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SANTOS. TODAY'S AUSTRALIAN EXPLORER
The realisation is slowly beginning to dawn that Australia is facing its gravest economic crisis since the Great Depression.

In some respects, though not in all, the present situation is more challenging, because it is more intractable, than that of half a century ago. In the Great Depression there was a well-founded expectation that if we could hang on long enough and make the right responses, a recovery in the world economy and, with it, a recovery in export prices would eventually rescue us from our plight. This time there can be no such expectation. The prospects of an early substantial recovery in the prices of Australia’s traditional exports seem virtually non-existent.

What we have to prepare ourselves for is a radical re-structuring of our economy, a re-structuring which will lay the foundations for a major increase in our export earnings, along with a substantial reduction in the economy’s need for imports.

It is far from sufficient to talk just of wage discounting (or even “freezes”) and tough budgets. Every section of our economic life will have to come under review. We are facing the need for a revolution in our Australian way of life, in our customary manner of doing things and in deeply entrenched attitudes.

By far the greatest challenge will be the restructuring of the trade union movement and the role of unionism in the organisation of labour markets. This will inevitably mean a withdrawal of monopoly privileges granted to unions under the Arbitration system which have helped entrench union power. Only a reduction in union power and freeing up the labour market will give the flexibility required to meet the great challenge now facing Australia. Is it too far-fetched to suggest that Mr. Hawke could achieve this goal? President de Gaulle, despite all his promises, took the French out of Algeria. President Nixon, having attacked the communists throughout his political life, grabbed the historic moment and ended communist China’s isolation.

Restructuring the trade union movement and freeing up the labour market offers the best chance of preventing the wage explosions which blew both the Whitlam and Fraser governments out of office (and may well do the same to the Hawke Government).

Beyond these labour market reforms, government sector restructuring must be near the top of the agenda. The crippling costs of major public services — education, health, transport and welfare — is not going to be alleviated unless there is a major revision in our conception of the proper functions of government. The solution to these problems will only result from a major reduction in the reliance on government to provide these services. The pressure is on government as never before to sort out its priorities. Government must concentrate on meeting only those services which private effort will not provide.

There is a long way to go in the winding back of regulation on private productive activity. Some of the old colonial enterprises, such as the railway, post office, power and other utilities, must be removed to the market place where they will be better provided and far better supervised by consumers and shareholders than they have been by government.

Only when the economy has been renovated from top to bottom in the ways indicated will private enterprise be able to compete on world markets and be less in need of protection. The reduction of tariffs and a more efficient and competitive economy will enable government support schemes and subsidies for the agricultural sector to be wound back.

What has been lacking so far has been a sustained effort to educate and lead the Australian people to an appreciation that many of the old ways of doing things must be put away for good and a new, more competitive system erected in their place. Given bold, courageous and realistic leadership — something we are not getting at present — there can be no doubt that Australians will respond. The water might be cold at first, but the plunge will prove invigorating and healthful.
Dibb Report Lacks Realism

The fundamental flaw of the Dibb Report is its political naivety — a naivety which has the capacity to undermine our national security. The Report is principally concerned with making recommendations on the re-structuring of Australia's defence forces. Its main fault lies not with the details of these recommendations but with the strategic and political assumptions on which they are based. If these assumptions are not overthrown and replaced by a more realistic conception, Australia will become an active contributor to a worsening in our strategic position. Defence Minister Beazely has done his nation a disservice by promoting and guiding the Report and history may judge him harshly.

The inadequacy of the political thinking behind the Report is to be seen in its assumption that defence policy is largely distinct from foreign and external trade policy, and that a nation's defence posture does not carry strong political messages to other nations. The preoccupation of the report with the physical defence of the Australian continent itself and its totally inadequate recognition of the significance of Australia's defence posture for its relations with other nations and hence protection of its wider foreign policy and trading interests arises from this naivety.

The Report may well already have damaged our relations with Indonasia, which has hoped for a broadly supportive and co-operative relation with Australia. The Report, in its rhetorical insistence on self-reliance (though we are totally dependent on imports for our sophisticated firepower) may well fuel, rather than weaken, the isolationist impulse in New Zealand. The Report fails to come to terms with the growing instability and expanding Soviet presence in the South Pacific which is likely to increase if Australia pulls back in the region. These considerations seriously weaken Dibb's assumption that Australia will face no major security threat for the next ten years.

The thinking — or lack of it — behind the Report is inconsistent with the realities of Mr. Hayden's foreign policy objective of closer relations with the ASEAN nations, because it effectively sends the message that Australia will be unwilling and unable in future to offer them any support in their own pursuit of security. It fails to understand the values of an Australian presence, such as exists at Butterworth, in Malaysia, in increasing the uncertainties for any potential destabilising power such as Vietnam.

The Report is also inconsistent with the realities behind the objective the Federal Government promotes through the Minister for Industry and Commerce of expanding Australian exports to the region and Japan. Japanese trade, in particular, is especially vulnerable to Soviet pressure, and a significant part of that trade is Australian. The Dibb Report would give us no capacity to support the defence of the merchant shipping on which our economy depends. Australia is properly thought of not merely as a continent to be defended but also in light of its relations with other nations. Interruption of these relations by security threats would be catastrophic to the Australian economy, let alone to the government in power. The Dibb Report narrows the options for any Australian government in defending these broader Australian interests.

If our Foreign and Industry and Commerce Ministers do not speak strongly against the Report they are not doing their jobs in defending the interests they represent themselves as promoting.

Finally, the Dibb Report over-stresses the so-called Guam doctrine of self-reliance to the point where it fails to acknowledge that ANZUS is a defence agreement of co-operation in the Pacific region, and that Australia must be prepared to make a substantial contribution to that Alliance. Jeanie Kirkpatrick on her recent visit to Australia for the IPA indicated a growing American preoccupation with its side of the Pacific. With Australia surrendering her capacity to project power even into the area which Dibb recognises as one of primary strategic interest, Australia could find herself a much lonelier and more isolated nation than she has ever been before.

