government were to achieve, in its first three years of Government, zero rises in government spending, it would have the best record of spending restraint of any government in Australia, or indeed, any government in the Western world since the end of World War II”.  
(John Howard, November 21, 1985)

Mr. Howard is right. The objective of holding government spending to zero growth, if achieved, would outshine the record of those other champions of cost cutting, Prime Minister Thatcher, President Reagan and former Prime Minister, Malcolm Fraser. Mr. Howard’s statement was made in answer to a question at the National Farmers’ Federation Conference. But he went on to indicate that the Liberal Party had not yet settled its commitment on limits to government spending.

He should delay no longer. A commitment to zero (real) growth in spending will deliver significant tax cuts. It will release more funds for enterprise and jobs and it will at last begin reducing the size of the public sector.

The IPA has long advocated that political parties — as the centre-piece of their election commitments — state clearly how much they are planning to spend.*

By stating their commitments to spending limits (or ceilings), parties can make their economic policies credible and give taxpayers a real understanding of the likely impact of government policies on their pay packets.

The value of expenditure ceilings is demonstrated by the Trilogy which has turned the Hawke Government from one of Australia’s big spending governments into a government imposing tight fiscal restraint. The Trilogy, by all reports, has made the Prime Minister’s and Treasurer’s task of reining in big spending ministers and departments a great deal easier.

An overriding commitment to the electorate on total spending levels encourages a much more realistic concentration on priorities within the public service. One of the major problems of our political system is that governments have untrammelled powers to tax and borrow. Where spending is open-ended the incentives are great for pressure groups to press hard for more funding — and governments are easy targets for pressure groups. An expenditure ceiling helps governments resist these pressures.

Is zero growth achievable?

In order to maintain the current level of government services (assuming no significant improvements in efficiency) the required growth of the public sector is in the order of 1 to 2 per cent per annum. On this basis the objective of zero growth mentioned by Mr. Howard does not seem inordinately difficult. He has identified a limited number of areas (unemployment and supporting parents benefits) for savings. The community, however, is going to want the general level of government services to be maintained and Mr. Howard’s task will, therefore, be to reduce waste and inefficiency. We believe there is enormous scope for these savings, as the Grace Commission showed in the U.S. We believe therefore that Mr. Howard should indicate he is prepared to establish a wide-ranging enquiry of the type President Reagan initiated in the U.S.

The great problem in Australia is that political parties have added year after year new policy commitments; as a result, the real increase in Commonwealth Government spending has averaged over 5 per cent a year over the last twenty years. New policies would not be excluded under Mr. Howard’s objective, but clearly any new initiatives must be offset by savings from existing policies.

* IPA Review, Spring 1984; IPA Review, Summer 1985
As indicated in “Focus on Figures” (page 26) the zero growth in expenditure—mentioned by Mr. Howard would, in effect, reduce government spending to well below the levels demanded by Mr. Hawke’s Trilogy. The reduction in government spending in the final year of a Howard Government committed to zero growth in government expenditures could well be equivalent to $800 per taxpayer a year compared with the possible spending levels under the Trilogy.

Of course, Mr. Hawke could conceivably tighten his promises on government spending in order to minimise this disparity. He should. Mr. Keating in this Review has indicated that the Labor Party is working towards reducing the share of government. He sees that along this road lies Labor’s prospects of economic and political credibility.

Mr. Howard should now throw down the gauntlet and commit his party to zero growth in government spending. This will ensure that the next election campaign is focussed around the all important issue of the size of government.

The Morality of Indexation

Indexation has been a short-term “success” (the long-term effects may be otherwise) for wage and salary earners. It has been anything but a success, indeed it has been a disaster, for those sections of the community who are outside in the cold — the unemployed, small businesses competing with imports, and tens of thousands of self-dependent retired people who (unlike, those from the privileged public sector enjoying indexed benefits) are seeing their incomes decimated by inflation and their plans for a secure and comfortable retirement undermined. These sections of the community can only view every new instalment of the indexation process with feelings akin to horror.

How can it be right, how can it be socially just, for one section of the community — the wage and salary section in jobs — to have its standard of living virtually guaranteed by government regardless of the capacity of the employer to pay while the standards of other sections have no such guarantee. The stark fact that the indexation mechanism can involve a transfer of income from one section of the community to another seems to have escaped the attention of the media and of many economic commentators. Worse than that, it seems to have escaped the attention of the Commonwealth Arbitration Commission.

There was a time when the impact of any given national wage claim on the distribution of income through the community occupied a major part in the deliberations of the supreme arbitral authority. The “re-distribution” concept has long since been virtually abandoned.

Another criteria, which now seems to play little part in the thinking of the Arbitration Commission, is the state of the overseas balance of payments. If the balance of payments was weak, and the all-important export industries ailing, this caused the Arbitration bench to move very warily on wage demands.

The fact that the Australian balance of payments at present is massively in the red on current account has not prevented the Commission from blithely granting a 3.8 per cent across the board increase. The rapid decline in value of the Australian dollar does not seem to be of great concern to the members of the Commission. Perhaps they are banking, along with the Government, on the plunging dollar producing an automatic correction of the present alarming deficit in the overseas accounts. With every rise in internal costs, this is looking less and less likely.

Reform is necessary both in the desiderata used by the Commission in fixing wages (and other conditions affecting conditions of employment) and in the urgent need for the enforcement of awards, for bringing the unions within the ambit of what was idealistically described by Justice Higgins (at the birth of arbitration) as a “new province of law and order”.

In particular, the principle of “capacity to pay”, determined by expert detailed meticulous review of the economy, must again become the over-riding criteria in the authority’s determinations, as it generally was throughout the early and post-World War II history of arbitration — up to the late 1960s.
The Government's Economic Strategy

As we move into 1986 the Government's "high risk strategy" is coming under increasing strain. Ever since about the end of October, the foreign exchange markets have been signalling their scepticism or even disbelief that the risks involved will, in fact, be surmounted.

The Government's initial reaction to this scepticism consisted in a policy of "shooting the messenger". The foreign exchange markets particularly were dismissed by Ministers as being rather unintelligent, while the business community more generally were described as a bunch of "rednecks". More specifically, a good deal of invective was heaped upon the heads of those (initially rather few) public commentators, in the Press and elsewhere, who dared to depart from the Government's line that everything was going well. Both by way of direct abuse and, much more extensively, by way of denigratory briefings from Ministers and ministerial advisers, these commentators were demeaned and ridiculed, thus demonstrating yet again, if that were needed, that in the Government's vocabulary that much used word "consensus" simply means agreeing with the Government (after it has agreed with the Australian Council of Trade Unions).

As the months have gone by, the Government has nevertheless been forced to acknowledge, not that it was wrong — it is rare indeed for any government to acknowledge that — but that at least there might need to be some "adjustments" at the margin to the strategy as originally formulated.

In truth, because the Government has been unwilling to acknowledge that its new tool of economic management — the so-called Accord with the ACTU on prices and incomes — has become in fact its Achilles heel, those "adjustments" have had to be made, to date, through the instrument of monetary policy. Interest rates, as a consequence, have risen to levels not seen for many years; real interest rates (i.e., after discounting for inflation) have risen to levels which have probably not been seen in Australia since Federation.

We thus have the somewhat ironic spectacle of a "short sharp shock" being delivered to the economy by a Government which, in Opposition, developed almost to the level of an art form its accusations against the then Government for doing precisely that (even though, perhaps regrettably, it never did!).

Politicisation of the Public Service

On 23 October last, the Premier of Victoria replied to a question in the Victorian Legislative Assembly about the role of certain Ministers of his Government, and certain Ministerial advisers and Victorian public servants, in what has come to be called the Nunawading how-to-vote card scandal. Without commenting upon the truth or otherwise of the allegations regarding the involvement of those named in that question, to me the striking aspect of Mr. Cain's reply was his assertion that it is legitimate for public servants to play a role in the political process.

I leave aside here the question of whether assisting in the issue of false how-to-vote cards is quite the same thing as "playing a role in the political process". I am interested rather in the compatibility of a professional public service with the playing of such a role more generally (and less sensationally) considered.

I am aware of course that statutes such as the Commonwealth Public Service Act and, no doubt,
comparable legislation in Victoria and other States, protect the rights of public servants to be members of political Parties, to stand for Parliamentary office and so on. The Public Services of the Commonwealth and the States include, unfortunately, a very large proportion of the total adult population, and it would clearly be undesirable on that and other grounds to deprive their members of the rights in question. Nevertheless, I own to a certain unease on the matter, at any rate so far as it refers to public servants of some seniority. (In the case to which Mr. Cain was directing his response, one of those concerned was a senior officer in the key Department of Management and Budget).

I have never personally belonged to a political party, and the longer I served in the Commonwealth Public Service the more convinced I became of the impossibility of reconciling political party membership with the provision of detached advice to Ministers.

Up to a certain level of the Public Service — a level which however may differ from department to department because of their varying policy responsibilities — this incompatibility of interest may not present much if any practical difficulty insofar as the public servants concerned will not generally be called upon to proffer advice to Ministers.

It is not really good enough for public servants who have gone so far as to demonstrate their political allegiances by becoming active members of a political Party to claim that this in no way detracts from their professionalism and that they are as entitled as their non-activist fellows to be trusted by Ministers of a different political persuasion. While I do not assert that the squaring of that circle is impossible, it is most certainly very difficult; and the question is whether those who make claims of that kind are not really trying to have it both ways.

There have of course been numerous cases over the years of public servants standing for, and in some cases being elected to the Parliaments at both State and Federal level. One of the most striking examples arose in a by-election for the Federal seat of Dawson in 1966.

The Labor Party candidate in this case was Dr. Rex Patterson, who subsequently became a Minister in the Whitlam Labor Government. At the time of his pre-selection, Dr. Patterson was the Director of the Bureau of Agricultural Economics. While this was (and is) a truly professional post, nevertheless it is a post whose occupant has access to many of the inner councils of the Government of the day. As it happened, Dr. Patterson was elected to the Parliament, so no question arose in practice as to how, had he not been, he could have gone on loyally serving the Government against whose own political champion he had recently been jousting in the electoral lists.

There are questions here which, in more easy-going days, or days when people entered the Public Service with a view to a life-time career, may not have caused much difficulty in practice. It is not by any means clear that that will continue to be so.

Consider also the question of trade union organisation within the Public Service. Again, it is generally thought to be the right of all Australians to belong to a trade union should they wish to do so. Nevertheless, in the case of public servants such membership has a capacity to give rise to divided loyalties, a fact which was, until recently at any rate, acknowledged in the case of our Armed Forces by debarring serving members of those Forces from belonging to trade unions.

Under the Fraser Government, for example, it was notorious that both within certain areas of the Public Service Board and much wider areas of the Department of Industrial Relations, certain officers who might be involved in discussion of and advising on the Government's industrial relations policies (e.g. tactics in an industrial dispute with some of its own employees) could not necessarily be relied upon not to reveal those discussions to fellow trade unionists in the areas concerned. Of course, such action would have been in clear breach of their oaths (or affirmations) of loyalty to their employer; nevertheless, there is no doubt that such breaches not only occurred, but had latterly become commonplace in their frequency.

I personally deplore the politicisation of the Commonwealth Public Service which is gradually occurring under the cloak of the present Government's so-called Public Service "reform" legislation. The recruitment under that legislation to what is now called the Senior Executive Service (previously the Second Division) of the C.P.S. of personnel whose allegiances may be slanted towards those of the political Party in office will not add lustre to the reputation or performance of the Service and will not, in the end, be in the interests of the Government.
Compulsory Unionism

While we are on the matter of "rights" of all Australians to belong to political Parties, join trade unions and so on, it may be appropriate to refer also to their equally important right not to be forced to do things. In particular, the process whereby, throughout much of Australian industry, people — however desperate may be their need for employment — are denied jobs unless they can display a union ticket, is nothing more nor less than a form of "pass law".

We hear a great deal about such pass laws in South Africa, where they have been used for other equally oppressive purposes. Now that the South African Government is considering their abandonment in that case, I wonder whether our trade union bosses might be persuaded to do likewise in ours.

A person's right not to be compelled to join a trade union — or a political party — is set down in the United Nations Convention on Human Rights, of which we have recently been hearing so much from the Commonwealth Attorney-General in connection with his preposterous and oppressive proposal for a so-called Bill of Rights in Australia. Strikingly, neither Mr. Bowen's Bill nor the earlier draft of his predecessor in the Attorney-General's portfolio (Senator Evans) contains any reference to the right of Australians not to be forced to join trade unions, even though both draft Bills, and particularly the earlier one, purport to owe their parentage to the U.N. Convention.

The fact that union "closed shop" arrangements result in the issue of "passes" by largely undemocratically elected — or appointed — trade union officials renders these "pass laws" in our case if anything even more oppressive than their South African counterparts. Yet I do not recall seeing Dame Roma Mitchell and her by no means small supporting cohort of assorted zealots at our Human Rights Commission mounting their quasi-judicial chargers in this cause.

The fact is that our Human Rights Commission appears to be highly selective in its institutionalized indignation. It has been vehement in its attack upon, say, the Queensland Government for some supposed sins or other. When however it comes to what should be that most fundamental of our freedoms — the freedom of an individual to enter into a voluntary contract for a job with an employer, the freedom of that employer to provide him or her with a job, and the freedom of both to do so without being "stood over" by some trade union "heavy" wielding either a pick handle or a picket line — then these supposed defenders of our rights are strangely silent.

Mr. Whitlam's Brief Return

To end on a personal note, I understand that during the course of some characteristically graceful remarks on the "Sunday" program on 10 November last Mr. E. G. Whitlam asserted of me personally that since leaving the Treasury I had been making statements — such as those no doubt in this column — about all sorts of matters for which during my earlier career I had never had any responsibility.

One of my friends has been kind enough to say to me that he much prefers to have me saying sensible things about all sorts of matters for which during my earlier career I had never had any responsibility than to have Mr. Whitlam, during the course of his mercifully short return to these shores, continuing to say silly things about all sorts of matters for which, during his earlier career, he unfortunately did have responsibility. Australians, who are notably more fair-minded and less venomous about such matters than Mr. Whitlam, will doubtless judge for themselves.
Everyone Benefits from Privatisation

Dr. Madsen Pirie

The Summer 1985 Review carried an article by Dr. Stanley Siebert describing the successful selling off of British Telecom to thousands of private investors. Selling off British Telecom is just one facet of a larger programme of privatisation pursued by Britain's Conservative Government, a programme which includes giving state housing tenants the right to buy the house in which they reside.

Mrs. Thatcher is credited with great victories over General Galtierie and, that even bigger menace, Arthur Scargill. However, her real victory has been over the public sector of the British economy. This is the secret victory, the hidden Thatcher triumph, which does not show nearly so much in public.

In 1979 the public sector in Britain was overgrown, very large, indeed, and the deficit was incredibly big. The government was spending far too much of everybody's money. Taxation was too high, the unions had immense powers and Britain was uncompetitive and couldn't sell goods abroad.

Sometimes I recall a typical day in Britain in 1979. Getting up in the morning to the sounds of the state radio, and, with my British Steel spoon, cutting into my Marketing Board egg and heading out in the British Leyland car, pausing to say hello to the state postman and maybe the local state garbage collector as he dropped rubbish into the street, dropping the children off at the state school, dropping the wife off at the state health centre and maybe phoning the state travel agent to book a trip, on the state airline, or on the state railways.

You need not, during the course of the working week, come into contact with the private sector at all. The wealth creation portion of society didn't impinge on popular consciousness such was the extent of the public sector. It was the largest public sector of any advanced economy in 1979. This was the problem we faced. It was heavily overmanned and the reason for that is very simple; the public sector is always heavily overmanned. The consumer can't go anywhere else, the consumer has to take the product of the state monopoly. That means that when the workers demand more wages it is easier for the administrators to give in and just take a little bit more out of taxation to pay for it.

When the workers say "We'd like to have five men on the garbage truck (which really requires only one man) because in the old days it used to take two to hold the horses and one to feed them though we're using diesel engines now" it is easier to give in. And so we arrive at a public sector in which there is a large measure of unemployment. But it's not called that; it's called people working in the public sector.

Not surprisingly, goods and services produced in this way are very expensive and add to the cost of everything else. First of all, we have to pay high taxes to support them. This means we don't have much money left to buy the products of the private sector or invest in new business opportunities. But it also means that we pay more for any goods which have a transport or communications component. British goods become more costly and, not surprisingly, foreigners say "Well, your public sector is very interesting but we see no reason why we should pay higher prices to support it. Thank you very much, we'll buy South Korean". And that is very roughly what was happening to Britain.

Mrs. Thatcher's was not the first administration to attempt a solution to this problem. Previous attempts followed a traditional pattern. Someone would come along and say, "What we need in the public sector is an efficiency drive", and a whizz-kid from private industry would be appointed with a mission to examine the
EVERYONE BENEFITS FROM PRIVATISATION

public sector and point out the savings that could be made. He would spend six months going through it and come up with suggestions such as that paper clips should be used twice. That would save money. Sometimes more serious proposals would be identified, sometimes genuine savings would be pointed to, for about six months. Then the old pressures of the public sector, the easy way of reaching sweetheart deals with the unions, would re-assert themselves. The civil servants would breathe a sigh of relief and say, “Well, that didn't last very long”.

Secondly, there was the campaign to cut out unnecessary items of public expenditure. Surely there must be something the government is doing that we could do without. Wrong. Absolutely every single thing the government was doing was absolutely necessary. Every single programme had its beneficiaries, its coterie of supporters, the people who absolutely couldn’t do without it. And if government dared to threaten it they would appear on television, marching in the streets, lobbying parliament with scenes of the poverty and degradation that this programme’s removal would bring upon them. The legislators would get very nervous about all this and think maybe they had acted a bit hastily and so we concluded that there is no such thing as an unnecessary public programme.

Cost Cutting

The third tactic traditionally used is the strategy of cutting the costs of government. If you impose strict cash limits on government ministries they will simply have to make savings. So we say to each department, “Well, you must operate on a budget 5 per cent less than last year”. The theory is that they are simply forced to make the savings and so you cut into the administrative fat and the bureaucrats find magical ways of producing savings and the whole thing becomes leaner and more efficient and the public gets better value for money.

What really happens, of course, is that not a single bureaucratic job is threatened at all. On the contrary, the bureaucrats say, “Well, Minister, if we have to take a 5 per cent cut, I am afraid we will have to start by closing the schools for crippled children and the old people’s homes”. Then they ring up the television media and the cameras are there to film the old folks being thrown out into the street with their pathetic sticks of furniture and shawls clutched about them. The legislators, after a few sacks full of mail, change their minds. That is roughly what happens when you attempt to impose cash limits on departments. It doesn’t work. There is no single recorded case of any department in Britain ever sticking within a cash limit imposed upon it or indeed any case of legislators holding out their nerve for long enough to impose the cuts advised by the bureaucrats.

What on earth then was left for the government to do? Here the magic word “privatisation” first loomed over the political horizon. The discovery was made that if you cannot control government or make it efficient or cut unnecessary programmes or cut its costs you can at least get rid of it. So the discovery was made that if you transfer government programmes to the private sector, you can get the same function performed better and cheaper and more responsibly.

So Mrs. Thatcher’s hit-men looked over the economy and targeted four areas. “First”, they said, “we’ll get the industries, the big state industries. Then we’ll get the utilities, then the services and finally we’ll have a go at the regulatory function”.

Our estimated scorecard runs roughly like this. In the first Thatcher administration they found out how to privatise the state industries. In the second Thatcher administration, which is this one, they seem to have cracked the problem of the utilities. Telecom has come on the market and in the autumn it’s going to be British Airways and the airports, and then the water authorities and two years down the road the gas and electricity industries. Then there are the services — health, education, pensions, welfare. No doubt the third Thatcher administration will see substantial progress made with those. Finally, there are the regulatory functions of government. This will probably take a fourth Thatcher administration and in the year 2001 or thereabouts I am sure Mrs. Thatcher will turn her attention to those parts of the public sector not already mopped up by this campaign.