With the Dibb Report Australia has set foot on a slippery and dangerous path of surrendering defence positions she already occupies for no sound reason, and on the dubious assumption that the world will give sufficient warning for our posture to change. It is vital that the Dibb Report does not become a conventional wisdom for Australian defence. National independence is deeply to be desired. The Dibb Report does not guarantee that, but threatens it.
"Now is the winter of our discontent...."

The slow-down in economic activity which has now been running since about last October/November seems to have continued in the June quarter.

The national income and expenditure accounts show — or at any rate, purport to show — that during the December quarter of last year and the March quarter, 1986 the Australian economy was, technically speaking, already in a recession — defined as two successive quarters in which the Gross National Product (GNP) falls. Although we will not receive national accounts figures for the June quarter until Budget night (19 August) — and although those earlier figures may be substantially revised — movements in various partial indicators and other, more qualitative evidence suggest that if anything the June quarter may have reflected an even more depressed picture, in terms of growth of domestic demand, than its two predecessors.

Retail sales, which represent about half personal consumption expenditure, seem to have been flagging in recent months, as have both private and business demand for automobiles. The banks' massive injection of cash into lending for housing from April onwards may be expected to produce some upward turnaround in the dwelling construction industry during the September (or at any rate certainly the December) quarter. Meanwhile however activity in this sector in the June quarter would almost certainly have continued to run down as the sharp fall in lending rates between July, 1985 and March, 1986 continued to work through into the industry.

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Nor does business fixed investment seem very likely to have been particularly buoyant in the June quarter. Since the thoroughly misleading bullishness painted for this area by the preliminary results of the Statistician's January/February, 1986 survey of private new capital expenditure, all succeeding indicators of the investment outlook have continued to track downwards. Indeed, apart from its massive miscalculation in forecasting 1985-86 balance of payments developments, there is probably no other field where the Government's forecasts (or hopes) have been more sadly — and more importantly — dashed during 1985-86 than that of business fixed investment. I return to this topic below.

The two areas which, more than likely, would have been supporting June quarter activity are spending by governments and their instrumentalities, and the external account. As to the latter, the June quarter was disastrous in terms of the external deficit outcome (which in the end of course is the "bottom line" for national solvency). Nevertheless, there may well have been some positive effect on domestic activity — as there was in the March quarter — through the combined effect of rising volumes of exports and falling volumes of imports.

I add that before the Government begins to congratulate itself too loudly on this “J-curve” development, it needs to note two things. First, so far as the fall in import volumes is concerned (e.g. fall in demand for foreign automobiles), while some of this undoubtedly does result from "J-curve" effects as the soaring price of imported vehicles begins to bear down upon demand for them, a good deal of it also undoubtedly results from the marked slow-down in the economy (e.g. demand for domestically produced vehicles has
fallen also, though not nearly as much). Note moreover that the example I have chosen (autos) is one in which a domestically manufactured substitute for imports is available, and that this is not by any means true across the wider range of imports.

Secondly, whatever the "J-curve" component of recent falls in the volume of imports may be, that component is presumably reflecting the $A depreciation of some time ago — say, during 1985. Between the end of April, 1986 and 18 July, however, the trade-weighted index (TWI) for the $A against the world has plunged a further 13.8 per cent. This means that, while some components of the balance of payments may have "rounded the corner" on that earlier-induced J-curve, we are now embarking on a further plunge down the hook of a new J as a result of this more recent fall in the $A. To say the least, this is not comforting.

As I noted earlier, continued strong (i.e. excessive) spending by governments may also have operated to support domestic activity in the June quarter. It is however worth noting in passing that if the Prime Minister's statements, both in his Address to the Nation on 11 June last and in his major address to the Labor Party Conference in Hobart on 9 July, are to have any real meaning, that kind of growth in public sector spending must now be going to cease.

Naturally, I wholly agree with the need for that — it has been at least two years too long in coming even if it now does so. Nevertheless, it needs to be clearly understood that the removal of this artificial prop must, in the first instance, produce a further depressive effect upon total domestic demand and hence the level of activity, employment, unemployment and so on. As usual, the consequence of failing to face up to the problems at the right time is the much greater pain of doing so when finally that becomes inescapable.

Those who know their Shakespeare will recall that the line from Richard III with which I began this piece continues as follows:

".. made glorious summer by this sun of York."

Who is to be cast, I wonder, as "this sun of York" to make "glorious summer" from this present winter of our discontent? Mr. Hawke? Mr. Keating? Mr. Simon Crean? The President of the Commonwealth Conciliation and Arbitration Commission (Mr. Justice Maddern)? None of these seems quite to fill the bill. If so — and alternatives do not readily suggest themselves — this winter of our discontent seems likely to be followed by a summer equally inglorious.

The Paradox of the Accord

I noted above that I would return to the topic of business fixed investment in Australia.

When the 1985-86 Budget was brought down in August, 1985 the Treasury said in Statement No.2 attached to the Budget Speech (pp. 71-72) that growth in private business fixed investment in 1985-86 "could be a little higher" than the growth of around 4 per cent then estimated to have been recorded in 1984-85. Note that, even so, this forecast growth of around 5 per cent was no more than in line with the then forecast for the growth of non-farm GDP, so that no increase was expected in the share of this component in total economic activity in 1985-86.

In the months following the Budget, the Government remained enormously confident about this forecast. Indeed, as late as 12 February this year, in answer to questions following his speech to the 39th International Banking Summer School in Melbourne, the Treasurer emphasised the large rise in imports of machinery and transport equipment during the second half of 1985 and went so far as to say that this demonstrated that the Government was now presiding over what he called "the renaissance of Australian manufacturing industry".

Some Doubting Thomases (such as myself) continued to express their puzzlement as to why even in the then climate of business confidence (which has since worsened markedly), business decision-makers would have been stepping up their investment plans in accordance with the Government's rhetoric. Nevertheless, that rhetoric appeared to gain considerable support when, on 27 February, 1986 the Australian Bureau of Statistics (ABS) issued the preliminary results of its survey, conducted in January/February of private new capital expenditure intentions for 1986-87, which represented an increase of 31 per cent over the corresponding survey estimate (a year earlier) for 1985-86. Even after allowance for a hefty increase in prices of much of the (imported) capital equipment involved, this looked a very strong figure — indeed, astonishingly so.

Shortly thereafter, however, the President of
the Australian Council of Trade Unions (ACTU), Mr. Simon Crean, was reported (Melbourne The Age, 13 March, 1986) as launching a strong attack upon the unwillingness of business to invest. This attack came during a meeting between the Treasurer and the ACTU Executive, and Mr. Crean was reported to have “sheeted home” to Mr. Keating that the “missing link” in the Government’s economic strategy was a lack of investment growth.

This was interesting. At the very least it suggested a difference of view between Government and the ACTU. More importantly, if Mr. Crean was right, that would raise the question of why, in the wake of the major incentive towards import substitution provided by the massive depreciation of the $A in 1985 (and hence massive incentive for investment to take advantage of it), business was still reluctant to invest.

In a paper delivered to the joint Seminar presented by the IPA and the American Enterprise Institute in Sydney and Melbourne on 19-21 March last, I referred to these, on the face of them puzzling, developments. After canvassing various aspects of the matter, I concluded:

“So what is holding them (i.e. investment decisions) back? While many answers might be given to that question — current interest rates among them — I suggest that what is principally holding them back is fear — the fear of the malevolently anti-business behaviour of most of our trade union bosses”.

This “paradox of the Accord”; as I call it, has its essence in the fact that the very enhancement of trade union power which the Accord necessarily entails is itself inimical to business enterprise. Clearly, that is particularly relevant to the outlook for business fixed investment. It has however a more general application, which in that earlier paper I summed up thus:

“... no sensible economic strategy for Australia in the 1990s can be founded upon arrangements in our labour markets which bear resemblance to those which now obtain”.

**Trade Union Power**

Nothing indeed could more clearly demonstrate the importance of trade union power (as now reinforced by the Accord) in depressing what Keynes called the “animal spirits” of the business community than the recent events arising out of the deliberations of the Commonwealth Conciliation and Arbitration Commission. I refer in particular to the matter of new so-called productivity-related superannuation entitlements.

Here we had a deal agreed last September between the Government and the ACTU that was to result, over the two years beginning 1 July 1986, in employers paying over a 3 per cent wage-equivalent to provide new (and in many cases additional) superannuation entitlements via schemes over which the trade unions were clearly determined to exercise at least covert, if not indeed overt, control.

After much argument before it, the Commission said flatly, in its Decision of 26 June, 1986, that:

(a) “... we are not persuaded by the ACTU’s retrospective approach on productivity distribution ... Such an approach is conceptually and practically untenable as a basis for productivity distribution. It generates unwarranted expectations of an economically unviable catch-up ...” (Reasons for Decision, page 21).

(b) “... the relevant productivity against which to set off any future increased labour costs arising from benefits to wage and salary earners, is future productivity”. (op. cit, p21)

(c) “... whatever (future) productivity growth does take place, it will provide the potential for distribution in various forms — lower prices, higher profit share, improved real pay and conditions to wage and salary earners, or a combination of these ...” (p.21)

The Commission might have added a fourth avenue to which the fruits of any future increase in national productivity rather more urgently needs to be directed — namely, to reducing Australians’ dependence upon the (net) massive transfer of goods and services currently being provided to us by foreigners, as represented by the deficit in the current account of the balance of payments. However, it did at least note the existence of the problem — which has since taken on the dimensions not of a problem but a crisis — in that area, as follows:

(d) “... since 1983 the economy ... has encountered a persistent and serious balance of payments problem which ... has led to a substantial devaluation of the Australian dollar and a considerable rise in interest rates. Unless the deficit in the balance of payments is reduced, the growth in our external debt is halted and the Australian dollar is stabilised, the economy
faces the prospect of losing all the gains made in the last three years. In short, the inevitable result will be a return to unemployment of over 10 per cent”. (p.22)

All this is eminently sound. So far, one might say, so good. With the Commission, however, things are never so simple. So far as the foregoing perfectly logical line of argument is concerned, it is a case of “Now you see it, now you don’t”. The first step in the Commission’s process of “disappearing” (as they would say in Argentina) its own earlier stated views is for it to say that it is “aware that expectations have been built up ...”. These expectations “have been ... greatly strengthened by the Commonwealth/ACTU Agreement of September 1985, made, it should be said, at a time when the balance of payments problem seemed to loom less large”. (This latter genuflection in the direction of the Commonwealth Government is rather strange. At the time in question it was being widely estimated — though admittedly not by the Government — that the current account deficit for 1985-86 would amount to about $12 billion. True, that would not have been as catastrophic as the $14.3 billion outcome, but it would hardly seem to have been a basis for the kind of complacency inherent in agreeing that employers should add further to their cost problems by handing over another 3 per cent wage equivalent).