Defenders of Public Sector Privilege

Each part of the public sector has its own defenders. Whatever the operation may be, there are always at least three groups who will sustain it. There is, first of all, the administration which
EVERYONE BENEFITS FROM PRIVATISATION

runs it. When asked to make savings no bureaucrat ever comes before a minister and says, “Well, Minister, my job’s unnecessary for a start” or “I could make do with a smaller staff and take a cut in wages”.

Secondly, there is the work force, the people actually engaged in the production of government operations, be it the state railway system, the state airlines, the state schools or the state car industry. They derive their livelihood from it and quite like the comfortable position of being able to raid the taxpayer whenever they need more money.

The great weakness of the public sector is that it cannot go broke and therefore any wage settlement or working agreement can be conceded. All you have to do is raid the public purse. You may suppose that the purpose of the coal mines in Britain is to produce coal for British industry and for British homes. You are wrong. It is to produce well-paid jobs so that miners shall enjoy them for the rest of their lives and their sons and their sons’ sons even unto the ninth generation. You might have thought that railways in Britain existed to move people and goods around the country. Not so. They exist to keep railway men in fairly comfortable jobs where they won’t have to work too hard and they won’t have to be bothered too much by irritating demands from the public. If you don’t believe that take a ride on a British train.

The third group of beneficiaries are the people who use the subsidised service, whatever it is. If you threaten their benefits they will take to the streets instantly and they will be very effective and very eloquent on television.

What about the people who would benefit, the general taxpayer? I am afraid they don’t count. They don’t see themselves as a coherent interest group. They don’t form committees and organisations that march and put spokesmen on television. In other words the politician is in a no-win situation. If you attempt to take on a government operation you will have those three groups against you and no one for you.

Not surprisingly, politicians were reluctant to take on the public sector in Britain. Then came the privatisers. They said, to privatise successfully you must identify all of the interest groups and buy them off.

The civil servants support the public sector so we would make them the managers of highly profitable private companies. The work force like the cushy jobs and the comfortable work so we would need to make them rich; we’d give them shares. The beneficiaries we’d buy out and give them something more important: we’d guarantee their benefit for the rest of their lives and then we’d make sure no-one else ever got it.

The great weakness of the public sector is that it cannot go broke and therefore any wage settlement or working agreement can be conceded.

So when we sold British Telecom last December it generated great excitement. One-twelfth of all of the shares were reserved for the work force. The union swore it would oppose the privatisation of Telecom. They printed posters which showed a telephone cable being cut in two by the vicious scissors of capitalism and saying, “Save our phones”. But the government allocated shares to the work force and the work force took the money and ran. This has been the story every time it has been tried. The union appeals on the principle of working class solidarity and the working class takes the money.

Privatisation has been successful in Britain because it has been politically realistic. It recognises that certain people derive benefits from a corrupt system and that they will not willingly forgo those benefits without some compensation.

Let me give you a few examples of how it is done. We have so far identified 22 different ways of privatising and we have used all of them. There are some public operations which look sufficiently attractive to the private market that you can sell them to a private buyer. A private company says “Yes, we can run that. Sure, we can get it to make money. We’ll buy it”. Under method Number 2, you can sell it to the public. You can put the whole thing on the market, float stock, create a public company, and let the public themselves buy it. That has advantages, by the way; it spreads the ownership.

When the sale of Telecom was announced, the Labour Party said they would definitely take it back into public ownership, not necessarily paying any compensation. The day after two million people bought shares the Labour Party changed its mind. They didn’t want an army of two million marching in the streets when they try to take it back. The ratchet has been turned the other way. Society’s interest has been built into the new status quo.
Sometimes, when the concern is making a loss and you can't actually sell it to the public because no-one would want to buy it, you can sell it to the work force itself. Why should they buy it? Because they can make it profitable. The National Freight Corporation, which moves goods traffic around Britain's roads, was making huge losses. The management and the workforce got together and made an offer between them to the government and the government accepted. It was turned into a profitable company overnight.

On day one of the new private National Freight Corporation, the workers, being also shareholders with a stake in the profit, were keen to make sure that everyone did as much work as possible so that the profits would rise as high as possible. I am glad to say that in three years for every pound the work force invested — and some of them mortgaged their homes to buy a share — they got 8½ return, an 850 per cent increase in three years. It shows how remarkably the attitudes of labour can change once it's in for a cut of the profit.

Sometimes the state enterprise gives the operation away. We gave away the cross-Channel Hovercraft service. We called in the work force one day and handed the deeds over the table and said, “Right, it's yours” and walked out. It is now an independent worker-owned co-operative. It looks as though it's going to make it, too. It's very much more attractive, very much more efficient. Costs are lower and though it's too early to chart the future, it looks as though it is going to succeed.

Sometimes we use the principle of contracting where the government has a clear obligation to ensure that a service is provided. The government doesn't have to provide it itself. You can say to private business, “I want this service done, I want it done in this way. Who will bid to do it?”

So the government gets its service done by firms competing against each other, subject to market pressures and consumer responsiveness, bringing in innovations and efficiencies in working practices. You see, you get all the benefits of the free market even while pursuing your obligation as a government to ensure that the service is provided. In British cities, now, not a single day goes by without some new service being privatised in that way. Every single working day of the year some city somewhere privatises something — street cleaning or garbage collection, maintenance of parks and gardens and so on.

The most spectacular and widespread method we used was establishing a right of individuals to buy. We did this with state houses. When Mrs. Thatcher took office 35 per cent of all people in Britain lived in government-owned houses at subsidised rents. The Tories had tried previously to raise these rents to an economic level, to cut the subsidies and cut government spending by having people pay more rent for their houses. It didn't work. The reason was very simple. Faced with a choice of one candidate who was offering them an economic rent and another candidate who was offering them a cheap rent, they tended to vote, as rational creatures of Adam Smith will, for the cheap rent.

The Thatcher policy was to establish a right to buy a house and become a home owner. Just to make sure this happened they received a discount of at least 20 per cent off market value and, if they had lived there for a couple of years, up to 50 per cent off the market value. In other words, you would have to be a raving maniac not to buy your house since your are offered the chance to buy it at 50 per cent less than you can sell it for. Not surprisingly, large numbers of tenants bought their own houses. By the time of the last election over 10 per cent of them had done so.

Perhaps some of the principles that we have discovered and applied in Britain would work in other countries. Looking around the world economy today, one discovers that this does appear to be part of an international movement, that privatisation and the return of goods and services to the private sector is not something unique to Britain any more. America is doing it now and Japan is selling off its telephone service; Communist China is privatising its collective farms. The tenants of state houses in Peking are now being allowed to buy them and the same is true in Havana, Cuba. Communist Yugoslavia has set up a free port to encourage private enterprise.

There is a worldwide rediscovery that private enterprise can bring choice and efficiency to services which government runs with the dead hand of monopoly, crowding out not only the freedom of individuals but their ability to undertake any kind of enterprising activity and create wealth for the benefit of society. It's happening everywhere. We started it, we've got a six year lead, but we've only just begun.
The negative attitudes to privatisation of most governments in Australia sharply contrast with developments around the world. Airlines, telecommunication authorities, banks and power stations are being marked for privatisation in many countries.

"Everywhere the State is in retreat" is a headline in the London Financial Times.

"Privatisation is an idea whose time has come — from Bangladesh to Brazil, from Turkey to Togo in West Africa".

Financial Times, August 2, 1985

The respected British weekly, The Economist, says: "State-owned fossils are being carted off into the private sector almost everywhere. Witness ... the bringing of France's nationalised giants to the stockmarket; the system of bidding for the right to run private businesses in communist Hungary, now spreading to its Comecon neighbours fast; the lowering of the state's share in Nippon Telegraph and Telephone, and the threat to split and sell the loss-making Japan National Railways; the promise to privatise Turkey's state airline ....".

The Economist, February 23, 1985

An article in the Australian Financial Review, headed "Japan and South Korea in Vanguard", argues: "While Australia is tentatively engaged in debating the merits of privatisation, most of its Asian neighbours — from affluent Japan and South Korea to hard-up Bangladesh — have been practising it for some time".

Financial Review, October 3, 1985

The headline in The Bulletin reads "Western Europe Goes Private".

"Even unswervingly socialist governments of Sweden and Spain are looking for ways to dispose of unprofitable government enterprises."

The Bulletin, 9 April 1985

And the list of countries embarking on privatisation continues.

Japan

"The Japanese Government has taken steps to divest itself of three of the largest state corporations — the loss-making Japan National Railways, the Nippon Telegraph and Telephone Public Corporation and Japan Tobacco and Salt Public Corporation".

Financial Review, October 3, 1985

South Korea

"The Koreans are proud of the success of privatisation in the manufacturing and services areas. Among those divested were Korean Airlines, Daweedo Heavy Industry and Yukong Inc. These enterprises were operating more profitably and efficiently now that the Government had totally relinquished management".

Financial Review, October 3, 1985

Germany

"The West German government expects income of DM 2 billion in the next two years from part-privatisation of state-owned companies .... the government officially plans to privatise 6 companies including Lufthansa...".

Financial Times, November 6, 1985

Italy

"... for the first time in years shares of State controlled companies are attracting the interest of foreign and Italian investors. The state airline, Alitalia, ... has taken advantage of the buoyant Italian stockmarket to sell an estimated 10 percent of its equity to the public. It is expected to double that figure by the end of the year".

Economist, October 5, 1985

"The biggest single sale of state assets to the private sector so far in Italy's wave of partial privatisations was heralded yesterday with the unveiling of plans by Banca Nazionale del Lavoro to raise about L400 bn ($222m) on the Milan bourse".

Financial Times, October 18, 1985

"ENI, Italy's state energy group, has given the green light to a second partial privatisation plan for its Saipem oil and gas pipelaying subsidiary, which will bring the state share in Saipem down from its present 80 per cent to 51 per cent".

Financial Times, 19 October, 1985

Spain

"Spain's avowedly socialist government is planning further sales of State-owned industries to private companies. This autumn, the national car manufacturer, Seat, is due for privatisation and it is believed that the State airline, Iberia, could follow".

The Australian, 29 July 1985

Holland

"Proposals to partially privatise the Dutch Post and Telecommunications Agency (PTT) were given a boost over the weekend when Mrs. Neelie Smit-Kroes, the Transport Minister, endorsed recommendations to break the PTT’s monopoly in certain areas".

Financial Times, 24 September, 1985
Sweeps The World

"Hoogovens, the Dutch steel group, is one of several partially or wholly state-owned companies that have been recommended for privatisation by an advisory panel to the Cabinet". (Financial Times, 16 September 1985)

Denmark

"Denmark's coalition government will privatise one of the few state-owned industrial companies in December, by selling the state's 50 per cent stake in Kryolitselskabet Oeresund. The public flotation is expected to be the biggest money raiser in the history of the Danish equity market". (Financial Times, 5 November 1985)

Malaysia

"The Malaysian Government yesterday reaffirmed its intention to introduce a sweeping series of privatisations... the Government had held lengthy talks with British merchant banks and stockbrokers about ways of privatising Telekom, Malaysia's telecommunications utility... The sale of the country's power stations is also under consideration, and it appears the Government is committing itself to partial privatisation of Petronas, the state oil company". (Financial Times, 26 October 1985)

Singapore

"The largely state-owned airline is seeking a listing on the Singapore Stock Exchange..... At least half of the offered shares will be allocated to the public in Singapore, and the balance will be placed in London, New York and Tokyo". (Financial Times, 16 October, 1985)

Bangladesh

"Nearly 100 companies, including most of the jute, textile, chemical and engineering industries have, for example, been sold off in Bangladesh since the announcement of a New Industrial Policy in 1982". (Financial Times, 2 August, 1983)

Brazil

"Brazil's small investors will have a rare opportunity later this month to acquire a shareholding in Petrobras, the state-controlled oil and chemicals group, through a share offer expected to raise around $400 m. The offer represents the Brazilian government's first move on privatisation which it has repeatedly pledged to carry out since taking office in March. The strategy reflects enthusiasm within sections of the Sarney administration for the success of similar moves by Mrs. Margaret Thatcher...". (Financial Times, 7 November, 1985)

Turkey

"It has taken many weeks for the Turkish Government to select a foreign adviser to draw up a master plan for privatising some of Turkey's state economic enterprises". (Financial Times, 30 July, 1985)

United States

"Local governments are way ahead of the Federal Government in privatisation with outstanding results..... privatisation is not only good business sense, in some cases it is the only alternative to continuing inefficient government operations". (J. Peter Grace, Burning Money, Macmillian (New York) 1984)

Mexico

"Nacional Hotelera, Mexico's state-owned hotel chain, has been sold to private investors in the largest single divestiture since President Miguel de la Madrid's Government began to dispose of 'non strategic' state assets and slim down the public sector". (Financial Times, 21 November 1985).

Canada

"The Canadian Government has received three formal offers to buy state-owned De Havilland Aircraft, but none so far for Canadair, the Montreal-based manufacturer of business jets, water bombers and surveillance drones... The three bidders for De Havilland are Boeing, the US aircraft manufacturer, a consortium including the Dutch aircraft maker Fokker and Canadian interests; and the West German industrialist Mr. Justus Dornier. Boeing is widely regarded as the frontrunner". (Financial Times, 21 November 1985)

New Guinea

"The new government is likely to deregulate the Aviation industry and sell off Air Niugini as part of its commitment to privatisation". (The Age, 30 November 1985)

The Hawke Government has proposed some limited privatisation. The Defence Service Homes Loans Scheme has been marked for transfer to the private sector and the Government has sold the Belconnen Mall in Canberra. On the other hand, there have been some major backward steps: much of the private health insurance has been transferred to the public sector while workers compensation insurance in Victoria has been effectively nationalised. And the recent South Australian election campaign shows that public sector unions are prepared to spend large amounts of money to oppose privatisation.

While privatisation sweeps the world, it seems governments around Australia are unwisely sweeping privatisation under the carpet.
My graduates of Australia's leading Universities smile at the mention of our name.

At McDonald's we teach our young people communication, leadership and administrative skills. And we do everything we can to help them realise their full potential.

Julie Emery was a 15-year-old high school student when she joined McDonald's. She was still with us when she decided to take law and economics at Sydney University.

For the next six years McDonald's organised Julie's work schedule to accommodate her lecture timetable. Gave her extra shifts in the holidays. Even transferred her to restaurants nearer Sydney University.

Today, Julie Emery, B.Ec., LL.B., is still with McDonald's, as Employee Relations Officer for the whole of Australia.

A symbol perhaps of the many and varied careers pursued by past and present employees. And of the thousands of graduates, in almost every field of endeavour, who smile at the mention of our name.
Mr. Hawke's Other Bicentennial Scandal

Professor Geoffrey Blainey

To date most media interest in the problems within the Australian Bicentennial Authority has been focused on the issue of financial mismanagement. However, Dr. Ken Baker in the Summer 1985 Review drew attention to a second set of problems with the Bicentennial planning, namely the failure of the ABA's National Programme to adequately reflect mainstream Australian values and a justified pride in the nation's achievements. The distinguished Australian historian, Geoffrey Blainey, in this speech delivered as the Mt. Eliza Uniting Church Community Lecture, argues that minority causes are dominating the planning for 1988 and outlines some of the achievements we should be celebrating.

The present debate about the Australian Bicentennial Authority in part conceals the government's failure and our failure as a people to tackle the big question: how far has Australia come and where is it going?

Mr. John Reid and Dr. David Armstrong have suffered partly because of what they had done, and partly because their plans were expressing the timidity and the ambivalence of the nation's leaders. If the public were already inspired by the ideology behind the celebration of 1988, the episode of the golden handshake would soon be forgotten. But the public is not in the least inspired.

Mr. Hawke in Canberra has been unable to say positively what he is celebrating in 1988. If he believes in Australia — as surely he does — he should set out boldly what we are celebrating. So far, however, he seems to have been subservient to three minority interests and neglectful of the great majority of Australians and their special interest in 1988.

The first minority group is the Aborigines. I respect a government which tries to see eye to eye with Aboriginal viewpoints. Most Aborigines, understandably, are not excited by celebrations that recall 1788. They are conscious of what they have lost and what they believe they have to lose. At the same time, a sense of sympathy towards Aborigines should not prevent a celebration of all the gains that have come since 1788. Many celebrations take account of gains as well as losses: Anzac Day is a simple example, for it celebrates loss as well as gain.

Multiculturalism

Second, the Government in Canberra, and in most of the States, is now wary of offending the vocal, richly subsidised but small multicultural lobby. The power base of this lobby is in the advisory councils of the immigration department in Canberra, in the State agencies and ministries of ethnic affairs, and in some of the churches. Public opinion polls leave little doubt that most Australians do not support the present version of multiculturalism or what they understand by that word. It is likely that most of the post-war immigrants from continental Europe and Asia do not support multiculturalism.

While they rightly believe that every language should be genuinely tolerated in Australia, I am not sure how far they believe that foreign languages and customs should be positively encouraged at the taxpayer's expense or that of their own children's educational future. The great majority of post-war immigrants, and the great majority of Australian-born citizens, believe we should be one nation, not a nation of many nations.

The multicultural industry is the creation of Mr. Grassby in the Whitlam Government, and especially of Mr. Fraser in the late 1970s. The Hawke Government and various State...
Governments carried it on — likewise for electoral gain. It is a legitimate point of view: people are entitled to hold it. But its viewpoint is often disdainful of the main period of Australian history which the Bicentennial Authority was set up to celebrate.

The multicultural lobby has little respect for the history of Australia between 1788 and 1950. In the eyes of multicultural supporters, Australia was a desert between 1788 and 1950 because it was populated largely by people from the British Isles and because it seemed to have a cultural unity, a homogeneity, which is the very antithesis of multiculturalism.

In the true cultural sense, however, Australia before 1950 was a multicultural society because the cultural difference between Irish Catholics and Scottish Presbyterians and Cornish Methodists and many other groupings was intensely felt, at times too intensely. These differences permeated politics, culture, education, sport, business, the public service and every branch of national life. The cultural differences in today’s so-called multicultural society are, so far, not acute. If they were as acute as the old conflicts in the 19th century, we would probably hear much less advocacy of multiculturalism.

It is normal to see multiculturalism today as simply the Italian cafe, the Latvian folk dance, the Croatian soccer club or the Balinese artist. Those activities, welcome and charming as they are, do not change a way of life. They are often the veneer, the froth. I am far from sure that, in the beliefs held by most people, we are as multicultural as we were in 1855. Serious multiculturalism is potentially divisive and can be explosive. That’s a lesson from the Punjab, Sri Lanka, Malaysia, Indonesia, and a score of other countries.

Unfortunately, too many supporters of the multicultural industry dismiss Australian history — the history, that is, until they themselves arrived in this land — as hardly worth celebrating. To them Australian history, in the days of the convicts or gold rushes or Gallipoli, is pale compared with the full-blooded and long history of their own land. But to many of us, our history is valuable because it is our history and, for better or worse, distinctive. It does contain many events to be proud of as well as some to be sorry for.

Every Australian today, whether Chinese or English by ancestry or Greek by birth, becomes the heir to our history simply by being an Australian citizen. A recent immigrant has the right to disown the history of his new land, but it is surprising that an Australian government should kow-tow to such a disowning and subsidise its dissemination in many ways.

They see Australia’s history as largely the story of violence, exploitation, repression, racism, sexism, capitalism, colonialism, and a few other isms.

Support for multiculturalism is a second strong reason for Mr. Hawke’s lack of enthusiasm about 1988. Here indeed is a strange irony — that this creation of the politicians is beginning to tower over the politicians. They are fearful of their own child.

Socialist Rancour

There is a third minority towards which Mr. Hawke seems uneasy: a certain form of socialism. Many socialists have a balanced attitude to 1988. They are proud of what the average Australian has achieved, and are especially proud of our democratic tradition and the strong role of trade unions and working people’s movements in our history.