On the basis of these “expectations”, which it has already noted are totally devoid of realistic foundations, the Commission then embarks upon one of its characteristically stately verbal minuets. Having done so, it is then found to be standing in precisely the opposite corner of the ring — that is, as usual supporting the trade unions in their naked grab for both more power and more pelf. The Commission, it says “will not arbitrate to provide for superannuation as sought by the ACTU and the Commonwealth during the life of this package” (note, incidentally, that last qualification). However, it says, “for the reasons we have noted, ... we believe it important for the Commission to monitor and regulate any agreements which might be entered into...”.

What are these “reasons we have noted”? Why, because “if left outside the Commission’s control, these developments ... could threaten the very foundation of the centralised system”. Since anything which could do that would, of course, be devoutly to be desired (other than by members — including regrettably a good many employers — of the Industrial Relations Club) that does not seem a very compelling argument. Nevertheless, compelling — in the sense of carrying legal force — it has proved to be, and employers all over Australia are now being confronted by various trade union footpads calling upon them to stand and deliver — or take the consequences.

Notwithstanding all this Mr. Crean — as well as Mr. Hawke and Mr. Keating — continue to wonder at the sense of despair now growing within the business community, and its natural concomitant, the fall-off in business investment. Cannot these people see that, if these are the rules (sic) by which Australian businessmen and women have to play, they may as well go fishing?

Meanwhile I understand that the Joint Economic Forecasting Group in Canberra, which nowadays is run to all intents and purposes out of the Treasurer’s Private Office, is again waxing quite bullish about the outlook for private business fixed investment in 1986-87. Sic transit gloria mundi (or at any rate, Australia’s part of it).

The Coming Industrial Relations Coup d’Etat

This latest experience of the modus operandi both of the Commission and of our trade union bosses hardly provides a comforting backdrop to the Government’s intentions, during the Budget Session of the Parliament, to legislate to give effect to the recommendations of the so-called Hancock Committee. In particular, given this latest performance from the Commission, how can a Government which continually describes itself as responsible propose to legislate to take all — repeat all — industrial relations matters out of the hands of the real courts of Australia and put them into the hands of a so-called Labour Court, to be staffed by members of the Commission simply wearing different hats? Nothing could be more calculated to bring the law generally into disrepute than judgments from such a court of the kind to which we have become accustomed from the Commission.

This is no small matter. To its eternal discredit, the Hancock Committee recommended that what it called the “realities” of power in the industrial relations market-place, as between weak employers on the one hand and strong trade unions on the other, should be accepted and formalised through this new Court. From it we
would get, clearly, the same kind of totally non-judical outcomes as the Commission hands down continually. Under this proposed regime it would have been quite out of the question for Mr. Jay Pendarvis and his backers to bring (or at any rate to succeed in) the legal actions which have made the Mudginberri Abattoir case such a landmark in the industrial relations history of this country. Note moreover that the Committee (headed by a University Vice-Chancellor and including also a man who had spent a lifetime in the service of the employers) specifically recommended that “there should be no right of appeal to any other Court against a decision of the Australian Labour Court”.

Of course, if such a Labour Court were to be established, the legislation would have to deprive any employers (or employees, for that matter) of their present legal rights for the redress of grievances via legal actions in real Courts under the common law of industrial tort. That is certainly what the ACTU is demanding of the Government, and there seems every likelihood that that is what they will get. That assumes, naturally, that the Australian Democrats will adopt in the Senate their usual position of principle towards such legislation — an assumption which, given their recent record in assisting the Government to pass the capital gains tax and the fringe benefits tax, seems entirely justified.

7 Days

Next March or April is expected to see the appearance of a new newspaper “for the Australian and New Zealand labor movements”. According to its publisher, Mr. John Mathews, as reported in The Age of 21 June last, the intention of the paper would be to serve independently the interest of “the labor movement” in, as he said, “more or less the same way as The Financial Review is an independent paper serving the interests of the business community”. Really?

With a Board of Directors including Mr. Simon Crean, the Managing Director of the ALP’s polling organisation, Australian National Opinion Polls (Mr. Rod Cameron), the assistant secretary of the NSW Labor Council and the President of the largest public service trade union (the Administrative and Clerical Officers’ Association), the newspaper is expected to obtain the capital needed for its establishment from, inter alia, “government investment agencies”. It will include “corporate and government advertising”.

It will be interesting to see which “government investment agency” so loses sight of its rationale as to employ taxpayers’ funds for such a blatantly political purpose. Perhaps the Australian Industry Development Corporation, which is rapidly becoming a central tool of economic planning through its role in the provision of the investment subsidies which the Commonwealth Department of Industry, Technology and Commerce is now handing out, could be interested?

Naturally, once the new journal is established, it should not be difficult to render it profitable. Corporate advertising would doubtless be readily forthcoming from those members of the Industrial Relations Club who feel that they should ensure the best relations with their industry’s trade unions that money can buy. As for government advertising — that is, the direct expenditure of taxpayers’ funds in support of this Party political venture — why should it not materialise in sizeable amounts? After all, this new PAGUT (see page 10) will be just as worthy (sic) a recipient of our taxes as its fellows.
The Rise of the PAGUTS
(Political Advocacy Groups Utilising Taxes)

Bob Browning

"To compel a man to furnish contributions of money for the propagation of opinions which he disbelieves is sinful and tyrannical". Thomas Jefferson (Virginia Statute of Religious Liberty).

Taxpayers are being required to finance the political activities of increasing numbers of groups opposed to mainstream Australian values. Such funding is dividing Australian society and intensifying political conflict.

In the past three years, Federal and State Governments have taken millions of dollars from taxpayers to give to selected "community" groups, trade unions and their various programmes purporting, among other things, to increase democratic participation in public policy, workplace management and community affairs.

At the same time, they have given selected "community" groups seats on key public policy advisory bodies, from EPAC down. They have created new departments and agencies, and reoriented existing ones, diverting public resources to give effect to their priorities. New mechanisms like the Health Forum, are being established and financed to involve such groups officially in public service administration.

Political advocacy groups utilising taxes (PAGUTS) have existed for some time. The process of patronising politicised community groups began 14 years ago under Mr. Whitlam, survived Mr. Fraser, and escalated sharply under present ALP governments. The Bulletin has called attention to the process intermittently, and recently the Coalition Waste Watch Committee has attracted media attention by listing the more blatant instances of political funding.

PAGUTS can be national or even international "umbrella" groups like the Australian Conservation Foundation (ACF) (see box) or the International Organisation of Consumer Unions (IOCU). The ACF claims 12,000 members, the IOCU 5 billion! They can be "grass roots" organisations like the Pakenham People for Nuclear Disarmament or the Flemington Neighbourhood House Inc Association. They can be groups which work in association with larger groups like trade unions, political parties or even other PAGUTS. The Victorian Consumer Legal Service is located in the AMWU headquarters in East Melbourne, and is otherwise supported by that union. The Knox Prices Action Group was co-founded by a (now) Victorian State ALP Minister campaigning in that electorate. Consumer Interpol and numerous other organisations are creations of the Australian Consumers Association and the IOCU.

Whether they claim to be big or small the dominant feature of PAGUTS is that they pursue political (left or right) causes and rely on the taxpayers for substantial contributions to fund these activities. If it were not for their dependency on government funding, PAGUTS could be considered private organisations. However, they elude both the accountability required by the public sector and the market discipline inescapable in private organisations. Despite their claims to be "community" groups, many PAGUTS have tired of asking their fellow citizens to support their causes voluntarily, and instead have become expert in using governments to milk the taxpayer.

Scanning lists of government grants reveals PAGUTS in abundance. They figure prominently in a range of funding programmes covering community employment, peace, industrial
democracy, Bicentennial celebrations, environmental and consumer protection, aboriginal rights, multiculturalism, research, public health and safety, human rights, “community” art and culture and other special issues.

Examples abound. They include seemingly endless grants like the $700,000 to Peasants of the Ainslie Collective Housing (POACH), Women Into Collective Housing (WITCH), and other “needy” Canberra groups; $749,677 in “arts” grants to three Trades and Labour Councils, including a grant to maintain a “story-teller-in-the-community”; $52,000 to the Victorian Builders Labourers Federation to maintain its “mural artist-in-residence”; $35,631 to the Union of Australian Women (a supporter of communist activities), to research its own history, and another grant to buy plastic shopping bags “advertising” peace; $20,000 a group of Administrative and Clerical Officers Association members to write a play depicting the “highs and lows of life in the Department of Social Security” for its demoralised staff.

Diverting Resources

PAGUTS are not unique to Australia. James Bennett and Thomas Dilorenzo in their recent book *Destroying Democracy* (Cato Institute, Washington) document a plethora of such groups in the U.S. all using taxpayer funds and by-passing the democratic process to push their political interests.

PAGUTS do not only utilise public funds by receiving direct grants. They use the influence which government patronage gives them to press for further government expenditure on their agendas. They invariably seek an expansion of government bureaucracy and the diversion of resources away from existing priorities to their special issues. At their behest, Human Rights, Legal Aid, Law Reform, Multicultural, Constitutional, and Consumer Affairs Departments, have been created, expanded or reoriented.

The increase in various forms of regulation which almost invariably flows from the activities of such government agencies adds to the effect of diverting private sector resources to non-wealth producing activity. Distribution costs force consumers to pay higher prices, as well as higher taxes to accommodate special interests — often for no observable public benefit.

Take one of many examples: the Australian Consumer Association constantly makes complaints to various tribunals, as well as to the media. It sent 26 pages of complaints, for example, to the Australian Broadcasting Tribunal, alleging “widespread flouting of the law” by commercial advertisers on NSW television stations, and called for more regulation of advertising. After lengthy inquiries extending over 18 months at considerable cost, Sir Richard Kirby announced the combined findings of relevant public and private industry bodies. He dismissed 113 of the ACA’s 127 complaints as “without substance”, and said that the other 14 were only technical breaches. He said that the ACA’s complaints had “an air of unreality about them”.

Funding

Some PAGUTS are almost totally funded by the taxpayer. The Australian Federation of Consumer Organisations, for example, is over 99 per cent taxpayer funded. It raises less than $900 a year from its own membership. Others like the Australian Conservation Foundation are only partially (if substantially) tax-funded. The ACF this year received $1.3 million from government in direct grants alone.

$57,750 went to three organisations alone
— the Anarchist Centennial, the Gay Mardi Gras Association, and FILEF.

It is virtually impossible to specify the total amount of taxpayers’ money going to PAGUTS and being expended on their causes. Attempts to do so generally underestimate the amount. Some grants are blatantly obvious, but many are not, making the full extent of funding difficult to trace.

The $47,750 Australia (Arts) Council grant to FILEF, the Australian affiliate of the Italian Communist Party, and its $1.3 million in grants so far to trade unions are examples of the obvious category. Other grants can be less obvious — for example, the $1.2 million in Employee Participation Industrial Democracy Programme grants, the $1.2 million in BINGO (Bilateral Non-Government Organisation Co-Operation Programme) grants, and much of the $6.2 million in Ethnic Affairs grants to trade unions and “community” groups.
A restrained estimate of $12.43 million in grants this year by the Australia Council alone, suggests that at least 5 per cent has gone to trade unions and other "community groups" for "arts" projects, including support for "artists-in-residence" and "storytellers-in-community". $57,750 went to three organisations alone — the Anarchist Centennial, the Gay Mardi Gras Association, and FILE.