But there is an influential group of socialists — present in Parliament and on several newspapers, not unknown in some parts of the ABC, and busy in some classrooms and university departments — who rarely celebrate Australia’s past. They have a deep sense of grievance about much of Australia’s history — the past treatment of the Chinese, of Aborigines, of women, of shearsers, of seamstresses, of Italians, of Irish, of factory workers, of miners, of trade unionists, of orphans — and maybe even the personal treatment of themselves, prosperous and independent as they are.

They see Australia’s history as largely the story of violence, exploitation, repression, racism, sexism, capitalism, colonialism, and a few other isms. Some of their books on Australian history appear now in thundering prose, delivered from a moral height.

These historians and critics have a point of view: we should take it seriously. But by the standards of almost any utopia they care to name, Australian history in the last 200 years, for all its failings, has been a fortunate history.

Mr. Hawke seems nervous of these three
minorities — Aborigines, the multicultural lobby, and a section of the left.

I would be surprised if they, together, form 5 per cent of the adult population of this country and certainly no more than 10 per cent. They are vocal, they have influence, they have a point of view, and it would be wrong to deny them their voice. The dilemma is that, if they remain too influential in Canberra, the celebrations in 1988 will be a national farce. If these voices become the dominant voices, the great majority of Australians will, emotionally, have little part in the bicentennial.

You may ask why it is that three relatively small groups should have such power? The main answer is simple. They have stormed the moral heights, even maybe the spiritual heights and captured them. Many of their spokesmen are so certain that they are right that they often throw overboard that very toleration to which they selectively appeal. From their position of moral superiority they see any opposition to certain issues as immoral. That was very much their attitude to the immigration debate of 1984.

Achievements

In the past 200 years Australia has had powerful achievements and every part of the nation has contributed to them — the bush and the city, the women and the men, the shearsers and the miners, the labourers and the scientists, the Catholics and Methodists and Lutherans.

There are at least three achievements which we should be celebrating in 1988.

A first achievement was to establish one of the early democracies in modern history. In the 1850s, in most of the Australian colonies, democratic government was courageously set up under difficulties, for illiteracy was high, many of the voters were birds of passage, and most parliamentarians and ministers had no experience of public life, let alone of governing.

Soon a vote for every man was normal, the secret ballot (called the Australian ballot in many parts of the world) was devised, elections were held at least every three years, and there was freedom to hold unpopular views. Democracy flourished in Australia ahead of almost any nation in modern Europe, modern Africa or Asia. Here, certainly, is something to celebrate.

Second, Australians have, despite their numerous mistakes, developed this continent so that some 20 or 50 times as many people live here today as lived here in 1788. We not only feed ourselves but each year we feed tens of millions of people in China, Egypt and other lands.

We also supply the wool needed by scores of millions of people who live overseas and a large part of the minerals needed by hundreds of millions in other lands. In a world where most of the people still have a low standard of living, ours is an achievement.

Democracy flourished in Australia ahead of almost any nation in modern Europe, modern Africa or Asia. Here, certainly, is something to celebrate.

A third achievement is that this nation of relatively few people has contributed so much to the world’s stock of valuable skills and ideas. Whether it is in the separating of minerals, or in the understanding of disease, Australians have been innovative on a wide front.

These three achievements are worth celebrating because if we cease to be aware of them and the sacrifices they required, they will be imperilled.

Our prosperity, our ability to aid the standard of living of other nations, and our democratic system shouldn’t be taken for granted. Every new generation will have to apply effort and skill to maintain them.

It is easy to denigrate these successes by saying they were the result of luck, or rich natural resources, or cruel exploitation. But these successes were primarily the result of hard work, common sense, skill, and faith in the future.

My view is that we should be proud of much of the ancient Aboriginal history of this land, we should be proud of much of the British history of this land; and we should be proud — early as it is to judge — of much that has happened in the last third of a century, when immigration has come from diverse sources.

My view is that we should be proud that this is a democracy, and by world standards a very tolerant democracy. We should therefore be careful of very small groups who at present are allowed to dictate to the government how we should see our past and our future.
The New Cultural Cringe

Underlying the philosophical misdirection of the Bicentennial plans, evident in the concentration on minority causes described by Professor Blainey, is a deep disgruntlement among some of the Bicentennial advisers with Australia’s “national identity”. Based on a belief that Australians have more cause for shame than pride in the past 200 years (the new cultural cringe), these advisers have set about using 1988 as a platform from which to impose a radically new identity on the nation. That the great part of the Australian population who feel quite at home with Australia’s traditions would find this totally unacceptable simply underlines, in the view of these Bicentennial advisers, the unenlightened state of the masses and the need to embark immediately on a full scale “re-education” campaign.

With this end in view — or so it seems — the Australian Studies Bicentennial project has been established with a budget of $1.3 million to review and develop the teaching of Australian studies in secondary and tertiary institutions. Senator Susan Ryan’s contribution to the first Australian Studies Bulletin is intended to point the way. After exposing the “racism, male chauvinism, militarism” which allegedly runs through Australian nationalism, lamenting the conservatism of educational institutions and the treatment of women, Aborigines and ethnic minorities in school text books, and directing a barb at the missionaries in early Australia? Why has the treatment of women, Aborigines and ethnic minorities become the vehicle of radical change is not only pointless if Australia’s achievements — the sorts of things that Professor Blainey mentions — are denied.

To McGregor only a radically different Australia would be worthy of celebration. This sort of celebration would involve spending “millions of bicentennial dollars on welfare and education projects”, land rights for Aborigines, the declaration of a republic, the introduction of a bill of rights and constitutional reform (The new Victorian Director of the ABA, Bruce Grant, has also placed constitutional change on the agenda for 1988).

Controversial issues of reform, such as these, belong in the political arena not on the Bicentennial agenda. 1988, by its nature, should be an occasion for reflecting on and celebrating the coming of the first British settlers in 1788 and the trials, tribulations and achievements of our forebears without which modern Australia would not exist. For the Bicentenary to become the vehicle of radical change is not only contrary to the spirit of the celebrations, but guaranteed to alienate the majority of Australians.

Mr. Hawke’s great strength as a leader — the thing which allowed, at one time, 74 per cent of Australians to feel confident with him at the nation’s helm — was his willingness to stand up for the values and ideals of the majority of Australians against the plethora of radical, minority causes promoted by the left of his own party. The malaise that now surrounds the Bicentenary is symptomatic of Mr. Hawke’s failure of leadership — and more generally of a loss of confidence among leaders in other key institutions. What, for example, have we heard from religious leaders on the celebration of the role of the churches and the missionaries in early Australia? Why has the Federal Opposition not been more willing to enter the “cultural debate”? Mr. Hawke has said that the Bicentennial celebrations should be bipartisan, but that is hardly possible if mainstream Australia is to be largely ignored. Indeed, if the majority of Australians began to suspect that 1988 is to be an affront to their sense of national self-respect, then the electoral consequences could be devastating for Mr. Hawke.

Ken Baker
Labor's Commitment to Smaller Government

Paul Keating

The ALP has traditionally been the main political force for bigger government. In this significant article, the Federal Treasurer, Mr. Keating, sets out the commitment of the “new Labor Party” to a practical policy based on reducing the share and role of government in economic life. Ideology has been replaced by a commitment to sound, pragmatic analysis based on a recognition of the fundamental importance of private enterprise and the market economy. In his comment on labour markets, Mr. Keating further develops one of the nation’s most important policy debates.

In making the invitation to contribute to the Institute of Public Affairs Review, the Editor commented that the small rate of growth in Government outlays in the August budget was encouraging. I welcome this indication of support for the 1985/86 budget.

This financial year’s Budget was, of course, the first to be brought down in conformity with our trilogy of Budgetary commitments. These required the Government to contain the rate of growth in Commonwealth outlays and tax revenue to no more than the overall rate of growth in the economy and not to increase the deficit as a proportion of Gross Domestic Product. In addition the Government pledged to reduce the 1985/86 deficit in money terms.

These commitments were more than met in this year’s Budget — the first time in 17 years that any Government has done so. The last time that the three commitments expressed as a ratio of GDP were met was in 1978-79. But that year, while the three ratios declined, the money deficit level increased. The last time that all three ratios declined, and the deficit was reduced, was in 1968-69.

In addition, this year’s budget contributed to a further very significant decline in the Public Sector Borrowing Requirement. In June this year, as we did last year, the Commonwealth won from the States agreement that the States’ borrowing programmes would be subject to a “global” borrowing limit. Within that global limit the States agreed that there would be a cut of 10 per cent in real terms in state authority borrowings. In addition they agreed that there would be no increase in real terms in basic general revenue grants to the States. As a result, the total Public Sector Borrowing Requirement, which in net terms had fallen from 7.2 per cent of GDP in 1983-84 to 5.7 per cent in 1984-85, was reduced further to 4.5 per cent in 1985-86.

The Government is committed to continuing this restraint.

We have recognised that as the recovery proceeds it is necessary that we progressively withdraw the level of fiscal stimulus to the economy. More generally, the trilogy enables us to fulfill our desire to place a strict limit on the size of the Government sector and the associated overall burden of taxation. By now I would expect that most readers of your magazine should be familiar with the broad thrust of these achievements.

The question that arises in this discussion, however, is why the Government has chosen a course of moderating public sector involvement in the economy. To canvass this issue I will briefly background the economic policy we have implemented.

The success of the Labor Government’s policy for growth should now be apparent. GDP grew by around 5 per cent in each of our first two full years in office, and another year of similar, solid performance is well underway. This remarkable transformation from the stagnation of the preceding decade is now sufficiently long-lived to
dispel earlier suggestions that it is a simple product of luck.

Much of the credit is due to an incomes policy, as operated through the Accord, which has ensured that there is an operating mechanism working to prevent inflationary blow-outs of the sort endemic to previous Australian recoveries. At the same time monetary policy, despite the immense world-wide difficulties with implementation caused by the twin processes of deregulation and innovation, has been kept firm. In short, macroeconomic policies have been set to deliver sustainable economic growth. This is a matter of empirics not ideology.

As an integral part of this approach, outlays have been constrained because there is an economic need for this to happen in the context of a maturing recovery, not because obesiance needs to be paid to any dogma.

In both Britain, in recent years, and in Australia, in the Fraser era, we have been provided with ample proof of the dismal results to be expected from a blind pursuit of deficit reduction at any cost. And as the EPAC office has recently demonstrated, no simple correlation is discernible across countries between either the size of government or its rate of increase in recent decades and the level of economic performance. Neither a low government share of GDP relative to other countries, nor a small rate of increase by international standards, prevented Australia from turning in one of the worst performances in the industrialised world during the Fraser era.

The logic of our economic policies leads to an expectation of smaller government as a proportion of the economy over future years.

Budgetary policy has to be placed in the context of what is appropriate for the economy at the time. Australia's need for budgetary restraint in the years ahead occurs precisely because the private sector is expected to expand solidly. Public stimulus in this context is not only unnecessary; it would be positively harmful to the prospect of sustained growth. For this reason the logic of our economic policies leads to an expectation of smaller government as a proportion of the economy over future years.

In essence, then, the reduction in Budget outlays this year, the trilogy and the cutbacks in the Public Sector Borrowing Requirement form part of a comprehensive growth strategy being pursued by the Government. They have been made for that purpose; they have not been made in pursuit of any simple-minded dogma that dictates that the public sector must be cut back regardless of the consequences.

While macroeconomic policy inevitably takes centre stage in short-term consideration of economic growth, the Government has been very mindful of the major long-term contributions that can be made by microeconomic policy. These considerations gain sharper focus against the backdrop of Australia's overriding need for a long sustained spell of steady economic growth to overcome the legacy of the late 1970s and early 1980s. Of necessity, our planning has had to adopt a medium to long-term framework.

Properly functioning, the market mechanism is a powerful engine for economic growth. By focussing attention and resources on those areas where our true opportunities exist, and by reducing the rewards of those areas whose time has passed, competition can facilitate the transformation to a structure that encourages growth. The benefits of the market mechanism are therefore widely appreciated by this government.

Exchange Rates

Where we have been persuaded by the substance of argument that deregulation will lead to net benefits, we have not hesitated to sweep away outmoded regulation and to introduce arrangements that foster genuine competition. For example, Australia's attempt to maintain an overvalued exchange rate in the early 1980s provides a salutary lesson. The damage that an overvalued currency does to domestic industry through increased foreign competition inevitably breeds responses aimed at "correcting" the position through extra protection. The sorry stream of plans for problem industries implemented by the previous government must be seen against the backdrop of the overvaluation of the Australian dollar.

Industry policy became a short-term band-aid to alleviate the damage caused by inappropriate external policy. Little hope of long term growth remained in these industries once the corset of protection had been imposed. Moreover, it takes considerable time to unwind in sensible fashion these complicated and restrictive packages
LABOR'S COMMITMENT TO SMALLER GOVERNMENT

once they are in place, even against a backdrop of healthy overall growth.

Time is also required to recover from the effects of an overvalued currency even where extra protection has been absent. The incorrect signals sent out to industry by an overvalued exchange rate encourage industry to run down its own capacity and to set up new importing arrangements.

Consequently, when inevitably the Canute-like attempt to maintain the exchange rate fails, these industries are not well placed to take quick advantage of their opportunities. Both the capital and labour stock have to be recreated, and contracts allowed to expire. In short, the flexibility of the economic system to respond to our growth policy was impaired by the misguided exchange rate stance adopted for so long by our predecessors.

Previous banking arrangements also restricted flexibility. The whole web of regulation administered through a very small number of banks encouraged the safe and narrow range of loans and discouraged the innovative and more risky financing on which competition and development depend.

As the OECD Employment Outlook pointed out anew recently, employment growth depends very heavily on the creation of new firms, usually, almost by definition, small firms. With loans subject to rationing at fixed prices, and with alternative investments often providing safe returns due to their tax shelter status, the life juices of the competitive system were severely diluted simply because new ventures appeared to be risky.

The opening up of the banking system to genuine competition further contributes towards our aim of greater efficiency. Our reforms to the tax system, the details of which I have canvassed extensively elsewhere, will make our economic system more efficient as well as equitable.

Underpinning each change was a persuasion that the new arrangements would constitute a sounder base on which economic growth could proceed. Actions needed to be taken to ensure that the market signals coming from the taxation system were encouraging people in productive enterprises.

The principle that a well functioning market economy is a prerequisite for growth has been kept constantly in mind while we have considered a range of seemingly unrelated issues. This is powerful testimony to the importance we attach to the growth objective.

The benefits of the market, however, depend upon empirics rather than textbook ideology. That something works well in the textbooks does not mean that it will also work well in real markets. The labour market is an excellent example.

Labour Markets

There is now a large literature on the respective anti-inflationary virtues and vices of centralised and decentralised wage determination systems. My position on this issue is by now well known, and I would argue, strongly supported by the wage restraint evident under the Accord. Recent wage restraint is clearly superior to anything experienced for some very long time. In effect we have achieved a major degree of macro-economic wage flexibility.

Putting this important aspect of the wage flexibility issue aside, I remain unconvinced of the microeconomic case advocated by the deregulators. Both here and overseas microeconomic wage setting does not seem to proceed in the fashion depicted by the competitive models of the textbooks. Evidence recently produced on the actual working of wage flexibility in the US economy suggests that it is inconsistent with textbook competitive processes.

I hold a very healthy respect for the advantages of market processes, but that respect falls short of deification.

The prominent American economist, Professor Richard Freeman of Harvard University, in association with Linda Bell, points out the existence of a strong correlation between the size of wage increases and the growth of productivity, as measured by value, across industries. That correlation has no counterpart in the textbooks. Bell and Freeman also show that rather than expanding industries using larger wages to attract extra labour and vice versa, the actual correlation is negative. They conclude “the flexibility of the US industry wage structure has not contributed to employment growth; if anything, it has been inimical to employment and the competitive allocation of labour across sectors”.

Similar results have been obtained in Australia. Professor Hancock has shown long ago that the non-centralised portion of wages, over-
award payments, exhibit the same correlation with industry value productivity that Bell and Freeman show to be inconsistent with the textbooks.

Another study of over-award payments, published last year by a team based at Flinders University, also shows the actual conduct of individual firm bargaining to be contrary to the results expected from standard competitive processes. The size of over-award pay depended not on the supply-demand balance facing a particular occupational type of labour (as the textbook would suggest), but instead varied systematically with the profitability and practices of the firm concerned (contrary to the textbooks).

Hence, although the microeconomic flexibility of the textbook is intuitively appealing, it is extremely doubtful that decentralised wage setting would contribute to employment growth, for the good reason that actual wage processes do not at all resemble those of the textbook — here or elsewhere. Indeed, the evidence suggests that such microeconomic flexibility could set back growth, quite apart from its clear tendency to do so by promoting inflationary wage spirals.

I hold a very healthy respect for the advantages of market processes, but that respect falls short of deification. Where they can be shown to assist our central economic objective of sound, sustained economic growth, market-based arguments will receive a receptive audience. Where they represent mere propaganda, they will go the same way as other dogmas which unnecessarily encumber our progress.
Business and Freedom Of Information

Senator Alan Missen

The Freedom of Information (FOI) Act has now operated federally for almost three years and a review of its operations will soon be undertaken by the Senate Constitutional and Legal Affairs Committee. This will be wide-ranging and will provide an excellent opportunity for all suppliers and users, including business operators, to make submissions and give evidence that may lead to the "fine tuning" of FOI and the elimination of some defects.

The Hawke Government has this year decided that there is altogether too much public disclosure of government business under Freedom of Information and tried to tighten up the flow. To do this the Government brought into effect new FOI (Charges) Regulations on the 13th June 1985, which operated harshly on applicants for five months until disallowed by the Senate on the 13th November by a combined vote for Senators — Liberals, National Party, Australian Democrats and two Independents. To make the decision clear, Senator Gareth Evans, who was left by the Government to carry the torch in defence (a particularly unfair blow), called a division and lost 38 to 30.

Thus the Regulations disappear and we return to the earlier and lesser charges. The changed Regulations sought to increase charges by 250 per cent, impose a non-refundable administration fee, required payment of huge estimates of costs (to 50 per cent of costs) before any search had been made, and harshly enforced rules for "waiver" of fees, all but excluding public interest considerations and in particular making it near impossible for Opposition MPs and Senators, public interest bodies, etc to use the Act.

It was a good try (but not an extremely good try) to muzzle access under the FOI Act. Fortunately the vigilance of the Senate backed by the indignation of a wide coalition of interested bodies, saw the crisis out. The Government must now be content with putting its facts before the Senate Committee and engage in general argument as to any changes needed to the Act and Regulations.

Business use of FOI

When our FOI Act was being passed, there was speculation that a great deal of usage of the Act would be taken up by business interests seeking to obtain information about their competitor's activities through the enforced disclosures of government information. In fact this has not been a substantial factor in comparison with the USA experience.

One feature of the Australian FOI Act has been the specific provision of a "Reverse FOI" procedure which enables business to be advised of threatened disclosure of their confidential or secret methods, to object and, if overruled, to have the matter argued fully before the Administrative Appeals Tribunal.

Section 27 of the FOI Acts sets out the procedure to be followed in respect to documents relating to business, commercial or professional affairs. If it appears to the Officer or the Minister dealing with the report, that the supplier of information to government might reasonably contend that the document is exempt under the Act, he must give to the supplier "a reasonable opportunity" to make submissions and must have regard to those submissions. Where a decision is made rejecting the objection, or no objection is made within the time specified, notice of intention to disclose must be given to the applicant and the

Alan Missen has been a Liberal Party Senator for Victoria since 1974.
supplicant has the right to appeal to the Tribunal against the decision.

With this procedure we have established a more certain remedy than is applied in the USA or Canada. In the USA such rights were mainly established by a series of litigated cases but recent decisions have reduced the effective protection of company secrets.

In Australia the Confederation of Australian Industry has recently released its guide to business on procedures to be used to prevent trade secrets or confidential information from being disclosed. It contains useful advice, not the least of which is the need for business to mark clearly anything that is sensitive so that government officials will not disclose without bringing the protection provisions into existence.

It is obviously desirable that business be fully aware of rights and protections already in the FOI Act and that it brings before the Senate Committee, in its forth-coming review, experiences of FOI administration and any need for change.

State FOI Acts

It is surprising that a State Act complementing the Federal FOI Act exists only in the State of Victoria. In a number of States, particularly NSW, where FOI has been promised for years, the Government has gone in for a deliberate policy of delay. Even in Victoria, the Cain Government, nettled by disclosures obtained by Opposition MPs, is making a concerted attempt to close down access. Recently the Victorian Government obtained an Administrative Appeals ruling which narrowed the opportunity of disclosure and will keep secret all information about the Portland aluminium smelter project, obviously a matter of considerable public concern.

I have recently encouraged the formation of FOI Access Networks in Victoria, ACT and NSW. They are modelled on the (USA) FOI Access Professional organisation which has, for years, monitored developments in access, privacy and other laws and given encouragement to FOI government officials who want to see the system of disclosure succeed.

In Australia we have developed a coalition of many interests connected with the giving and the seeking of government information under a loose federal structure. It will carry on a vigilant watch on FOI developments and will promote the enactment of State FOI Acts. Very often it is in the State sphere where such information, valuable to business, can be obtained from government. I hope that representatives of commercial and industrial bodies will play an active part in the new Networks.

Positive Value of FOI in Business Affairs

Apart from protection of legitimate interests, the business community (like the media, politicians and other interest groups) has as yet left undeveloped the positive advantages of tapping into the vast and expert range of information in government hands. Better knowledge of government plans and reports already obtained can be of inestimable value to business. The day of waiting for government disclosure when it is "good and ready" is now past. The forward-looking enterprise must not wait for government handouts of information but probe for the latest information relevant to its present or future projects.

If we are to pin back the extent of government inroads into business activity, it is necessary for private enterprise to be aware of the activities, costs and future plans of great complexes like Telecom or other communications networks. To establish a case for freeing business activities from government control, it is necessary to know its methods of operation and to make informed assessments of whether private activity can be more economically (and more profitably) involved.

The FOI Act offers a great challenge for those seeking to disclose inefficiency and the waste of public moneys. I hope that business interests will see it as a ready tool in creating a more effective and competitive business environment.
FOCUS ON FIGURES

The “Perils” of Working for Government

If the 1983/84 annual report of the Commonwealth Commissioner for Employee Compensation is anything to go by, working for the Commonwealth Government is a highly risky proposition. According to the report, workers compensation claims equalled 10 per cent of the number of employees — a total of some 54,000 compensation cases for the 12 month period.

Of the major government departments and authorities the most dangerous place of work appears to be the Australian National Railways where the number of workers compensation cases averaged almost one claim per three employees. Other apparently dangerous areas of employment include:-

<table>
<thead>
<tr>
<th>Department/Authority</th>
<th>Average Claim ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defence Support</td>
<td>6481</td>
</tr>
<tr>
<td>Primary Industry</td>
<td>4355</td>
</tr>
<tr>
<td>Housing &amp; Construction</td>
<td>4306</td>
</tr>
<tr>
<td>Australia Post</td>
<td>4177</td>
</tr>
<tr>
<td>Snowy Hydro Electric Authority</td>
<td>4049</td>
</tr>
<tr>
<td>Territories &amp; Local Govt.</td>
<td>3752</td>
</tr>
</tbody>
</table>

The relative danger of working in the public sector is further illustrated by a comparison between public and private sector retirement patterns. For example, in 1980/81 no less than 50 per cent of retirements from the Commonwealth public service were on grounds of invalidity. In the private sector the figure is generally no greater than around 15 per cent. These figures seem to bear out that, for whatever reason, the public sector is an extremely “dangerous” place in which to work.

The news, however, is not all bad for public servants. While the risk of injury and ill health is great, the risk of losing one’s job because of inefficiency or incompetence appears to be negligible.

According to the annual report of the Public Service Board, in 1983/84 only 6 of the 170,000 public servants working for the Commonwealth...
Government under the Public Service Act (i.e. excluding defence forces personnel and employees of most authorities) were sacked or recommended for sacking. One person was sacked following conviction for a criminal offence and 5 for misconduct; no one appears to have lost his or her job due to inefficiency or incompetence.

Howard's Zero Growth Option versus Hawke's Trilogy

Mr. Howard has signalled his aim to hold government spending to its current real level. In 1990/91 under the Howard zero growth proposal, Commonwealth expenditure would be some $17 billion less than if government expanded at the same rate as the past 20 years, and possibly $8 billion less than if government expenditure followed the likely spending pattern under the trilogy.

The significance of this is illustrated by the following table:

<table>
<thead>
<tr>
<th>Growth of Commonwealth Government Spending ($ Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long run trend (5.3% p.a.)        85  96  109  124</td>
</tr>
<tr>
<td>Hawke's Trilogy (2.5% p.a.)       85  94  104  115</td>
</tr>
<tr>
<td>Howard's Zero Growth Option (0% p.a.) 85  92  99  107</td>
</tr>
</tbody>
</table>

Annual inflation rate assumed 8 per cent a year. Government expenditure assumed to grow at 2.5 per cent a year until 1987/88.

The table provides figures for three possible outcomes for government expenditure after the next election, due late 1987 or early 1988. These are:

- Expenditure growing at the same rate as in the past 20 years; 5.3 per cent a year.
- Expenditure growth in line with the trilogy commitment of 2.5 per cent a year. (This is 1 percentage point below the assumed real growth rate of the economy and as such allows for a better performance by the government than strictly required under the trilogy commitment).
- Real government expenditure held to levels existing in 1987/88 for the following three years as required by Mr. Howard's zero growth (i.e. 0 per cent p.a.)

In terms of government's share of the economy, the Howard proposal reduces the Commonwealth's share from the current level of 29.9 per cent to 26.6 per cent of GDP. The trilogy commitment would produce a very much more modest reduction to 28.5 per cent of GDP.

If State and Local governments could be induced to follow the Howard proposal, the overall government share in the economy would fall from its current 43 per cent to around 37 per cent. If Mr. Howard should win two terms of office with the zero growth spending policy, total government share would fall to 34 per cent of GDP (on the same assumptions for the Commonwealth, State and Local Governments).

The significance of the Howard objective is best highlighted by its tax implication. If the $8 billion expenditure saving in the proposal is compared with the estimated outcome under the trilogy, it could provide for a cut in personal income tax of $15 per week (in 1985/86 dollars) per taxpayer in 1990/91. In current dollar terms the figure would be $22 per week.

Overall, in the three years to 1990/91 the zero growth option would require $15 billion less in taxes and borrowings to fund Commonwealth spending than the likely expenditure under the trilogy.

Our Standard Of Living

Conventional wisdom has it that Australia's standard of living, relative to that of other nations, has deteriorated substantially in recent years. The evidence in support of this contention is that in terms of GDP per head Australia ranked 8th twenty years ago but now ranks only 18th.

The problem with these comparisons is that countries' GDPs have to be expressed in a common currency, normally U.S. dollars. This is done by applying official exchange rates to domestic currencies. But exchange rates are an imperfect measure of the international purchasing power of different currencies.

Freely floating exchange rates should, over a period, tend to equalise the price of internationally traded goods. But they do not reflect differences in the price of goods not traded. Such goods (e.g. housing) can account for a large proportion of household expenditure.

A comparison of living standards can, therefore, be based on relative purchasing powers derived from surveys of prices and incomes in various countries. Such surveys have been conducted in recent years by the Union Bank of Switzerland.

The latest survey of the Bank, conducted in...
the first half of 1985, covered incomes for some 12 representative occupations and prices of over 80 items embracing food, clothing, household appliances, transport, and various services in 49 major world cities — in other words, information on what typical incomes can actually buy.

With these figures the bank was able to compute the average purchasing power of the residents in the 49 cities.

Taking Sydney as representative of Australia, the ranking for the top 10 countries is as follows:

<table>
<thead>
<tr>
<th>Net Purchasing Power</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Switzerland</strong> (100)</td>
<td>74</td>
</tr>
<tr>
<td><strong>United States</strong> (98)</td>
<td>70</td>
</tr>
<tr>
<td><strong>Luxembourg</strong> (94)</td>
<td>68</td>
</tr>
<tr>
<td><strong>Canada</strong> (88)</td>
<td>65</td>
</tr>
<tr>
<td><strong>Holland</strong> (83)</td>
<td>61</td>
</tr>
<tr>
<td><strong>Australia</strong> (75)</td>
<td>60</td>
</tr>
</tbody>
</table>

Australian employees rank 6th on the world scale in terms of their purchasing power. This is a very much higher position than in the conventional GDP per head scale where Australia currently ranks only 21st.

It appears that our ranking may in part be due to the relatively high proportion of national production being distributed to Australian wage earners, largely for current consumption, at the expense of investment for future consumption.

In the fifteen years to 1984/85 consumption in Australia increased at an annual rate of 3.6 per cent — more than twice the 1.7 per cent annual increase in capital expenditure.

There is a paradox here: if Australia wants to improve its ranking in the GDP per head ladder, it must — at least in the short-run — take deliberate action to drop its high ranking in the "wage earners purchasing power" ladder. That is, it must transfer resources from current consumption to investment. Only if such a transfer takes place, will Australians be able to maintain their high standard of living as measured by the purchasing power of wages.

**Taxes and Other Expenditure**

Tax is the price we pay for goods and services provided by government. We are all painfully aware of the increasing burden of income tax. In fact, however, we pay much more than just income tax. In the end all taxes are paid for by individuals. Even taxes that are imposed on business (e.g payroll, company tax) are ultimately borne by individual Australians.

The graph below shows, for the past decade, the extent to which our total tax bill has increased more rapidly than our expenditure on other items — food, clothing and household goods.

The graph shows not only that taxation has become the most significant item that consumers face today in their budget but also that it is growing more rapidly than other items.

**Taxes and selected expenditures**

Average Australian family, 1973 to 1984

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*Where more than one city from a country is represented in the survey, the city with the highest purchasing power was chosen to represent the country.*

1Expenditure on these items may include some sales tax.
The African Regimes You Never Read About
Adam Wolfson

A large amount of political and media attention and censure in Australia has been directed at human rights violations in South Africa. Adam Wolfson, Assistant Editor of Policy Review, the journal of the prominent American think tank, “The Heritage Foundation”, tells a horrifying story of the violation of civil and political rights throughout the African continent. To be consistent, the moral campaign against South Africa, he concludes, should be broadened to include the great part of the rest of Africa.

In its treatment of its majority black population the Republic of South Africa is a repressive police state. The country’s whites enjoy the protections of constitutional democracy, and the most repressive daily features of apartheid have begun to be dismantled in the last five years. But by law, blacks are prohibited from voting in national elections, from assembling freely, from owning property, and from living where they choose. Two million blacks have been forcibly resettled from urban areas to rural “homelands”, much like the coercive uprooting of city dwellers during China’s Cultural Revolution. A Soviet-style system of internal passports tightly regulates where and for how long black South Africans may travel within their country. And during the recently imposed Emergency, two thousand blacks (and a few whites) have been detained by the police without charge.

South Africa’s racial policies and brutal tactics have been properly condemned by American liberals and conservatives alike. “(We) all feel that apartheid is repugnant”, says Ronald Reagan. Secretary of State George P. Schultz recently said of South Africa: it is “a very painful part of the world” that “wrenches at us so deeply”. These words have long been accompanied by specific trade restrictions that have dissociated the United States from the totalitarian features of the South African system. Since 1964, the United States has embargoed the sale of arms to South Africa. Under Ronald Reagan, the U.S. banned the sale of computers to the South African police.

But, unfortunately, South Africa is not the only country in Africa that systematically violates the civil and political and human rights of its black population. From Ethiopia to Zaire, from Angola to the Sudan, from Nigeria to Burundi, South African-style repression of blacks is taking place all across the African continent. It is therefore important that those who call for freedom and democratization in South Africa think about the best ways of achieving these goals in the rest of the continent as well. For many of the most reprehensible features of the South African system are shared by the majority of countries to its north.

Consider the principle of “one man, one vote”: Americans can properly denounce South Africa for excluding the majority of its population from the political process. Blacks in South Africa are permitted only to vote as members of one of ten “homelands”, which according to a report by the Ford Foundation, “enjoy considerable de facto autonomy” in local affairs. There are also elections in black urban townships for community councillors who have day-to-day authority over township services but limited power because they depend on Pretoria for funds. (Indeed, elected township councillors have been the targets of much of the current mob violence: since June over 240 black councillors have resigned in fear, 12 have been killed.) But blacks have no voice in the national government. Unlike Asians and those of mixed race, they are not even allowed to vote for representatives to the new advisory councils for Parliament.

But South Africa is not alone in denying blacks the opportunity to choose their government at the ballot box. Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Djibouti, Equatorial Guinea, Ethiopia, Gabon, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Sao Tome and Principe, Seychelles, Sierra Leone, Somalia, Namibia, Sudan, Swaziland, Tanzania, Togo, Uganda, Zaire and Zambia are all run by unelected regimes, with no popular accountability. Over 85 per cent of black Africa is disenfranchised.

One of Africa's remaining democracies, Zimbabwe, is on the road to dictatorship. During the elections held this summer, President Robert Mugabe labelled Zimbabwe's Constitution a "dirty piece of paper"; and called for a one-party state. Regulations designed to restrict political rallies and marches are used to silence the two main opposition parties; they bear a striking similarity to those in force when Zimbabwe was ruled by whites. Government youth groups recently ransacked the homes of followers of Joshua Nkomo's Zapu party. The Zimbabwean police have seized the passports of Mr. Nkomo and his wife, and have detained two top officials in this party who have not been heard of since.

Forced Expulsions

Or consider the inhumane forced expulsion of two million blacks from urban areas in South Africa. Recently 18 blacks were killed and over 200 were injured in violent rioting sparked by the South African government’s announced intention to remove blacks from the Crossroads shantytown. Despite protests, the South African government relocated 50,000 blacks.

But this brutal railroading of people occurs in many parts of Africa. For example, the Ivory Coast expelled 16,000 Beninese in the mid-1960s; Ghana gave two weeks notice and expelled 500,000 "aliens" in 1969; Zambia expelled all its "aliens", some 150,000 people in 1971; Uganda expelled 50,000 Asians in 1972, and 10 years later expelled thousands of Banyarwandas; Kenya expelled almost 5,000 refugees from 1979 to 1981; Ethiopia began a massive relocation of 1.5 million persons in 1984. This May, Ethiopian soldiers ruthlessly forced 50,000 starving people at the Ibnat relief camp to leave, and then set the camp on fire, as part of a “national policy” to resettle people in the western region of Gondar.

The most brutal expulsions have occurred in Nigeria. In 1983, up to 3 million foreigners were forced to leave. The Washington Post reported that in the "frantic struggle" to escape by the deadline, many refugees were killed while some died of hunger. Two years later, Nigeria expelled another 700,000, at times using tear gas to break up refugee camps. In one confrontation, the Nigerian police shot 65 fleeing refugees. None of the refugees have been compensated for property left behind.

Nothing South Africa has ever done is as horrible as Ethiopia's Stalin-like policy of mass starvation.

South Africa is properly condemned for its inhumane “influx control” system, which allows blacks to visit white urban areas outside of their “homelands” for only 72 hours at a time. But similar laws restrict the freedom of movement of citizens of Ethiopia, Kenya, Mozambique, Rwanda, Somalia, Sudan, Tanzania and Zaire. Ethiopians, Mozambicans, Rwandans and Zairians must carry work and residence permits, and cannot move without the permission of the government. These totalitarian controls in South Africa, or elsewhere, prevent people from rural areas from moving to urban areas.

Human Wrongs

Not since the 1960 Sharpeville massacre, when South African police killed 69 black protestors, has the violence been so widespread and indiscriminate there. In the past year, up to 2,000 South African blacks have been detained without charge or trial; 624 have died in social unrest. Amnesty International has expressed "grave fears" for the safety of black detainees. In recent rioting, the South African police shot a 12 year-old girl to death, and used whips and tear gas to intimidate black demonstrators. But more heinous human rights' abuses occur elsewhere in Africa, in Ethiopia, Tanzania, Angola, Mozambique, Zaire and Uganda.

Nothing South Africa has ever done is as horrible as Ethiopia's Stalin-like policy of mass starvation. “What is happening in Ethiopia today is catastrophic” says William Shawcross in Rolling

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Stone magazine. "Indeed... it is now clear that the government is using a deliberate policy of starvation" in the provinces of Tigre, Eritrea, and Wollo. In a country endowed with some of Africa's most fertile land, eight million Ethiopians face death by starvation. A year ago, as poor peasants starved, the Ethiopian government spent $200 million celebrating the 10th anniversary of Ethiopia's Communist revolution. Today, half of Ethiopia's budget goes to supporting Africa's largest army. Sixty thousand tons of donated food rot on the docks because transport vehicles are used by the army to fight the rebels in Eritrea and Tigre; it is no coincidence that those most affected by starvation are located in these two regions.

Several thousand Ethiopians are imprisoned for political crimes, though the exact figure is unknown since the Ethiopian Government does not permit the International Committee of the Red Cross or Amnesty International to interfere in its "internal affairs". Torture is routinely used to interrogate political prisoners. According to Amnesty International, methods of torture include "dipping the body in hot oil", "raping of women", "inserting a bottle or heated iron bar into the vagina or anus", and "tying a bottle of water to the testicles".

The human rights situation is especially tragic in war-torn Angola. Approximately 400,000 persons have left the country for political reasons. Over 2,000 people are imprisoned for political crimes. Half of these are accused of complicity with the rebel group, UNITA, while the rest have been jailed without charge. Torture is permitted under Angola's constitution, and is used against prisoners, according to Amnesty International. Methods include severe beatings, prolonged food and water deprivation, electric shocks and "Russian roulette". One Angolan police officer detained in the notorious Luanda prison suffered burns as a result of electric shocks administered to his head and genitals.

In Mozambique, almost 5,000 people are held for political reasons in government "re-education centres". Law Number 5/83 legalised public floggings for all political and economic crimes. In a 1985 report, Amnesty International expressed concern about the "use of torture, and other forms of cruel, inhuman, or degrading treatment of punishment in Mozambique".

In Zaire, prisoners of conscience face "relegation", the equivalent of South Africa's "bannings". Political opponents who are "relegated" are restricted to where they can live and work. The total number of political prisoners exceeds 1,000, and human rights groups have confirmed allegations that many prisoners are tortured. In 1984, more than 100 prisoners were summarily executed; 50 people were deliberately starved to death.

Anti-apartheid activists have denounced South Africa for the imprisonment of Nelson Mandela, the leader of the outlawed African National Congress. But his treatment can hardly compare with the way successive Ugandan governments have dealt with their political enemies. Half a million people were killed between 1971 and 1979, and over 100,000 since. Political prisoners are held incommunicado and have no recourse to the protection of the law. The use of torture in Uganda is "widespread and systematic", according to a 1985 Amnesty International Report. "Those most at risk are civilians unlawfully imprisoned for political reasons in military barracks where the use of torture and cruel, inhuman, and degrading treatment is routine".

In Tanzania, the "Preventative Detention Act" provides for the arrest of any person "considered dangerous to public order or national security". Detainees have no right to a lawyer or recourse to the judicial system. Over 1,000 people have been arrested and imprisoned under the provisions of this act. Today, 4,000 persons languish in jail without charge or trial.

Shades of Repression

The suppression of blacks in South Africa is in some ways more systematic than in most other African countries. The apparatus of apartheid, and the explicit denial of civil and political rights to blacks, is deeply entrenched, and survives changes in South Africa's top leadership. If Prime Minister Botha were suddenly to die or to be voted out of office, it is unlikely that the racial policies would change.