There are grey areas between art and politics as there are between welfare and politics. It is usually possible, however, to distinguish an art, welfare or environmental organisation from a primarily political one which undertakes an artistic or welfare project in order to propagandise for a political cause. The difficulty of drawing the line in some cases should not serve as an excuse for avoiding the principle that taxpayers funds should not be used to promote political activities.

At a conservative estimate, 40 per cent of International Year of Peace grants are going to trade unions and PAGUTS. For example, $126,500 has gone so far to People for Nuclear Disarmament, Movement Against Uranium Mining, and associated radical women's groups. At least 2.2 per cent (i.e. $1.46 million) of the $66.3 million annual Legal Aid allocation goes to "community" Legal Centres, many of which are actively involved in political advocacy. (Some "community" legal services double or multi-dip into the public purse. This year the Victorian Consumer Affairs Department granted $500,000 to consumerist groups. One of the main beneficiaries was the AMWU-backed Consumer Credit Legal Service which has had legal aid and other public funding.)

The Community Employment Programme which so far has spent a massive $1.3 billion, is notorious for its hefty and numerous grants to trade unions and PAGUTS. It gave $157,837 for example, in one grant to one State Trades and Labour Council for one programme — the "trade union art and working life programme". It is estimated that at least 1 per cent of CEP funding goes to trade unions and PAGUTS. The percentage is probably much higher. As 1 per cent of CEP expenditure is $14 million, significant amounts of money are involved.

Total direct grants to PAGUTS amount each year to multi-million dollar figures. If account is taken also of indirect funding, and re-allocation of resources to PAGUTS priorities, away from wealth-producing and real job-creating endeavours, the real cost to the community would skyrocket.

Justification

Governments justify tax-funding "community" groups and giving them privileged access to advisory councils in the public service by claiming that the power of producer groups in our society is excessive and needs to be counter-balanced. Governments currently argue that promoting and resourcing "community" groups helps ensure that the public interest prevails over special private interests. Government patronage, it is said, enables the community to organise against commercial exploitation of consumers, racial and sex discrimination, unequal access to the law, and threats to the environment, public health, safety, and peace. It also allows welfare, health services, art and culture to become more "consumer oriented" by involving the "community" in determining their nature and delivery.

In fact, funding and official patronage of selected "community" groups gives certain political minorities resources they could not otherwise dream of extracting from the public. It also gives them a degree of influence over public policy they could not hope to win through the ballot box.

Adverse Effects

The more blatant and often ludicrously described handouts to trade unions and "community" groups attract most attention. But it is important to recognise that serious issues are involved which raise fundamental questions about the future of Australian democracy. Such government patronage sometimes allows an abuse of taxpayers' funds. It can allow public money to be used for partisan political purposes. It opens the door to the worst excesses of political patronage. Finally, it has the potential to alter the political balance in Australian society by bolstering selected minorities, their ideological agendas, and special class interests. The results are serious. They adversely affect traditional social values and democratic institutions, and threaten economic viability. Nevertheless, few voices have been raised in protest.

In a democracy there can be no legitimate objection to any number of groups advocating as
A Pagut Network

A few years ago, the Australian Conservation Foundation (which this year received $1.3 million in government grants) surveyed its membership. The survey indicated that less than 2 per cent of ACF members were blue-collar workers, less than 3 per cent modemen, less than 5 per cent managerial. Over 76 per cent were academic or professional. 62 per cent were under 40 years of age. 63 per cent had no children at all in their households. 40 per cent had taken part in demonstrations. University academics are the largest single group among the leadership, and both leadership and membership are overwhelmingly urban.

In another survey, the ACF asked its members whether it should support a particular political party. Of 1117 respondents, 548 said "yes". Not one wanted to support the National Party. 3 wanted to support the Liberal Party. 46 wanted the ALP. Some 361 wanted to support the Australian Democrats or the Nuclear Disarmament Party.

Whatever else these surveys indicate, they hardly suggest that the ACF is typical of the man-in-the-street. The ACF claims a membership of 12,000 but only about one-third, or 4,000 vote in its elections every two years.

The Australian Federation of Consumer Organisations is affiliated with the ACF. Robin Brown, current Director and former Chairman of AFCO is a Councillor of the ACF. Other AFCO officials and active members are also active ACF members.

AFCO is over 99 per cent funded by the Federal Government. Since the ALP took office federally, AFCO's funding has risen 300 per cent. It is likely to rise even further. The ALP Federal Caucus recently created a new sub-committee on consumerism. One of its first acts was to meet with AFCO and announce that it was "most sympathetic" to AFCO's "financial difficulties". AFCO is specifically mentioned in the Federal Labor Party Platform as a community group to be funded and supported. (If there is any truth in the traditional saying, he who pays the piper calls the tune, how can such PAGUTS claim to be independent and free to pursue the public interest uninfluenced by political bias?)

The ACF and AFCO are two of the core groups within the new Health Forum, a mechanism through which allows selected "community" groups to participate in the running of the Federal Department of Health, including the allocation of its $7.6 billion annual budget.

The Health Forum even proposes that departmental and "community" group officials conduct exchange secondments, and that preference be given in public service recruitment to those with experience in "community participation" and "an appreciation of the issues": AFCO has described the Health Forum as a "blueprint" for other public service departments.

The Australian Consumers Association is another leading member of the Health Forum in its own right, even though it is the most influential constituent member of AFCO. The ACA and the AFCO together with Community Aid Abroad, Doctors Reform Society, Rupert Public Interest Movement and four other similar organisations were responsible for creating the Health Forum by petitioning the Minister, Dr. Blewett, last year to set up the new mechanism. All the nine petitioning "community" groups "network" together and have the usual membership overlaps.

Despite its large membership claims, the ACA has barely 200 members able to vote for its governing body. As few as 59 votes have been cast in general elections of ACA governing councillors. The Council is a 20 member body in which academics, once again, predominate. Nevertheless, the ACA consistently claims a membership of over 200,000. ACA makes everyone who subscribes to its Choice magazine an associate member. Associate members have no voting rights. Most subscribers do not even know they are associate members, or what, if anything, it means.