By contrast, some African countries have highly personalistic regimes, where the human rights situation can greatly improve (or worsen) when the leader dies or is overthrown. For example, under the brutal rule of President Ahmed Sekou Toure, Guinea had one of the worst human rights records in Africa: political opponents were starved, tortured, and killed on a massive scale, and up to 2,900 people disappeared without explanation. But most of these abuses have
stopped since Toure died in 1984. Similarly, the human rights situation of the Central African Republic has substantially improved since the overthrow in 1979 of “Emperor” Jean-Bedel Bokassa, a sadistic butcher who murdered political prisoners with his own hands.

Repression of blacks in South Africa is formalised by a comprehensive legal code, and continually reinforced by an ideology of racial separation. It is therefore more deeply rooted than in the autocratic regimes of most other African countries. The exceptions are Marxist states such as Angola and Ethiopia where Communist parties have consolidated totalitarian control.

But in other aspects, South Africa is freer than most African countries. For example, the South African press is the freest on the African continent, according to a report by the International Press Institute. All of the privately owned papers are anti-government; even the Afrikaner press favours the reformist faction of the Afrikaner National Party. When the black consciousness leader, Steve Biko, was brutally killed while in police custody, the Daily Dispatch headline read in English and Xhosas, “We Salute a Hero of the Nation”. The Post has run a petition demanding the release of the imprisoned black leader of the African National Congress, Nelson Mandela. Over 45 per cent of the readership of the English-language press is non-white.

In the rest of Africa, only Botswana, Cameroon, Gabon, the Ivory Coast, Mauritius, and Senegal allow the press a measure of independence. The President of Mozambique, Samora Machel, spoke for the rest of Africa when he stated that the role of the press is to “liquidate liberalism, individualism”, and to eliminate “all types of deviations from party policy by straightening out incorrect ideas”.

In three countries frequently cited for their tolerance, Nigeria, Tanzania and Zimbabwe, freedom of expression is severely curtailed. Since the 1983 coup in Nigeria, one-fifth of the journalists have lost their jobs. Nigerian journalists can be arrested and imprisoned for up to two years for violating a law prohibiting the publication of anything which “is calculated to bring the Federal Military Government ... or a public officer to ridicule or disrepute”. According to the International Press Institute, the Tanzanian government has beaten local journalists, inducing a high level of self-censorship. In Zimbabwe, foreign journalists were expelled when they reported the civilian massacres that occurred in Matabeleland in 1983. Criticism of President Robert Mugabe is illegal.

Democracy in Africa

The widespread repression of blacks in Africa can in no way justify South Africa’s racial policies. Instead, the moral campaign against South Africa must be broadened — with the aim of improving the respect for the rights of black people everywhere in Africa.

American and other Western representatives at the United Nations should denounce not only apartheid, but also the heinous barbarisms of such countries as Uganda and Angola. Historically, there has been a reluctance to criticise black tyrants in Africa, lest one be accused of racism. But it can hardly be considered racist to hold African governments to the same standards one would hold Asian or European or Latin American governments. One can go even further: it is racist not to demand that black people enjoy the same civil and political rights under black governments that we insist they enjoy under white governments.

If sanctions are imposed on South Africa, perhaps they should also be considered for other African countries. Care should be taken, for example, that famine relief for Ethiopia does not bolster the brutal totalitarian rule of the Mengistu regime. Disinvestment should be applied to Angola, where American companies, such as Gulf Oil, keep a ruthless government afloat.

Finally, it is important to honor those few African countries that do show a respect for freedom and human rights. Botswana, Mauritius, and Senegal, for example, are multi-party democracies that respect the civil and political rights of their citizens. Last year, the Botswana people cast ballots in their country’s fifth election since independence. Twice in the past three years, political power has changed hands peacefully in Mauritius’ parliamentary democracy. Senegal has 15 political parties, a free press, an apolitical military, and a healthy private sector agricultural economy. If South Africa’s “for whites only” democracy were broadened, it too could serve as an African model of reform. There is tremendous potential for democratisation in all of Africa, but only if double standards, lame excuses, and empty moralising are cast aside.
More employees
A better crew
More revenue

Woolworth
And you probably thought we w
There's more than BHP. There's just a chain of supermarkets. Compared to ANZ.

Elders.
Corporate Obligations to South African Reform

Phil Scanlan

Shortly after the Soweto riots in 1976 Phil Scanlan, now a company director, visited South Africa on his way home from overseas studies. He has since had the opportunity to listen to views on South Africa from Afrikaners, Cape Coloureds, English, Indians and Blacks — all self-proclaimed citizens of South Africa. The overwhelming impression from these contacts, he writes, was and remains how sterile and stereotyped is the view of South Africa as portrayed by the Australian and international media.

That apartheid is an abomination and should be abolished is clear to any decent person who has been to South Africa. Just what political framework should embrace South Africa’s future is not quite so easy to discern, particularly if part of everyone’s objective is to avoid the wholesale destruction of the country’s institutional infrastructure. If we accept this premise then the debate in this country should not be about whether change is necessary but how it can be brought about.

Some participants in the debate favour revolutionary (including terrorist) activities aimed at overthrowing the government in Pretoria and replacing it by non-white rule. Other activities designed to advance this process are economic sanctions, consumer, cultural and sporting boycotts, and disinvestment.

Proponents of the revolutionary cause often have a deep and genuine concern for justice, but also show a tendency to use vague and emotional language to obscure the issues, narrowly focussing on dramatic schemes or grand gestures and so failing to translate their legitimate concern into a realistic course of action.

The omission from their argument of geo-strategic considerations — the importance of maintaining the Cape route and the safety of shipping in the South Atlantic and Indian Oceans, the dependence of the West on essential minerals from South Africa — is a telling one.

Leonid Brezhnev stated the Soviet intention explicitly: “Our aim is to gain control of the two great treasure houses on which the West depends — the energy treasure house of the Persian Gulf and the mineral treasure house of central and southern Africa”.

The preservation of justice and freedom in the West is not a trivial matter. If disinvestment and terrorist activity help pave the way for the takeover by a pro-Soviet regime, then all genuinely concerned persons must consider the possible consequences on the larger cause of freedom in the world. Equally, we do not want to see the entrenchment of a harder line reactionary Afrikaner regime which feels betrayed and humiliated by the West.

Violent overthrow of the government is unlikely to produce the desired end of greater justice and freedom for all non-white South Africans. Harvard’s Samuel P. Huntington has asked, “When in world history has violent revolution produced a stable democratic regime in an independent state?”. Except for Costa Rica in 1948, never. He went on to point out that all revolutionary opponents of authoritarian regimes claim to be democrats, but almost all turn out to be as despotic as their predecessors, if not more so. As a slogan, “majority rule” is quite appealing, but the sad fact is that such sloganeering has led to far more bloodshed in other African countries than the tragic events that have occurred so far in South Africa. A solution to the problem can only lie in the development of a broad economic common interest system which crosses racial lines.

The revolutionary view that South Africa is a totalitarian state beyond redemption, short of cataclysmic changes to bring about black majority rule, reflects frustration rather than common sense. The evolutionary view, however, that South
Africa is a democratic republic with a severely limited franchise, that uses strong legal and police measures against people who are deemed to threaten domestic peace and order, is an outrageous misrepresentation. It diminishes the credibility of the premise of the argument that constructive change is politically necessary, morally desirable, and historically possible, and that change must be initiated and carried out by the people of South Africa themselves, not by outsiders.

Theology

Theology is one key to understanding South Africa. Christianity in myriad forms permeates the society, but we have seen little exposition of its complexities through the media in this country.

The most influential religious body in South African government policy is the Dutch Reformed Church. The Dutch Reformed tradition in South Africa regards the government as an agency ordained by God. Its Federal Council in 1951 declared that the state is a divine institution, deriving its power not from popular sovereignty but from the authority of God alone. Its statement read: "Humanistic conceptions of titular, legal, political, or popular sovereignty have no validity. Further, there can be no division of power between legislature, executive and judiciary, according to Calvinist politics".

How can liberal, democratic, pluralist principles be reconciled with this? This is the question which must be faced by those seeking peaceful change, as it exposes the fallacy of the argument that the current political orthodoxy in South Africa is based on evolving liberal democracy. They must respond to the need to challenge the elaborate moral and theological foundations claimed for apartheid by its most influential church proponents within South Africa itself.

Anglican Bishop Tutu represents another facet of South African Christian thinking. Tutu's statements on economics and investment are not fully consistent. In his 1982 book Crying in The Wilderness he praises black entrepreneurship and growing consumer power, but shortly thereafter says, "Capitalism is exploitative and I can't stand that".

Clearly Tutu has enough stature as a leader to warrant international press coverage, but he is not the only non-white spokesman in South Africa. As much of our press would appear to believe, it is important that we in Australia are exposed to the views of other non-white South Africans who are involved in exploiting in a positive way the relationship between economic facts and political realities.

Lucy Mvubelo, clothing-worker union leader, says: "I am a worker and trade unionist living in Soweto who knows how the ordinary African workers suffers under the discriminatory effects of apartheid. I want fuller participation by my black co-workers and all groups in the economy and political system of my beloved country. To proponents of isolation, disinvestment, and embargoes, I must say: "Don't break off contact, and don't advocate disengagement and withdrawal of foreign investments. Only indigenous movements — the trade unions, the political groupings, the schools, the business associations — within South Africa can bring about significant positive change. Outsiders can influence it, but only through participation, not by isolation".

The development of a middle class, or bourgeoisie, has long been recognised as a precondition for a working democracy. As the historian Barrington Moore put it: "No bourgeoisie, no democracy". In South Africa, the burgeoning middle class augurs well for the expansion of political rights, which is precisely why those of an anti-capitalist and anti-democratic persuasion seek to pursue revolutionary change.

Pressures of Economic Growth

A look at some economic facts gives sustenance to this view. Since the early 1970s South Africa's economy has been changing rapidly. More and more blacks have entered the workforce in jobs traditionally associated with the white middle class. Steadily increasing demands on economic productivity have led employers to bend or violate apartheid laws. Wage differentials between white and black workers have narrowed, blacks are gaining more economic clout as consumers, savers, investors and entrepreneurs. South African law now guarantees all workers the right to work, to organise and join employee organisations and to bargain collectively.

Unlike the gentrified trade union movement in Australia, the emerging union movement in South Africa has the potential to become a truly progressive institution in the process of dramatic but evolutionary change. A black and multi-racial
In broad historical terms, there appears to be little logic or reason in the idea that economic stagnation provides a better backdrop for the peaceful transformation of South Africa from institutionalised racism into a multi-racial society. In the United States, for example, economic growth did not strengthen the system of institutionalised racism there; it effectively destroyed it.

The market economy is the best counterweight to a strong regime, and such an economy will provide the dynamic for political reform.

The role of business in South Africa must be to work actively to dismantle apartheid and broaden democracy in that country. The combination of South African economic conditions, portending a broadening of democracy and corporate practices that generally benefit black workers and their families, has led many leaders from all of South Africa's racial groups to oppose disinvestment and other economic sanctions. Llewly Mehlomakulu, a black banker from Soweto, has pointed out that "the view of the South African black silent majority is never given the same kind of publicity as the pro-disinvestment viewpoint. The majority of blacks in South Africa are for continuing business involvement providing that it contributes to evolutionary change".

Some people in Australia appear to suffer from the delusion that economic sanctions work. Research demonstrates sanctions have not necessarily altered the fundamentals of the target country. One reason for this isolation may be particularly pertinent to South Africa. In Economic Sanctions and International Enforcement, Margaret Doxey found that in every case she examined, economic sanctions failed because international ostracism limited communication with the target country and made understanding more difficult to achieve. This is a likely result of the increased isolation of South Africa by the international community in sports, diplomacy and business.

In my own experience the people in South African journalism who have made most sense have been members of the Union of Black Journalists, an organisation established among non-white journalists in South Africa. Shortly
after the 1976 Soweto riots, I interviewed black journalists working at the “World” newspaper under the editorship of Percy Qobosa, who had been a Nieman Fellow at Harvard. None at the time was impressed with the white South African or international press. It had been made abundantly clear that white journalists did not want blacks belonging to the same organisations as themselves. Members of the UBJ claimed they were treated with such disdain by those in the established newspapers and international agencies that they formed the UBJ as the only alternative.

Instead of listening predominantly to South Africans of English background and “liberal” views who have an escape route in their British passports, we should seek out the black moderate leaders who know that it is the blacks, other non-whites and Afrikaners who have no choice. Let us listen to and assist them.

If lasting advances in race relations are more likely to occur amid prosperity than during depression, such advances are also more likely during a time of stability than in one of terrorism or guerilla warfare, or in the chaos that would follow a violent overthrow of the government. When all racial, ethnic and religious groups prosper, discontentment and resentments among them are minimised, goodwill increases, and prejudice erodes.

The market economy is the best counterweight to a strong regime, and such an economy will provide the dynamic for political reform so long as we all hold fast to that commitment.

Corporate Guidelines

Corporate guidelines for investment in South Africa must focus on the inherent relationship between economic progress and reform. But there must be a commitment to reform, and this should be expressed openly in challenging the precepts of apartheid within South Africa itself.

A useful start has been made recently by the USA Corporate Council on South Africa, all members of which are signatories of the Sullivan principles and are pledged to work with South African business executives in supporting local initiatives that would lead to the dismantling of apartheid.

Current and prospective investors in South Africa should abide by both the up-dated Sullivan principles and the objectives of the USA Corporate Council on South Africa.

The original Sullivan principles for American companies doing business in South Africa are:
- non-segregation of the races in all eating, comfort, locker room and work facilities.
- equal and fair employment priorities for all employees
- initiation and development of training programmes that will prepare blacks, coloured and Asians in substantial numbers for supervisory, administrative, clerical and technical jobs.
- increasing the number of blacks, coloured and Asians in management and supervisory positions.
- improving the quality of employees’ lives outside the work environment, including schooling, recreation and health facilities.

Additions to the Code now include:
- Using influence to support the unrestricted rights of black business to locate in the urban areas of the nation.
- Influencing other companies in South Africa to follow the standards of equal rights principles.
- Supporting the freedom of mobility of black workers to seek employment opportunities wherever they exist, and make possible provisions for adequate housing for families of employees within the proximity of workers’ employment.
- Supporting the ending of all apartheid laws.

Corporate investors in South Africa should also vigorously proclaim their belief in the geo-strategic importance of South Africa and their fidelity to certain basic values — justice, freedom, order, respect for the human person.

In rejecting the notion of a Marxist regime as forcibly as the maintenance of any semblance of apartheid, members of the global corporate community do not have a choice in this matter: they have an obligation.
Mr. Hayden's Record

It seems to be widely held that Mr. Hayden is one of our better Foreign Ministers. What is interesting is that while this view is wrong, the reasons for it illustrate his major shortcomings. For what Mr. Hayden has done is to give unquestioned priority to the domestic politics of foreign policy, and especially to political debate within the Labor Party. While all Foreign Ministers must of course pay close attention to domestic politics, Hayden is the first for many years to subordinate foreign problems so fully to domestic moods and feelings.

The result is that while he has earned plaudits at home, he has done much less well abroad. He has formally supported the US alliance and ANZUS but, beyond that, has been cool and critical in a way which has earned him no friendships in Washington. He has talked much about ASEAN and regionalism but failed to see that his attempts to act as broker between ASEAN and Vietnam, his distant attitudes to Washington, to mention Australia's official euphoria about China, our insensitive attitudes on trade or East Timor and other things make us much less attractive to those whom we like to call our ASEAN partners. Most Southeast Asians, most of the time, are too polite to say so loudly, but we are becoming somewhat irrelevant to them.

Of course both Washington and ASEAN understand that, while Foreign Ministers come and go, national interests and connections remain. But for any Foreign Minister to achieve worse relations at one and the same time with the United States and ASEAN seems remarkable.

Defence Neglect

Similarly narrow views afflict defence. It seems widely believed that Australia faces no special dangers and threats; and that defence can therefore be put on the back-burner. But that view itself creates real difficulties. It leads to a neglect of defence to the point where a build-up would take longer than the development of a threat which the build-up was designed to meet. It produces a public apathy which is a major constraint in formulating any coherent set of foreign and defence policies and which the Prime Minister, Mr. Hawke, has rightly criticised.

Defence administrative arrangements have, over time, become geared to the public and administrative politics of peacetime. They are largely unsuitable for effective command or supply of military operations. The entire defence machinery is extraordinarily slow-reacting, cumbersome and inefficient.

Matters are made worse by the fact that senior military and civilian ranks in both defence and foreign affairs are filled with persons who have, by international standards, a remarkably narrow educational and career experience. To be sure, these services contain a fair share of highly intelligent and hard-working individuals. But is it quite exceptional in Australia for senior or middle-rank people to have done what their American and British counterparts treat as routine: to have worked for graduate degrees (the incoming Chairman of the US Joint Chiefs, Admiral Crowe, is a Doctor of Philosophy) or to have spent a year at London or Harvard or Berkeley. It is even rarer for senior officials in Defence or Foreign Affairs to be recruited from business or academia or elsewhere, though the present Government has made a helpful start in that direction.

Indeed, the country's entire educational system grossly neglects defence and foreign relations studies. With the notable exception of the Australian National University, not one of Australia's other 18 universities has a small core
group of senior staff professionally concerned with international relations or defence matters. The four universities with the largest enrolment of graduate students are Sydney, New South Wales, Melbourne and Monash. Not one of them has a single professor who claims to be a specialist in these subjects, or has graduate offerings in them.

What this neglect does is drastically to narrow the pool of skills and trained knowledge from which recruitment to the public service is possible, let alone which could discuss foreign relations and defence issues more widely. One need only compare the wealth of knowledge available in any discussion of economic issues among bureaucrats, economists, businessmen, with the poverty of public debates on strategic, foreign affairs and defence issues. More subtly, but even more importantly, the neglect strengthens the public and media sense that the main interest of external affairs is as an input to domestic political controversy.

France and Muroroa

Take France and Muroroa nuclear tests. It is obviously true that no one much likes nuclear tests and most people wish that a safe way could be devised to do without them. It is also true that the inexcusable French activities in New Zealand have made it a bit difficult for the time being to defend almost any aspect of French strategic or intelligence operations. But in the end righteous indignation doesn't help.

It is quite clear that the tests are harmless to the environment. The idea that they cause damage to other South Pacific states is entirely fanciful. The principle that what people do on their sovereign territory should be subject to the currents of popular feeling among their neighbours, however groundless the feelings and however distant the neighbours — and in Australia's case, the claim of neighbourhood covers 4,000 miles, no less — is one which would be treated as an impertinent interference in their internal affairs if anyone tried to apply it to the smaller South Pacific states themselves.

It is also a fact that the Muroroa tests are essential for the maintenance and modernisation of the French nuclear force. It is not clear whether alternative testing sites exist (or why the French should go to the trouble and expense of developing them). If modernisation were to cease, the force would presumably have to be scrapped. There has never been the slightest possibility that Paris would allow such a result to flow from the protests of South Pacific islanders living hundreds or thousands of miles away from the tests: protests, which in any case, have been partly stimulated by the Australians and New Zealanders for political purposes.

It is worth reflecting on what might happen if the French force was scrapped. It might make America's management of the arms control talks with the Russians a bit easier. But would French backing for NATO in Europe be strengthened? Presumably the major beneficiaries would be those against whom the French weapons are targeted: the Russians. Abolition of the French force would, in fact, present Moscow with a unilateral reduction of their opponent's strategic arsenal by several hundred warheads. Is that what the Australian Government wants?

Australia and ANZUS

In the recent discussions on ANZUS, both Canberra and Washington have made it clear that they do not want to negotiate a new, bilateral treaty in the event that New Zealand drops entirely out of the tripartite arrangements. There are many reasons for this sensible view, but one might be the delicate subject of Article 2 of ANZUS.

Under that article, the parties pledge themselves to maintain and develop "their individual and collective capacity to resist armed attack". But it is no longer clear that Australia has retained the capability to do that. Defence effort and planning have concentrated for a decade on the defence of continental Australia and its immediate surroundings. The disappearance of naval air cover must mean that the Australian Navy is either confined to operations within easy reach of Australian shore-based air or else to reliance upon allied air cover. If the Navy is to operate out to 1000-1500 miles from Australia, as some senior officers think it should, that must mean reliance upon allies. But just what do we contribute?

Could it be claimed that in such circumstances Australia is defaulting on its obligations under Article 2? While such a question can be overlooked as long as ANZUS remains in force, could it become a matter of dispute if the treaty had to be renegotiated or replaced?
What the Farmers Want

Ian McLachlan

The growing determination of farmers to get governments and unions "off their backs" may well change the course of Australian politics. The National Farmers' Federation is challenging the traditional charge that farmers are rural socialists. Ian McLachlan has become one of the nation's most powerful voices for freer markets and smaller government. His statement at the IPA's Annual Meeting summarises the farmers' programme.

Farmers have traditionally been regarded as among the most conservative groups in society. In July, some 40,000 farmers staged the largest rally ever seen in front of Parliament House at Canberra. Other huge rallies were held in Melbourne, Adelaide and Perth. Farmers are desperate for change.

Today we see a farm sector prepared to adopt a high public profile. We see a preparedness within our ranks to take an uncompromising position on key issues. We see growing political awareness.

There is a growing acceptance that farmers cannot rely on anyone else to pull them out of their current malaise — not politicians and certainly not bureaucrats, not even our marketing boards. Although we're very much in favour of the structures that we have, you really can't expect the Australian Wheat Board, for example, to be able to compete with the giant European Economic Community. We are seeing a new unity and agreement on fundamental directions, a fact which underlines the significant changes that have taken place in the bush in recent times.

1985 Pressures

Economic pressures on the farm sector have increased — most commodity prices have fallen and farm costs are rising much faster than those of our competitors. As a consequence, our ability to compete on international markets has been significantly reduced.

This situation has made farmers particularly sensitive to Government policies and actions. This sensitivity, I may say, was inflamed by a series of decisions and intentions signalled by the Government early in 1985.

First, the Assets Test. The NFF supported the principle of such a test. Our reward for that support was an assets test which clearly discriminated against farmers. The family home is exempt, but not the family farm. The effect is to exempt the suburban site upon which the bricks and mortar sit but not the site on which bricks and mortar sit in the country.

Secondly, at the Farm Costs Summit we undertook detailed research to quantify the impact of Government policies on the farm sector. That work has never been questioned by the Government or the Treasury. The research proved that general tariffs and quotas applying to secondary industry result in a 17 per cent reduction in the total value of agricultural commodities produced each year. That represents a cost of $1.5 billion per year to the farm sector or, if you want to average it out, about $9,000 per farm business. When assistance to agriculture is taken into account the net impact is around $7,000 per farm per year.

We told the Government we did not want handouts, simply removal of Government charges and imposts on our industry. But within two weeks of our talks, the Government brought down the May Mini-Budget. Instead of reducing farm costs, fuel costs were increased by $25 million per year, but only in remote areas.

Thirdly, the Government's initial proposals for the July Tax Summit generated tremendous concern in rural areas, particularly the intention to impose a 12.5% consumption tax and, of

Ian McLachlan is President of the National Farmers' Federation since May 1984, Past President of the Wool Council of Australia and a member of the United Farmers and Stockowners Wool and Meat Committee.
course, a severe capital gains tax. Although the broad-based consumption tax was defeated, farmers remain unalterably opposed to some measures in the September tax package. These things including one or two others which were brought about, started to get the farming community extremely agitated.

Key Objectives

Our responses to these and other issues are guided by 5 key objectives at NFF.

First, we want progressively to expose all Australian industries and relevant institutions to market forces. In the post-war period the big losers from protection and regulation throughout the economy have been Australia’s export and import-competing industries which must face international competition. But, ironically, the benefits are not showing up even for the protected industries. In the last 10 years even the most heavily protected industries have contracted. Employment in the clothing and footwear industry has declined by 21 per cent since 1974/75. In the motor vehicle industry employment has fallen by 25 per cent in the same period — a sad total of 42,000 jobs lost. In the end this has cost all Australians dearly through lost opportunities and a static, conservative secondary industry structure; a non-dynamic structure.

Secondly, we want to create an economic environment which allows us to be internationally competitive. In addition to exposing industries to market forces, this means removing taxes from vital business inputs and striving for small government with its positive effects on inflation and interest rates. Smaller government is an absolutely key objective of NFF.

Thirdly, we want to create an industrial and wage-fixing environment which allows us to be internationally competitive. There must be far more flexibility in the wage-fixing system. Wages must be based on the capacity of industry to pay. The concept of comparative wage justice is destructive because it presumes that all industries are equally profitable and can afford to pay the same wage increases. In fact, what happens is that a wage rise for one person causes a job loss for somebody else.

We believe that the sensible way to achieve more flexible wage-fixing would be to remove all penalties from the Conciliation and Arbitration Act. At present we have penalties applying in practice to one side and not to the other. All the rhetoric has been provided for us by the ACTU in the ‘60s and ‘70s so we don’t have to invent rhetoric to justify it. We believe it will lead to increased competition and the removal of monopolies.

Fourthly, we want to ensure all groups are treated equally before the law. It is simply unacceptable for one set of rules to apply to one section of the community and a different set to apply to another. The Mudginberri dispute in the Northern Territory highlights the fact that some militant trade unions believe they are above the law. That is why when this issue came across our bows, we were determined to fight.

We are prepared to take our own action, because the solutions ultimately depend on our own efforts and resolve. We will ensure, for example, that the Mudginberri damages case, which we are in the middle of at the present time runs to completion. If successful, a precedent will be set which will be available to all Australian business. Individual employers should be able to negotiate contracts with employees which would be solely enforceable under the contract provisions of the common law.

Finally, we want to reward initiative and provide incentive for risk-taking. Taxation policies
can either foster mediocrity or promote risk-taking and enterprise. In a capital-scarce country such as Australia, a capital gains tax — no matter how watered down its initial form may be — represents ultimately an attack on small business initiative and on the creation of productive capital. As far as we are concerned, it will be totally opposed.

That is the framework for the 23 policy briefs we issued to all Federal Parliamentarians last month. But in seeking these directions, NFF will not be a passive supplicant to Government or any political party. The farm sector now has reached the conclusion that it is time to make a stand.

Projections by the Bureau of Agricultural Economics confirm the continuing downward spiral in our competitiveness on international markets. Net farm income will be down by a massive 26 per cent this year.

Quite simply, farmers have not got much to lose any more. The time for compromise with the bureaucracies, whether they be government or other areas, is past. The exporters don't have any options left. Not only does our clientele not care about our costs, but our business opposition in some parts of the world is subsidised to produce and in many cases subsidised to export.

We will continue to intervene into and influence the making of awards in any sector which has relevance to our own. Far too often in the past special arrangements have been achieved by consent to the detriment of the national economy.

We have targetted 30 marginal seats for a tough political campaign in the lead-up to the next Federal election.

Our attitude is that we must help ourselves. As farmers, we must continue to be entrepreneurial and innovative. We believe in the maxim that entrepreneurs create the conditions for their own success. We can no longer rely on big organisations, including government, to get us out of trouble when the pressure is on. We firmly believe that the flexible, inter-active approach of small business and small business structures within big business offers the way to sustainable economic recovery for Australia.

Agriculture is perhaps in a better position than other industries to push for new economic and industrial directions. Because we are a decentralised industry, we are in some respects less susceptible to pressure from Government and the trade union movement.

We are prepared to stand in the front line. Can we get anyone to stand up there with us or are we all going to lie down and be beaten to the line by our competitors.
The Magnificent new Mitsubishi Magna.

Overnight the new Mitsubishi Magna has gained a level of acceptance that is unprecedented in the Australian automotive industry, and for good reason.

It makes the existing car classes of "fours" and "sixes" outdated. Magna offers the best of everything in one class. The refinement, power, performance, and space of a "six" combined with the handling and economy of a "four".

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It makes good horse sense to own a Colt Hatch or Sedan. Each is the most affordable car in its respective class.

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Universities and Industry

Lessons from Minnesota

Professor B.W. Ninham

Compared with Australian universities, American universities tend to display more entrepreneurial skills in fund-raising, more willingness to provide incentives and flexibility in academic salaries, more realism on the question of student fees and more success at establishing good working relations with industry.

There is an interesting set of conclusions which can be made if we compare the state of Victoria with the state of Minnesota. Both have the same area, the same population, and traditionally have a firm base in efficient agriculture. Both are dominated by a single major city of the same population, Minneapolis-St Paul in Minnesota and Melbourne in Victoria.

The Minneapolis campus of the State University of Minnesota has 58,000 students, and 5,800 teachers. There are professors of everything! — Two professors of Greenhouses, several in Calligraphy, and professors of Ornithology. The point is that the University cares about matters cultural, and is not concerned solely with materialism and with feeding industry or agriculture. With private universities, other campuses, Foundations like the Mayo Clinic in Rochester, what we might call the total tertiary and research establishment is probably about twice that of Victoria. The Minneapolis campus can be compared with the combined tertiary enrolment of Victoria if we put together Melbourne, Monash, Deakin, Latrobe, Footscray, Caulfield, R.M.I.T., Ballarat, Bendigo ... so how do we differ?

Students pay fees of about $2,500 per annum and work for their education. They are proud to do so, and can work in restaurants, bars, gas stations etc, for $4 an hour plus tips. That is difficult in Victoria because of general union opposition. The Faculty voted overwhelmingly last year against unionisation. Salaries are fixed in Australia, with no incentives whatever. At the University of Minnesota salaries are negotiated on appointment and raises — for teaching, research excellence, service, money-raising capacity — are set by an elected Head of Department. A good professor in, say, Engineering will make $80,000 U.S. plus a year, whereas a poor (full) professor, or one in a field not so much in demand will make as little as $30,000 a year. Professors active in research must exhibit some entrepreneurial skill and are rewarded for doing so. All graduate students, major research equipment and expendables must be funded by external money with the University demanding 40-50% in overheads. Post-doctoral scholars are paid less than ours, and no graduate student is allowed to carry out a Ph.D degree at his home institution in the U.S.A., an enlightened policy still foreign to Universities in Australia. Limited-term lectureships do not exist, only tenure subject to performance, again a policy which builds in incentives. Tenure and professional appointments, salaries and conditions are negotiated by telephone, following a seminar, by the Head of Department after consultation with his Faculty. Such negotiations proceed within weeks. That is very different to the ludicrous situation in Australia.

For example and typically, an Australian University recently took seven months and seven different committees to fill an advertised position. Eventually an offer was made to a brilliant young man at $27,000 a year. The appointment at Lectureship, grade 2, was at $5,500 less than his present (research) salary, less than that of his wife who had a permanent job teaching high school with a two year teacher training certificate. This man is an acknowledged world leader in his field.

Professor Ninham is a Fellow of the Australian Academy of Science and has worked in mathematics, physics, chemistry and biology.
7 years from completion of his Ph.D. IBM, Xerox, Princeton and others had offered or were negotiating with him permanent jobs; IBM at about $60,000 U.S. to start.

Industry — University Co-Operation

There are clear economies of scale in administration in Minnesota. In an Australian University or the CSIRO one often has the distinct impression that these institutions are run solely to preserve the jobs of the non-academic staff. There are senior administrators who actually believe that science is serendipitous, and that progress is random, and that Industry-University collaboration is an attack on academic freedom. If so their positions are redundant. At Minnesota the Vice-President (now President) was appointed at age 42, and has far more power and manoeuvrability than an Australian Vice-Chancellor could ever conceive was possible. Appointment of men in their prime rather than at the end of their careers when they have no more energy is the rule in the United States rather than the exception. The woman responsible for University-Industry relations earns a salary which is higher than that of any professor, and the Faculty concur with that policy. Minnesota state recently cut taxes by 1 billion dollars, and simultaneously poured additional support into the University.

At the University of Minnesota ...
professors active in research must exhibit
some entrepreneurial skills and are rewarded for doing so.

Industry depends on products of the tertiary sector. Here the differences between Minnesota and Victoria are very great indeed. Probably 50 per cent of Ph.D scholars and a similar number of post-doctoral scholars in American Universities, are funded by industry, US Army, Airforce, Navy, and other competing agencies. In addition, in the U.S, industry funds technology (pure research) parks as well as giving substantial amounts to universities with which to do as they please.

In chemical engineering and materials science, surely a central area in a modern post-industrial economy, the University of Minnesota has about 140 Ph.D students (30% women) who spend a minimum of 5 years on U.S.$9,000 a year. They start in industry or Universities on graduation at salaries of U.S. $40,000-$50,000 a year. That says something on the value which U.S. industry places on post-tertiary education. In the entire state of Victoria I would be astonished if there were more than 10-20 Ph.D students in these disciplines, and of these half are foreign students, and the other half will have to go overseas for employment.

Typical major industries in Minneapolis include Honeywell, CDC, Cray (super-computers and defence industry, fibre optics) and M.M.M. (Minnesota Mining and Manufacturing).

The MMM Minneapolis research laboratories have over 5000 employees, and of these more than 2000 have Ph.D degrees. If we compare Minnesota and Victoria in terms of PhD’s in chemical engineering and materials science (140/20), project that comparison over the next decade and recognise that industries like MMM will certainly promote from the ruck at the earliest opportunity the very best of their men at a time when their technological competence is still viable, we begin to see that by comparison Australian industry, and perhaps even more so Australian bureaucracy, is relatively intellectually bankrupt, and scientifically and technologically it is incapable of making visionary or even sensible value judgements on future developments.

It is not that the good Australian companies are incompetent at what they do. They do it very well, and probably better than U.S. companies which, at least the major ones known to me in defence, oil, computing and detergents, are often appallingly ineffective. It is rather that without awareness of the possibilities of development of new technology we shall be left behind.

Science is so badly funded that we have by now lost a whole generation of our very best young men. Several hundred worthy projects were funded by ARGC this year at zero dollars after stringent review; and the magnificent Queen Elizabeth II Fellowship Scheme was for a time to be wound up. But science still has a relatively high profile. Engineering is much worse off.

Research and Development

There are claims by Government that new policies will stimulate Industry-University collaboration with a view to development of new high technology, sunrise industries or other buzz words, to get the country moving. They begin to look a bit silly when a decision on whether or not
to fund an identified area, in which speed is crucial, takes 18 months. And penny pinching makes the possibilities of success in such ventures more remote. The Department of Science recently granted $5.4 million to an Australian multinational for Fibre Optics development. All very good. But the precisely analogous Canadian commitment to the same area was $26 million.

High quality research at the cutting edge (which leads to new competitive industry) can only be pursued by sharing of intellectual and capital resources between a variety of institutions. No one institution can possibly afford all the capital intensive equipment to explore genuinely complex phenomena in depth.

To summarise:
• we have lost or demoralised a whole generation of our best young people, and will continue to do so;
• we have been deliberately fomenting a situation where technological inputs are diminished rather than increased;
• we have no place in industry or universities for a new generation;
• immigration policies, led by an Australian-first lobby, inhibit our ability to recruit foreign academics to replace those lost, a policy like that of Canada, which is an absolute disaster;
• we have deliberately put up barriers to a potential flood of bright young overseas (European and U.S) students who wish to study in this country, and who would add much to Universities;
• Australian industry and the bureaucracy are still very short-sighted; academics are still by and large a bit precious and narrow.

What Australia needs is a Marshall plan to catch up with the rest of the world — even with Britain where industry and Universities are now working closely together. The Marshall Plan worked because the absolute authority invested in one man allowed him to select a brilliant team of young men of vision given carte blanche to reconstruct a new order in an exhausted Europe. But the key precondition for success was the acceptance by all protagonists that the war was over. The universities, CSIRO, medicine, teachers, are exhausted by the battle for a better society and are aware that this country has been reduced to a state of relative intellectual and technological bankruptcy. Despite the obvious havoc created by government, the bureaucracy, unions and industry those allies have not yet come to an awareness that they have lost the war.

This article is a modified version of a discussion paper presented at the conference called "Withering Heights — the Decline of Australian Universities" held at Monash University, November 1984 and sponsored by the Centre for Policy Studies.
Youth: Wage Rate Victims

Living in California one is struck by the number of rich young workers who see a variety of job opportunities ahead. I refer not so much to the occasional smart kids making money building devices and writing software for their Apples and IBMs. Or to the abundance of young teenagers making high incomes on newspaper routes or in fast food outlets and other temporary jobs which are allowed to proliferate in the U.S. Rather, I refer to those who start the process of earning income and accumulating wealth early in life by simply not being trodden on by other persons with more experience. The point is that in California minimum wages are irrelevant; at $3.60 an hour they are far less than adults will accept. As a result there is a sure path to employment or education (since a majority of students work part-time as they go to college). And it is taken for granted that unions have no relevance, of a positive kind, to creating these opportunities for youth.

Jobs abound if one will work at $5 an hour, perhaps at unusual hours. Some jobs are dull, others are as diverse and interesting as teaching old folks how to use a personal computer. (Yes, for $5 an hour youth will teach adults how to join the high-tech society!) And what is important is that most of the interesting, but low-wage jobs open windows to the "top jobs" of the future.

As U.S. research amply demonstrates, there is a strong positive connection between getting a toe in the door to a job and earning a decent income over one's lifetime. But there is no correlation between the initial wage earned and subsequent income, in part because the more valuable training experiences are those most sought after. And of course most young people "buy" jobs in the sense of paying quite sizable fees (with loan assistance) for a wide variety of educational options. On the other hand, unlike Australians, they pay less in taxes to finance "free" state tertiary education.

The reason jobs and training options for youth are relatively abundant in California is that there are fewer regulatory obstacles. Shopping hours are unrestricted and minimum wages have been made largely irrelevant and unenforceable. The capacity to earn such incomes gives young people the opportunity to shop around for appropriate educational "flavours"; they are not restricted to governmentally approved "vanilla".

Regrettably, and indeed criminally, it is simply illegal to make the kind of job offers in Australia which are accepted every day in California. And notice that they are doing very well without an Arbitration Commission; indeed they are even managing without an Accord (in the sense that prices are steady, real incomes growing, and employment opportunities abundant).

Of course all is not a bed of roses for youth in the U.S. In less fortunate communities than California, minimum wages have for decades exceeded the full employment wage, and have thereby precluded minority groups with less education and skills from gaining work. Who will employ a black or Mexican-American youth with minimal education when at the enforced minimum wage there are experienced older folk around? In other words, the bad news in the U.S. employment picture has an explanation consistent with the bad news in Australia.

It may be worthwhile at this point to note that studies in the U.S., often by black economists, have produced powerful evidence of minimum wages hurting minority groups, including teenagers and blacks. Research has shown that technological
progress in agriculture in the South over the period 1950-1970 led to the virtual demise of the demand for unskilled labour, and that the growing enforcement of the minimum wage in the North and the South prevented re-employment in the non-agricultural jobs.

While the evidence does not say that all unemployment is caused by minimum wages, since education and training are crucial too, it does say that minimum wages are a barrier to employment, particularly at times of structural change, or when there is a cyclical downturn. Structural change creates demands for different and often new skills, and many of these can be acquired on the job by youth if they are allowed to compete. The minimum wage often precludes that competition and on-the-job training from taking place.

And in Australia, one might add, what minimum wages do not prevent, a bureaucratic, government-run, union-vetted, training scheme will almost certainly preclude. U.S. experience and research ought to tell us that we need to get government, and its wage tribunals and training authorities, out of the way of potential employers and employees who would like to strike a deal.

**South Africa**

An eminent black American economist, Thomas Sowell, has noted that minimum wages laws were introduced by a new South African government in 1921 in order to discourage the use of black workers. “The new government enacted a stronger colour bar, replaced black workers with white workers on the government-owned railroads, subsidised a similar replacement in municipal governments, and enacted a minimum wage law to reduce employers’ incentives to use black workers” (Sowell, Thomas, (1983), *The Economics of Politics and Race*, Morrow, New York, page 113)

It seems clear from a diverse range of research studies in a variety of countries, that while there are some who benefit from an arbitrary and centralised wage system, it is not the young, the untrained, and those with disadvantages. The winners are those with jobs, with union muscle and a capacity to use force rather than free and open competition to achieve their goals.