The ACA makes alternative claims to a popular mandate on the basis that over 200,000 subscribe to its magazine Choice. On such a basis the Australian Consolidated Press could claim to be the legitimate spokesperson for Australian women. Five times as many women read its Women's Weekly as read Choice.

The ACA is in the forefront of those groups clamouring for more "community" participation in public policy as a democratic right, while maintaining a tiny electoral base and a tight oligarchic control of its own "community" group.

AFCO is also controlled by a small group of active members and officials. This was highlighted last year when the national branch of the Country Women's Association disaffiliated. CWA (then) President, Vera Norris, criticised AFCO's claim to represent over 2 million consumers throughout Australia. She said that the AFCO's seven-member Executive ran the Federation from Canberra with "seemingly little consultation with member associations". At the last AFCO Biennial Conference she attended, only 25 persons were present with full voting rights.

The ACA and AFCO are affiliates of the International Organisation of Consumer Unions. Long standing ACA Governing Councillor, Associate Professor Ted Wheelwright, generally presents the ACA's main papers at IOCU World Congresses. Those dealing with multinational capitalism, which most do, are prepared by the think tank he heads, the Transnational Corporations Research Project.

Wheelwright's TNCRP was set up originally with a grant from the Whitlam Government. Subsequent finance has come from the Wran government. One of the think tank's first acts was to co-operate with the Institute of Policy Studies to set up another think tank — the Transnational Cooperative — based in a group of left wing unions led by the AMWU. Most recently, the Federal government's Community Employment Program financed a TNC project to design strategies to counter the "New Right".
strongly as they wish anything from alternative medicine and nutritional faddism to radical environmentalism and corporate state socialism. What is objectionable is that selected groups should be given privileges by government, and that already burdened taxpayers should be made to foot the bill.

**Partisan Political Purposes**

Lack of accountability in the political groups receiving public money encourages the use of taxpayers' funds for partisan political purposes. This was effectively illustrated in the $160,000 provided by the Victorian Government to the Australian Greek Media Co-operative last year to fund a Greek/English newspaper, *New Directions*. The newspaper's objectives include producing "materials by and for the Labor movement"; and it was established with the close co-operation of a Victorian Labor MP. The funding of this particular PAGUT created a furore last April in the Victorian Parliament.

The Australian Bicentennial Authority is disposing of vast quantities of taxpayers' money (over $200 million) to fund various projects to mark 1988. The Authority's programme has been attacked for its heavy weighting in favour of left-wing causes. Recently, the former Chief Executive of the Authority, David Armstrong, was quoted *(The Age, 17 May 1986)* as saying: "I breathed a sigh of relief when the ALP won the election because I had put in place basically a Labor party oriented Bicentennial programme".

In practice this means that more than a million dollars is going to "celebrate the trade unions' contribution to the development of modern Australia", while free enterprise is seen by the ABA as little more than a hopeful source of corporate sponsorship. Feminist groups are also destined to do well in the sizeable allocations for women's activities.

John Dawkins, Federal Minister for Trade, made no bones about calling in the IOUs this year in his Australia Day address. Dawkins urged his audience of young writers, many of whom benefit directly or indirectly from Australia Council funding, to "expose and refute" what he termed the "New Right" which had "clothed itself in the symbols of patriotism for sinister and dishonourable purposes".

It is equally objectionable that right-wing or conservative PAGUTS should be publicly funded. An ALP newsletter recently attacked the use of rate payers' funds by a number of municipal associations to "harass the ALP whenever they can" *(reported in The Age, 28 July)*.

The farming, pastoral, mining and timber industries need no reminding of the influence of radical environmentalist, land rights, and animal liberationist groups on government policies. The food, pharmaceutical and advertising industries are similarly aware of consumerist organisations. Virtually all industry is aware of those groups pushing industrial democracy and politicised aspects of occupational health and safety. The ordinary citizen is increasingly aware that something nasty is happening to public education, cultural and social values, the family, the law, private property and the economy, but he is not yet sure of the real causes.

**Undermining the Professions**

Much of the current political pressure on the private professions, particularly the medical and legal professions, is coming from PAGUTS. With the enormous increase in government patronage, a multitude of PAGUTS has sprung up in the public health and legal aid and law reform areas, many pursuing the aims and ideas propounded by seminal organisations like the Doctors Reform Society and the Australian Legal Workers Movement (which is closely associated with the League of Labor Lawyers). These groups push for an increase in government salaried doctors and lawyers, and a contraction of the professional private sector. There is a corresponding push for socialised medical and legal systems.

Another leading PAGUT in the public health area is the Health Issues Centre (HIC). It was founded by the Victorian Council of Social Services and other Victorian social workers. The Victorian Government is currently allocating half a million dollars to its "Health Cats" operation. Health Cats is a "health complaints advisory telephone service". Its purpose is to elicit and process complaints about the private medical profession and the existing health system. HIC says that Australia's health system must change fundamentally. For a start it wants "equal consideration" given in policy and funding to social and environmental change, particularly "income security and housing", rather than concentration on mere "sickness systems". HIC describes itself as an "information clearing house"
THE RISE OF THE PAGUTS

and a resource centre “designed to support those interested in making changes to the health care system”.

By funding such PAGUTS, governments can create powerful weapons to undermine the legitimacy, and change the nature, of the professions, as well as other key institutions in society.

The funding of the PAGUTS is part of a much broader problem which lies at the heart of Australia's economic and social crisis — the failure of governments to keep firmly in their sights the primary tasks of government.