**Expensive “Free” Training**

Over the period 1979 to 1986, the Australian government will have spent a total of $3,147 million on labour market programmes and assistance. This is a lot of money to spend in an attempt to undo what is in large part the consequence of our inflexible, muscle-driven wage system (although it is a powerful example of one faulty government programme leading to another, with both higher taxes and lower employment as a result!)

The breakup of the figure has 74 per cent of this money, or over $2.3 billion, to be spent over the three year period 1983/86. To put that figure in perspective, 200,000 young Australians who are the victims of minimum wages set at too high a level, could each have been given a capital grant of over $15,500 instead of having the existing regulatory obstacles to overcome.

I do not suggest such a scheme. But I do suggest that it would have been far cheaper to have taken this money, plus the $3 billion or more per year spent by government on tertiary education, and underwritten an education and training scheme offering all youth a mixture of loans and grants to be spent where they choose on fees imposed by newly invigorated and competitive tertiary institutions. The fiscal soundness of a loan scheme stems from the fact that, over their lifetimes, recipients of loans, like other taxpayers, would no longer be paying taxes to fund such a large chunk of education and training (we could afford $3 billion in tax cuts).

My calculation of a loan/scholarship scheme finds that students or trainees accepting, say a mix of $6,000 scholarships and $25,000 loans to fund a three-year education programme (including fees) would be able to fully repay their loans with payments starting 5 years after graduation at around $1,000 and amounting to less than their tax savings from not having to finance other people’s education and training. What the loan scheme, and the discipline it brings, demonstrate is that “free” education is far costlier to individuals and the society than higher quality and fairer alternatives.

Is there evidence that such a scheme would work? The current U.S. education system is not a perfect example, but it has a vitality and diversity that should make the Ministers and administrators of our arthritic tertiary education system more than a little bit embarrassed. Why not unleash the creative talents bogged down in governmental regulation of education, before the many talented academics give up on properly educating Australia.
Dollar Sweets
Confronting Union Power

Peter Costello

The long-running dispute at the Melbourne-based confectionery manufacturer, Dollar Sweets Pty Ltd, illustrates the iron law of Australian industrial relations: an employer is largely defenceless against a determined union leadership. Government support, the Accord, the Arbitration Commission will not protect him from crippling losses. Concerted government and employer action is required to redress the imbalance of power between employers and unions.

Fred Stauder is an ordinary Australian businessman in all but one respect: he is risking the savings of his small business and maintaining employment in the face of union harassment and intimidation. He is receiving little or no government support in his resolve. Our State and Federal Governments have shown no stomach to withstand the kind of coercion Fred has resolved to fight, nor have they shown any inclination to support employers like Fred who lead the way with courageous action themselves.

Fred’s father established a small family confectionery manufacturing business named “Dollar Sweets” about 40 years ago. The company is Australia’s largest supplier of “hundreds and thousands” beloved of Australian children for generations. When his father retired 15 years ago Fred took the company over. He could have sold the business and invested the proceeds in interest-bearing deposits and been far better of financially today. Instead, he decided to keep the enterprise running and provide jobs for 27 people.

In September 1983 when the Arbitration Commission decided to implement centralised wage fixation based on the ALP/ACTU Prices and Incomes Accord it required unions which wished to take the benefit of the CPI-linked wage increases to undertake, in return, that they would not pursue extra claims outside the Commission’s wage-fixing principles. The union covering Fred’s employees, the Federated Confectioners’ Association of Australia, baulked at giving such an undertaking. Because it was not prepared to give this necessary undertaking, its members were denied the benefit of wage indexation increments.

Although Fred, because of the union’s intransigence, was not legally obliged to pay his employees wage indexation increases he informed his employees that if they (as opposed to their union) agreed not to make any claims outside the Arbitration Commission’s wage-fixing principles he would pay them the increase awarded. This matter was fully canvassed by employees and they agreed through factory representatives, in writing, that they did not wish to pursue further claims. As a result, Fred began to immediately pay them the increases the union had denied them.

This was an example of real consensus. Fred and his employees mutually agreed in the interests of both, and in accordance with principles laid down by the Arbitration Commission, to preserve industrial peace in return for wage increases.

Enter the Federated Confectioners’ Association.

Notwithstanding the voluntary, written agreement between employees and management, the Federated Confectioners’ Association chose Dollar Sweets as the target to pursue its claim for a 36-hour week. Led by their Federal Secretary and in breach of their written agreement the employees struck in support of this claim in July 1985.

Fred Stauder notified his employees that if they wished to work a 36-hour week they would have to find employment elsewhere; he could only

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afford to pay them for working a 38-hour week. He even offered to open the books of his company to the union officials so they could examine them and ascertain for themselves that, by reason of financial necessity, Dollar Sweets could not afford such over-award claims outside the principles laid down by the Arbitration Commission.

The Union refused the offer to inspect his books but 12 of Fred’s 27 employees accepted the offer of work and decided to remain with Dollar Sweets on a 38-hour week. The other fifteen said they would not work with Dollar Sweets unless it had a 36-hour week and commenced an indefinite strike with the active support of their union. When Dollar Sweets advertised for employees to fill their places, it was flooded with offers and 15 new workers commenced with the company and have remained loyal to it since that time on a 38-hour week.

Commencing in July 1985, the Dollar Sweets factory has been subject to a picket which has now run continuously for over 130 days. Super-glue has been used to jam the locks of the factory, there was an attempted arson, Dollar Sweets has received bomb threats and Fred has received death threats by persons unknown.

The federal secretary of the union has been charged with assault upon a driver delivering supplies to the factory, employees at the factory have been harassed and Fred has been required by his insurers to employ armed security guards to protect the premises.

In August 1985, the telephone and telex wires to Dollar Sweets were cut. Telecom employees refused to cross the picket line to fix them and the factory was incommunicado for a number of weeks. As a result, when the child of one of Fred’s employees was injured at school the school authorities were unable to contact the mother at work. When she arrived home late one afternoon she was greeted with the news that her son had been admitted to hospital for surgery without parental consent or knowledge because the school had been unable to telephone her. Eventually the telephone wires were partly restored by a frightened Telecom management late at night.

Unions and employers do not compete on an equal footing; it seems that unions can flout the law and the Arbitration Commission as they wish.

In support of an employer who scrupulously honoured the ACTU/ALP Accord, the State and Federal Governments have done nothing other than send belated telexes of support.

The Victorian Premier has refused to order additional police protection for the premises, notwithstanding the fact that the armed security required by the insurer is costing the Company thousands of dollars a week. The ACTU has failed
to use its considerable influence to get the union to abide by the Accord. Although Mr. Hawke was prepared to send a telex of support to Dollar Sweets, further support from Canberra has been wanting.

By reason of the disruption to supplies and deliveries, Dollar Sweets is suffering a mounting loss and Fred Stauder has made it clear that unless the matter can be resolved shortly he will accept the invitation of the Queensland Government to move his operations to Queensland, effectively adding 27 more Victorian employees to the unemployment statistics. He would have been better advised not to use his capital in creating jobs in the first place. He could have led an easy life, made a better profit, and the only people who would have suffered would have been the employee members of the union. The claim which initiated the Dollar Sweets dispute was clearly in contravention of the Arbitration Commission’s wage fixing guidelines. The Commission has recommended that the picket be lifted. Nonetheless, in defiance of the Commission, the picket remains, and a small Australian business is facing extinction.

The Dollars Sweets dispute neatly illustrates the problem facing the Australian industrial relations system. Unions and employers do not compete on an equal footing; it seems that unions can flout the law and the Arbitration Commission as they wish. As a result, many employers take the view, regardless of the Arbitration Commission, to give in to militant unions even if it means setting off wage and price increases and reducing employment.

What should be done to prevent this kind of industrial disruption and protect employment?

**Union Responsibility**

This case study raises the important issue of an ethical basis for union behaviour. The Dollar Sweets dispute is a major challenge for the ACTU — a challenge which it has failed to meet to date. It has a clear responsibility to use its influence not only to see that its members abide by the Accord reached with the Federal Government but to behave in a way which does not discredit the union movement. The absence of a concerted effort in this regard will only serve to bring unionism into further contempt. Trade union bodies should establish and enforce a clear code of ethical conduct in relation to the conduct of pickets. The kind of behaviour involved in this strike is inimical to the objects of legitimate trade unionism and strengthens the demand for tighter government regulation.

This case study also illustrates that confrontational attitudes are deeply entrenched in sections of the union movement despite the Accord. Neither the Accord nor the Arbitration Commission can offer much protection against them. One may conclude that the Accord is only a thin vinterface covering the harsh reality of industrial life in Australia.

**Government Responsibility**

Governments must be prepared to enforce the law. They should not be squeamish about ensuring that there is adequate police protection for employers prepared to abide by the law and to honour the rulings of the Arbitration Commission. The Thatcher government showed no such squeamishness when picketing ran out of control during the recent British coal strike.

Further, government instrumentalities must carry out their responsibilities to provide services to all citizens without discrimination. It is not the responsibility of management to repair telephone lines which have been vandalised. This is the obligation of Telecom employees, and it is an obligation they should perform quickly and efficiently. If Telecom cannot perform its statutory obligations, one can only conclude it should be privatised sooner rather than later.

Government should also require the ACTU to comply with its obligations under the Accord, namely to pressure and discipline constituent member unions to abide by the wage-fixing principles. Governments should not be reluctant to use their powers to deregister recalcitrant unions and to remove their privileges if they do not meet their commensurate obligations.

**Employer Responsibility**

It is high time that employers realise that if they do not hang together they will hang separately. Employers, like unions, should establish strike funds to protect their fellows financially when they take a stand that will ultimately benefit the whole industry. If Fred Stauder is forced to capitulate and grant a 36-hour week, other employers will be targeted for the same treatment. Once the whole industry follows suit, individual
employers will then be targetted for new demands. It is nothing more than self-preservation for employers to assist each other through a common fund to which they each contribute. The Melbourne Chamber of Commerce has taken a lead in this regard and established a fund to assist Fred pay the legal costs for action in the Victorian Supreme Court, where he is seeking compensation for his damages and injunctions to lift the picket. Other Employer Associations would do well to follow suit.

It is disgraceful that Fred has been unable to receive deliveries to his factory from large, well-known domestic and international companies. These manufacturers refuse to honour their contracts and make deliveries to Dollar Sweets as a result of the picket. If drivers are paid to deliver goods, suppliers should insist that they do so and not acquiesce in what would otherwise be unlawful conduct by their drivers. The present situation, where employers are at the mercy of union coercion, has only come about as a result of years of such timorous conduct.

Legislative Action

The time has come for legislation to enable employers and their employees to enter binding and enforceable collective labour contracts. If employees agree, through their shop-floor representatives, to work on specified terms, then they should be liable to pay compensation if they breach their agreements. (So, too, should their employer.) Since this would lessen the control of a union over its members, one might expect this to be vigorously opposed by the trade union movement. If a union intervenes and induces its members to breach their contracts then the way would be open to pursue compensation against them through the civil courts.

Unions should be required to lodge appropriate bank securities with the Arbitration Commission as a condition of their registration (which confers on them valuable privileges in law). This security could be used to pay damages to employers who successfully sue and obtain judgements against them. As it is, successfully obtaining a court order is only half the problem in obtaining compensation for unlawful union action; obtaining payment pursuant to a court order is expensive, difficult, and sometimes impossible. Union officials often vow to go to gaol rather than pay fines and this tactic is used to escalate the dispute, cause further disruption, sway public sympathy and force the employer to back down without receiving the benefit of enforcing his legal rights.

Unless there is concerted action by unions, employers and governments the Dollar Sweets dispute will not merely be a case study in coercive union power, it will be a role model for it.

Editor's Note:

In November 1985 Dollar Sweets commenced an action in the Supreme Court of Victoria against the Federated Confectioners Association of Australia seeking damages for the losses caused to its business by the picket and injunctions to prevent further disruption by union picketing in the future.

On 12th December 1985, Mr. Justice Peter Murphy in the Supreme Court of Victoria made orders restraining the Federated Confectioners Association from doing any act by way of picketing to obstruct or interfere with the passage of supplies to and from Dollar Sweets until the trial of its Action against the Union (expected early in 1986). This brought 143 days of continuous picketing to an end, although the union has vowed to continue its industrial campaign against the company.

In describing the union’s conduct as “anarchy”, “stupid” and “nihilistic” Mr. Justice Murphy said that as the union had thumbed its nose at the Arbitration Commission apparently aware that the Commission is powerless to apply any sanction there was justification for the courts to step in and remedy the situation. Legal sources have described the effect of the decision as representing a new benchmark in the struggle to control unlawful union behaviour.
Credited with being the greatest of all liberal philosophers, Alexis de Tocqueville (1805-1859) had a major influence on his English contemporary, J.S. Mill. A social observer of remarkable astuteness Tocqueville wrote his magnum opus, *Democracy in America*, after a mere nine months study tour of that country in 1831 and 1832. His perceptive reading of the strengths and weaknesses of democracies has relevance far beyond the bounds of 19th century America.

A healthy liberal democracy must ensure not only that the will of the majority is carried out by government, but also, and more importantly, that limits and checks are imposed on the exercise of that power. Without such limits the result is, in J.S. Mill's term, "the tyranny of the majority", in which government intervention has no bounds, and immoderate and wide-ranging demands of aid from government proliferate. With the rise of the Welfare State, this century has witnessed the progressive retreat of the limits of government, with, as Tocqueville prophesied, the gradual stifling of productive initiative and the fostering of a passive, child-like dependence on government. In this way, Tocqueville warned, democratic societies are in danger of undermining the very liberty on which they are founded.

As a French political philosopher, Tocqueville, not surprisingly, was influenced by the heritage of the French Revolution. His view of the importance of restraints and limits as the protectors of liberty distinguished him from his more utopian contemporaries who, like most radicals, in their zeal to sweep aside anachronistic institutions, inequalities and irrational structures found any barrier to the concentration and exercise of (their own) power an affront to "popular will". In Tocqueville's view, however, to be real, liberty must be more than proclaimed as a natural right or an abstract ideal, as in the "Liberty, Equality and Fraternity" of the French revolutionaries; it must be woven into the institutions, the customs, the habits of mind and sentiments of people. Tocqueville witnessed this in democratic America and was keen to see it preserved.

Tocqueville was also influenced by the views of social conservatives who saw the traditional authority of family, church, class, local community and guild, as a check against the centralising power of the State. According to this view, the abolition of traditional authority as

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advocated by social progressives in the name of equality, reason and individualism, in fact weakens the individual by removing from him the support of stable institutions and long-established allegiances. At the same time it renders central government more powerful as the State takes over the privileges and functions shed by smaller organisations. The importance to individual liberty of maintaining strong attachments to small, independent organisations and institutions as a bulwark against the encroachment of the State, recurs in Tocqueville's writing.

The bleak vision of the future that haunts Tocqueville is of society composed of an atomised, rootless mass dependent on a powerful central government. But the modern, centralist State that Tocqueville envisages is unlike the fierce, cruel despotism of old: its appearance is benign and paternal, its methods are bureaucratic, its concerned presence is ubiquitous: "(Its) power is absolute, minute, regular, provident, and mild. It would be like the authority of a parent, if, like that authority, its object was to prepare men for manhood; but it seeks on the contrary to keep them in perpetual childhood... it provides for their security, forsees and supplies their necessities, facilitates their pleasures, manages their principal concerns, regulates the descent of property, and subdivides their inheritances — what remains but to spare them all the care of thinking and all the trouble of living?"

The insidious nature of this form of bureaucratic welfare State, so well anticipated by Tocqueville, is its seductiveness. Why bear the burden of civic duties, entrepreneurial risk-taking, personal and family responsibilities, if the State will take care of it all. The costs, however — economic, social and political — are high.

With remarkable prophetic power Tocqueville describes the sticky web of regulations that retards economic growth and independence of will in modern society: "(The Government) covers the surface of society with a network of small complicated rules, minute and uniform, through which the most original minds and the most energetic characters cannot penetrate, to rise above the crowd. The will of man is not shattered, but softened, bent and guided... It does not tyrannize, but it compresses, enervates, extinguishes, and stupefies a people."

**Equality Versus Liberty**

A principal cause of this, "the new despotism", is the ardent pursuit of social equality which Tocqueville saw as threatening to replace the democratic love of liberty. He observed that the more equal conditions in a society become, the more the small and inevitable differences remaining between men irritate and elicit cries of injustice. Egalitarianism becomes a source more of envy and resentment than of brotherhood.

Moreover, in its antipathy to authority the impulse towards equality breaks the chain of generations, leaving men rootless and isolated. It leads each man not only to "forget his ancestors, but it hides his descendants and separates his contemporaries from him; it throws him back forever upon himself alone and threatens in the end to confine him entirely within the solitude of his own heart". Tocqueville's caution on the neglect of ancestors has relevance to the current controversy over the Bicentenary (see Professor Blainey's article in this Review).

Whereas egalitarian envy leads men to appeal to government to redistribute their neighbour's wealth; isolation, the sense of powerlessness of the lone individual and the constant flux of modern life leads men to dependence on the State as the only superordinate, stable entity in their lives. The result in both cases, Tocqueville maintains, is the same: government grows more intrusive and more powerful, justifying whatever actions it undertakes as expressing "the will of the people".

Equality has the effect, Tocqueville argues, of rendering men more similar: in practice it generates uniformity. This also serves the interests of central government: "Every central government worships uniformity: uniformity relieves it from inquiry into an infinite number of small details which must be attended to if rules were to be adapted to men, instead of indiscriminately subjecting men to rules".

The dominance of egalitarian sentiments also leads to decreasing respect for rights to privacy and private property.

The road to totalitarianism, as we have learnt since Tocqueville's day, lies in the creation of a classless society; an atomistic uniform mass, with private rights overridden, the sense of
TOCQUEVILLE'S NEW DESPOTISM

tradition weak, power centralised and unchecked, and all institutions under the close control of central government. Tocqueville detected all these trends as arising out of the pursuit of egalitarianism.

**Political Power versus Cultural Authority**

Some of Tocqueville's most perceptive comments concern the effect of democratization on culture. Discontent, Tocqueville observed, runs high in a democratic age, even though unjustified by the extent of prosperity. The pace of change, although it reflects a dynamism and capacity for innovation which Tocqueville praised in democratic societies, disrupts established relationships and inflates expectations to unrealistic levels. Social mobility is greatly enhanced by the abolition of inherited privileges, but the certainty and stability of life is lessened.

Tocqueville writes of the declining authority of organised religion having a similarly disturbing effect on man's bearing: "When there is no longer any principle of authority in religion ... men are speedily frightened at the aspect of this unbounded independence. The constant agitation of all surrounding things alarms and exhausts them". To escape from spiritual insecurity men seek the strong paternal presence of a political power: "As everything is at sea in the sphere of the mind, they determine at least that the mechanism of society shall be firm and fixed; and as they cannot resume their ancient belief, they assume a master". Again, the weaker the authority of the culture, the more powerful and centralised becomes government.

Men in a democratic age, Tocqueville observed, tend to develop a taste for easy, immediate gratifications, for effortless entertainment (television comes to mind). They prefer physical pleasures to less tangible spiritual satisfactions. Impatient with convention, they become addicted to novelty, change and originality. The fluctuation of fashion replaces the slow evolution of tradition. This is true of ideas and artistic styles as much as of political sentiments.

This temper of exasperation and impatience with customary constraints, when applied to politics, leads men to want to abolish any office or institution which is seen to impede the "progress of the people". In truth, however, their constraining effect is their chief merit for they "serve as a barrier between the strong and the weak, the ruler and the people, to retard the one, and give the other time to look about him. Forms become more necessary in proportion as the government becomes more active and more powerful".

What lessons can be derived from Tocqueville's account of the nature and origins of the new despotism?

Tocqueville himself stresses the wisdom of decentralising political power wherever possible, maintaining checks on the exercise of power and preserving the independence of institutions from government. In the Australian context this means supporting States Rights and the devolution of power to the local level. It points to the importance of a continuing role for the checks provided by the Senate, the Constitution and the Monarchy. It underlines the virtue of preserving the independence of institutions such as the judiciary and the press.

Tocqueville identified an important reality of modern society: the powerlessness and sense of alienation of the individual in the face of the enormous, overbearing, bureaucratic organisations which dominate public life. One of the great strengths Tocqueville saw in America — and, indeed, a principal source of the vitality of American democracy — was the great number of small, voluntary, independent associations he saw there. Such organisations function as an intermediate structure between the individual and the corporate State. These associations, whether they be sporting clubs, civic groups, businesses or independent schools, are often treated as obstructions — as indeed they are — to governments driven by a radical egalitarian zeal. It is thus not uncommon for such associations to find themselves the targets of government interference and legislation. The Sex Discrimination Act (1984) with the disruptive impact it will have on sporting clubs and other organisations in the name of sexual equality is a recent example.

Finally, and central to democracies remaining true to their liberal foundations, is the need to recognise that independence from government is a two-way relationship, requiring limits on the extent of State ownership and control and limits on the extent to which individuals and private organisations can seek aid and privileges from government.
The Kindness that Kills
The Churches’ crisis of credibility

The Reverend Warren Clarnette

Socialist thinking has had a pronounced effect on sections of the modern churches, particularly the social justice commissions. Many of the publications of these commissions demonstrate the unmistakable influence of “liberation theology” which combines misplaced Christian theology with Marxist sociology. The book, *The Kindness that Kills*, reviewed here by the Rev. Warren Clarnette, editor of *Church and Nation*, brings together telling criticisms of the economic, sociological and theological foundations of Church “social justice” programmes and the doctrine of liberation theology, criticisms as relevant to the Australian situation as to England.

These essays by English writers on church social issues’ documents leave no doubt about who is doing the killing. Socially active churchmen are known for their words. But there remains some doubt about who, or what, is the real victim of current trends within official Christendom.

The book’s stated purpose, is to show that those most at risk from church justice pronouncements are the intended beneficiaries of a new ideology of social care. “Careless care”, the message goes, “may hurt the very people its well-meaning exponents claim to help” (p10). That is clear enough. But there is an underlying argument. Church leaderships (those groups, committees and parties, rather than individuals themselves, which shape the perceived image of churches in the modern world) have reached the point of moral and intellectual exhaustion.

Each essay in this collection supports this dismal conclusion. The result, if the authors can be believed, is not simply the diminishing influence of rites and liturgies; it is more than that, and it affects more than the religious dimension. The major churches have embraced a political bias not only against their own past, but against the cultural traditions in which they are formed and which, indeed, they helped to form. The kindness that kills, then, rebounds on the churches no less than on the objects of their compassion. And on society too.

David Martin’s discussion of the Church of England’s transition “from established church to secular lobby” may refer to only one denomination among many. But it should cause even the most ardent nonconformist to recognise the relative insignificance of merely private religious associations (which the Church of England is in danger of becoming) and to weigh the consequences of repudiating the historic “relation between church and Christian commonwealth” (p.142).

The question, of course, applies far beyond the Church of England. This is what makes these essays important for Australian readers, who might be excused for thinking that arguments between English bishops and their critics must be of purely parochial interest. On the contrary, no one will fail to hear echoes of recent Australian controversies in these pages. We have our own clerical champions against multi-nationals and our own socio-theological theorists on poverty, unemployment, racism, declining standards in schools and the creation of wealth.

Part 1 of *The Kindness That Kills* examines church statements on all these issues. There is, for example, nothing specifically English about Lord Bauer’s examination of two papal encyclicals in “Ecclesiastical Economics of the Third World:

Envy Legitimized”. The same can be said of Robert Miller’s appraisal of statements on unemployment, in which he finds that leap “from assertion of the evils of unemployment ... to an interventionist cure” which is so well-known to readers of Changing Australia, the 1983 document prepared by four Australian church agencies. Miller might have them in mind when he concludes that “despite claims that a specifically Christian ‘input’ or ‘leavening’ is necessary, the values and prescriptions in most statements on unemployment by churchmen are almost identical to those of socialist politicians” (p.75).

However, it is in Part II that the book escapes all geographical limitations. While it may be said that the arguments in Part I have been heard before, in one form or another, in Part II (Fundamental Issues) the emphasis shifts from critique to construction. Six essays in this section open avenues for creative debate. The unstated point is that churches need to rediscover their freedom from ideological constraints, and these chapters show how this is possible.

Brian Griffiths in “Christianity and Capitalism” exemplifies the broad and rigorous scholarship which informs this book. While denying, against much contemporary theology, that it is possible to deduce socialism from Jesus’ teaching about the Kingdom of God, he refuses to give blanket approval to the market economy and finds the libertarian defence of inequality (on the basis of exclusive property rights) to be unacceptable. Egalitarianism is not “Christian” enough. And, since the major historic advocacies of capitalism as an economic system all depend on “a thoroughly secular philosophy” he states that the market economy must be rescued from “its narrow secular ideology”. (p.114)

It remains for William Oddie to tackle Christian socialism on its own ground of the biblical texts which, it is claimed, establish “God’s preference for the (economically) poor”. If there is a single chapter of The Kindness That Kills which Christians of all persuasions should read, this is it. Oddie links the Magnificat (“the most frequently misused text of all” p.125) to its Old Testament source in the Song of Hannah¹. This simple piece of exegesis shows that the mother of Jesus has no intention of sanctifying economic revolution. Nor does Luke’s text transform the Old Testament view that wealth is spiritually dangerous for whoever possesses it, but may also be a sign of divine favour.

Oddie traces modern Christian socialism to its roots in Pelagius, the 5th century British heretic, who still wields his influence wherever Christians grow forgetful of the innate imperfection of mankind, and romanticise the possibilities of the collective will to justice. For these reasons, says Oddie, church leadership today has permitted theology to be absorbed by politics and economics and Christian hope to be located “entirely within the possibilities (real or imagined) for human society”. (p.131)

The two final essays offer the beginnings of methodological wisdom for those who regard partisan rhetoric as a fair substitute for knowledge of one’s subject. Rachel Steare urges churchmen to discover the sources which might lend some balance to their opinions. It is left to Digby Anderson to describe church reports as “hotchpotches, stews and pies” and then to ask why this is so.

The underlying argument is that Church leaderships have reached the point of moral and intellectual exhaustion

His answer recalls a theme that lies just below the surface throughout the book. Nowhere is it explicit, but everywhere it is implied, that church leaders have lost their confidence in “the more obviously central aspects of our faith” (John Greenwood, p.51). In another early essay Robert Miller wonders “that the Churches deploy their carefully husbanded resources in areas where they seem to say nothing very different from other interested people rather than where they are qualified to make a distinctive contribution”. (p.75)

¹ He has scattered the proud in the imagination of their hearts, he has put down the mighty from their thrones, and exalted those of low degree, he has filled the hungry with good things; and the rich he has sent away (Luke 1.51-3).

² The Lord kills and brings to life; he brings down to Sheol and raises up. The Lord makes poor and makes rich; he brings low, he also exalts. He raises up the poor from the dust; he lifts the needy from the ash heap, to make them sit with princes and inherit a seat of honour (1 Sam 2.1-10)
What might such a contribution be? Ralph Harris' reply may seem at once too irrelevant and too hard for modern activist clergy. He writes:

"If the Church had been more successful in elevating human nature, the market in which people work, spend, save and invest would reflect those higher standards of behaviour, the absence of which the more politicised bishops constantly lament and conveniently blame on 'the market'!

Yet their secular gospel for socialism strains after an approach to heaven-on-earth that would make far higher demands on unselfish sharing and self-sacrifice. The dilemma they dodge is that, in the absence of a transformation of human nature, sharing and sacrifice would have to be ruthlessly imposed by state power that must rob such qualities of any vestige of virtue". (p.97)

The agenda for churches outlined in this book may be only a by-product of its critical purpose, but that only shows how important these essays really are. Taken as a whole they are a striking demonstration of the latent resourcefulness of the Christian tradition. That such a book should be written, indeed, may be a small sign that the decline of the churches is neither complete nor inevitable. We can hope so, in which case society as a whole, including the poorest and weakest, might have cause to be thankful.

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**Separating Christianity from Socialism**

The following passages from Digby Anderson (ed), *The Kindness That Kills*, provide an idea of the range of topics addressed in the book as well as indicating the direction of a reasoned, ethically-based case against conflating Christianity with socialism. All are responses to British Church documents on social and economic issues.

**Equality and Social Justice**

"Redistribution is advocated on the grounds that wealth has been unequally and therefore unjustly acquired. There are at least two confusions in this argument. First inequality is not the same as injustice. If some people make better use than others of their skills, and do so for the general well-being, it would be unjust if everyone were to receive the same rewards. Just deserts are not the same as equal shares. The Parable of the Talents is of course an illustration of this point (Matthew 25. 14-30).

The second confusion is the assumption that wealth is simply acquired. In fact it has to be created, a process which often involves breathtaking imagination and ingenuity. There can be no moral objection to rewarding the conspicuously able and energetic with a proportionally larger share of the wealth they have helped to create."

*Graham Dawson, "God's Creation, Wealth Creation and the Ideal Redistributors".*

**Compulsory Unionism**

"All these attempts to claim support for the morality of closed shops from the standpoint of trade union history, industrial sociology, or the analogy with industrial or political democracy, are entirely spurious. Instead from the standpoint of trade union history, industrial sociology, or the analogy with industrial or political democracy, are entirely spurious. Instead, the matter should be debated on straightforward moral grounds ... Closed shops impose a condition of employment that all employees must be members of a trade union. The plain objection is that such unnecessary private coercion is a fundamental infringement on the rights of individuals who are compelled to join organisations to which they may not wish to belong, through the fear of losing a job or not obtaining employment".

*John Greenwood, "The Closed Shop and the Closed Conscience".*

**Racism**

"The tired old work-horse of cultural relativism has been dragged out of his retirement stable once more. What, for example, is the origin of the views that racial prejudice is immoral and unjustifiable? The answer is precisely those modern "western" values which the report is questioning. Interestingly enough, the report nowhere mentions that anti-racism is a product of liberalism".

*Dennis O'Keefe, "Racism: Neither a Sin Apart nor an Excuse for Hysteria".*

**Unemployment**

"From the assertions of the evils of unemployment, the leap to an after an approach to heaven-on-earth that would make far higher demands on unselfish sharing and self-sacrifice. The dilemma they dodge is that, in the absence of a transformation of human nature, sharing and sacrifice would have to be ruthlessly imposed by state power that must rob such qualities of any vestige of virtue". (p.97)

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**Free Enterprise**

"The basic argument for a market economy is that for all its imperfections, it is a system that pays respect to human dignity because it allows human freedom. It permits individuals the freedom to buy and sell, save and invest, choose their preferred form of employment and develop the skills they feel appropriate. It allows minorities the same rights too. Socialism does not".

*Brian Griffiths, "Christianity and Capitalism".*

**Social Utopianism**

"The acceptance of the imperfect world where the individual seeks to better himself through the love of God and of his neighbour is a fundamental principle implicit in all Christian tradition. It is by departing from this principle to a vision of a perfect social system in which any sort of personal betterment is irrelevant that the progressive Christian begins to secularise himself by undermining the very fundamentals of his own beliefs".

*Maciej Pomin-Szrebnicki and Alexander Tomsky, "Marxism: The Compulsion to Neighbourly Love".*

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**From Established Church to Secular Lobby**

"The term 'the Church' as deployed by the bureaucracy, and also as appropriated by the General Synod (of the Church of England), continues to carry a traditional meaning, as denoting the corpus Christianorum or 'the body of all faithful people'. But this traditional usage only conceals a non-traditional intention, which is to attach the label 'the Church' to the opinions of a bureaucratically organised pressure group, especially as embodied in its specialist agencies".

*David Martin, "The Church of England: From Established Church to Secular Lobby".*

**From Individual Responsibility to Collective Guilt**

"(There is) a shift from an emphasis on the individual in his particular situation or as an analytical term of social structural defects... Guilt no longer inheres in the responsible person, but in blameworthy collectives".

*David Martin, ibid*
Kirkpatrick to Visit Australia

Jeane Kirkpatrick, a key foreign policy adviser to President Reagan, is coming to Australia in March as a main speaker at two conferences to be held jointly by the IPA and the American Enterprise Institute (AEI).

Mrs. Kirkpatrick is a former U.S. Ambassador to the United Nations.

The President of the IPA, Charles Goode, indicated that Bill Baroody jnr., President of the AEI, would also be travelling to Australia as part of the American Enterprise Institute party of leading U.S. political and economic analysts.

The AEI is a leading Washington based “think tank” noted for its expertise on economic and foreign policy issues.

Two one-day conferences will be held: one in Sydney on the 19th March at the Hilton Hotel and the other in Melbourne on Friday 21st March at the Victorian Arts Centre.

Australian speakers at the conferences will include John Stone and Hugh Morgan. Mr. Goode said that the conferences would provide a unique, high level briefing to Australian businessmen and community leaders on the international political and economic situation.

There would be opportunities for discussion with the speakers, he said.

Invitations will be posted to all IPA subscribers. Enquiries should be directed to the IPA Director.

Annual Meeting: well-attended

Some 200 IPA supporters attended the Annual General Meeting on 11 November 1985 at the BHP Theatrette.

They heard reports by the President, Charles Goode, and the Director, Rod Kemp.

Ian McLachlan, President of the National Farmers’ Federation, was the guest speaker. (An edited text of his speech is reprinted in this Review.)

Rod Kemp said that the large attendance indicated the widespread interest in the activities of the IPA.

The corporate and individual membership of the Institute had increased very significantly over the last twelve months. This indicated that there was a real demand for the type of policy analysis carried out by the Institute.

(From left to right) Hugh Morgan, Rod Kemp, Charles Goode and Ian McLachlan at the IPA Annual General Meeting.
Institutional “Pythons” must be eradicated says Hugh Morgan

Australia’s major export industries are being squeezed by world markets and by government policies, according to Hugh Morgan.

“Governments expect us to be grateful when the charges which they increase from year to year are only more or less in line with inflation”, he said.

Hugh Morgan was proposing the vote of thanks to the guest speaker, Ian McLachlan, at the Annual Meeting of the Institute of Public Affairs.

“The situation of the export industries, but particularly of our rural export industries, reminds me of a very famous piece of marble sculpture now located in the Vatican museum. It is called the “Laocoon”. It was made in the 2nd Century B.C. by three sculptors from Rhodes, Agesander, Athenodorus and Polydorus, and it depicts a man, and his two sons, struggling with a huge python.

“The man is struggling desperately, every muscle is taut, the face is grimacing with desperation, and the boys are looking to their father with concern, but also with confidence.

“That great python, for us today, is the institutions and the ideas legitimising them, which are squeezing, suffocating, our vital export industries to the point where it seems that the end cannot be far away.

“The arbitration system, our union monopolies, our public sector monopolies, our government regulatory apparatus, all depend on ideas for their continuing existence”.

Mr. Morgan said that Ian McLachlan had decided that the python crushing our vital industries can only be destroyed by attacking the ideas which sustain it and give it life.

“He has committed himself to the “politics of argument” and has scorned the “politics of office” which has been the preoccupation of so many people from the rural industries in previous generations.

“Ian McLachlan has got his hands firmly around the serpent’s throat and is going to apply great pressure.

“We have to do our anti-python bit too, gouging, kicking; indeed it is our job to think up new techniques of python eradication”.

Australia’s unity under attack

One of the enormous strengths of the Australian nation in the past has been its comparative unity, stability and its strong sense of national identity, according to the Director of the IPA, Rod Kemp.

“The sources of unity lie in our history and in our long-established institutions many of which were inherited from Britain — our legal system, our language and culture and the principles of parliamentary government.

“The Australian Flag, the Constitutional Monarchy, the Anzac tradition maintain their importance in our national life because they symbolise these freedoms and our sense of identity as a nation.

“But the foundations of our national pride are now often under assault. To lift a remark by Dame Leonie Kramer in “The Rocky Horror History of Australia” published in the Summer Review: “an almost paranoid sense of grievance and resentment” seems to infuse some of the recently compiled accounts of Australia’s past.

“It is our belief at the IPA that no successful defence of economic, social and political freedom in this nation can be mounted if the sources of national stability are eroded.”
Mr. Hawke Says No to a Grace Commission

The Prime Minister, Mr. Hawke, has expressed a reluctance to establish a “Grace” Commission.

The IPA made a detailed proposal to the Prime Minister last May that the Government establish a Grace-type Commission in Australia following the visit of Mr. J. Peter Grace in April 1985.

The visit of Mr. Grace was initiated by the IPA and co-sponsored by a number of leading industry organisations, including the Business Council of Australia, the National Farmers' Federation, The Australian Chamber of Commerce and The Confederation of Australian Industry.

(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.)

In a letter to the President of the IPA, Charles Goode, Mr. Hawke said that in view of the reforms initiated by the Government “it would not be easy to add a formal mechanism for private sector involvement in reviewing government efficiency and cost control. Thus, after careful consideration of your proposal, I would not wish to proceed with a major exercise of that kind”.

Mr. Hawke says the Government has supported and strengthened a Financial Management Improvement Programme to encourage Departments to be more efficient and more effective, has instituted a trial of programme budgeting in three specific departments and is instituting a series of Programme Management Performance Reviews.

Liberal Party
Yes to Grace

The Victorian Liberal Party supports the establishment of a Grace-type Commission in Australia.

A resolution at the November State Council reads: “That this State Council supports the establishment of a U.S.-style Grace Commission to examine ways of reducing government expenditure”.

The Opposition Leader, John Howard, at the State Conference of the New South Wales Branch indicated during a discussion period that he thought the establishment of a Grace-type Commission could be of value.

A Grace-type Commission has potentially strong public support in Australia. An opinion survey released by Sentry Holdings indicated that some 50 per cent of the workforce believe governments waste a lot of the taxes they collect and another 41 per cent believe governments waste some of those taxes.

Grace tape available

Mr. Peter Grace, during his visit to Australia, spoke to packed audiences in Melbourne and Sydney.

The tape of his speech and the question and answer period in Sydney is available.

The tape and associated literature can be obtained for $20 by contacting Fiona Macaulay on 61 2029 who will arrange for the tape to be forwarded to you by return mail.

Peter Grace met with Mr. Hawke in Canberra last April.
Advertising in the Review

This issue of Review carries, for the first time corporate advertising.

The Review is attracting widespread interest and support, according to the Advertising Manager, Roger Harley.

"The policy journals of U.S and U.K. think tanks are being read by opinion leaders. The IPA Review is showing that there is a similar market in Australia".

The IPA is tackling issues of concern to mainstream Australia: excessive taxation, public sector waste and inefficiency, union power, bias in the media, declining educational standards and so on.

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(Advertising enquires should be directed to Roger Harley, on (03) 61 2029).

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FROM: Director, Rod Kemp
RE: Subscription Drive

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Increased Corporate Support

Some 50 new companies have joined the IPA in the last four months.

There are some 450 companies which are corporate members of the IPA.

The increase in membership follows a campaign to increase the level of corporate support.

The strong support from the corporate sector will enable the IPA to increase the range of its publications and commission outside research.

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Educational Programmes

The IPA is receiving many inquiries from students and teachers for copies of Review and Facts.

The IPA is happy for articles from Review to be photocopied and distributed for educational purposes.

Alternatively, bulk copies can be provided at special rates to educational institutions.

Melissa Scott on (03) 61 2029 will answer any queries on these rates and mailing arrangements.
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