In June this year prominent clergymen attacked the interference by the Federal Government in the internal affairs of the Anglican Church. The Government, through the Office of the Status of Women, gave $5,000 to the Movement for the Ordination of Women. Father John Fleming of Adelaide said: “It is astonishing to me that taxpayers’ money should be used to fund a single-issue, political, religious organisation which is disruptive in the life of the Anglican Church”.

The Broader Problem

The funding of the PAGUTS is part of a much broader problem which lies at the heart of Australia's economic and social crisis — the failure of governments to keep firmly in their sights the primary tasks of government. While there are insufficient funds to maintain the national research effort, while thousands of applicants cannot obtain university admissions, while the defence infrastructure is in need of repair, and while the health system is running down, it is irresponsible to squander hundreds of millions of dollars on organisations some of whom pursue special political agendas.

It is tempting for governments to use private organisations to “sell” their policies and ideological beliefs to the public. But democratic governments should broadly allow the public debate to proceed undisturbed by publicly directed funding and patronage. Disturbing the balance in this debate can have unforeseen, serious consequences.

Democracy depends on the formation of public opinion independent of government. It can be sustained only when individuals and private groups have genuine independence. PAGUT funding tends to break down this independent pluralism. In doing so it can undermine the separation of Church and State, the independence of the legal system and the judiciary, and the professional character of the health and education systems.

Policy

Some politicians of all parties tend to eye the process opportunistically. They see a powerful tool for winning new constituencies, buying votes, appeasing vocal minorities, and (quietly) advancing special interests. Indeed, the Opposition parties on attaining power may well be tempted to unleash funding of right-wing and conservative causes. In the U.S. it appears that some Reagan conservative appointees have tried to re-orientate taxpayers' funding towards conservative groups. The Australian Left could find itself devastated after any long period of liberal-conservative governments, if such a government were to adopt the precedents which are now being established. We could see, for example, the funding of conservative ethnic newspapers; or of “community-based” small business groups to monitor and advise on countering trade union “human rights abuses”; community defence groups could be established to support Anzus, and so on. Such possibilities illustrate the open arena governments have now entered.

It has been one of the great strengths of our political system for a century or more that governments have not seen electoral success as an opportunity to initiate a naked system of spoils for their supporters. The funding of PAGUTS suggests that this convention of restraint is breaking down.

Ending the taxpayer funding of political advocacy groups would strike a powerful blow for democracy and against divisiveness in Australia. This would test the real support in the community for PAGUTS and their special agendas, by restoring them to the same position in which up to 100,000 other community groups in Australia have historically funded themselves — dependence on the voluntary contributions they can persuade their fellow Australian citizens to provide.
It earns more for Australia than iron and steel.

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By persuading passengers to fly the Australian airline instead of foreign competitors, Qantas is ensuring that a large share of the money spent in Australia on overseas travel stays in Australia.

The international airline industry is essentially a matter of international trade. It's about competitive customer service with a national interest. And it's another way one spirited company is helping to build a stronger, competitive Australia.
How ‘Gough’ Hawke and ‘Jim’ Keating will create another 500,000 unemployed

John Leard

John Leard was one of the first businessmen to predict that Australia was heading for a major economic crisis. This crisis has now arrived and here he reflects on its nature and causes and why he believes things will get worse before they get better.

The Australian economy, which has taken a frightful battering over the last three years and which has particularly unattractive long-term prospects, is about to be assaulted with short-term cost increases which will be disastrous in their effect.

For some considerable time now I have been saying that in the long run there was little difference between the Hawke Government and the Whitlam Government. The former has been more persuasive, more polished and more glib, but in the long run the results of their period in office will be the same — complete economic disaster.

The present situation in Australia reminds me very much of the Whitlam/Cairns years and that is why I say that ‘Gough’ Hawke and ‘Jim’ Keating are about to create 500,000 unemployed Australians.

We have the almost unbelievable situation of an economy which has ceased to grow and which in the Prime Minister’s and Treasurer’s own words needs to slow down further in order to stem the flood of imports, that we are about to add some $14 billion of increased wage costs before the end of 1986.

The recent 2.3 per cent wage increase together with 3 per cent productivity claim will add approximately $7 billion to wage costs in Australia.

On January 1, 1987 there will be another indexation adjustment to wages of probably around 4 per cent. If this 4 per cent is granted, or alternatively “taken” by the unions, the increased cost in terms of wages will be another $7 billion.

The reality is that if the Government or the Arbitration Commission attempts to discount wages, the unions can then indulge in a free-for-all in the market place and “wring” out of employers any balance of the 4 per cent not given to them by the Arbitration Commission.

The simple facts of life are that there is no employer in Australia today, no matter how large, who can withstand the onslaught of union lawlessness. Recent capitulations on the superannuation deal underline the truth of this.

As I and many others have said, union lawlessness is in many respects the only issue in Australia today and it is clear to me at least that the spectre of union lawlessness is going to come crashing down around Australia’s ears in the next twelve months.

Because of the threat of union lawlessness we are going to add $14 billion to our wage costs by the end of 1987.

We will be doing this at a time when the economy has stopped growing and when business prospects are deteriorating.

We all know how business has to react in order to survive when its sales are not increasing and when it is burdened with additional costs.

John Leard was formerly the Managing Director and Chief Executive of Australian National Industries. Following his retirement from this position in 1984 he has become well-known as a controversial commentator on Australian politics and economics.
Business does the only thing which it can do and that is to reduce costs and to cut its expenses.

If business is burdened with these extra costs, in my view it will put 500,000 Australian jobs at risk. The arithmetic is quite simple. Every job in Australia costs approximately $28,000 including on-costs. $28,000 divided into $14 billion equals 500,000 jobs.

From letters which I receive, increasing numbers of employees and rank-and-file trade unionists realise that it is their jobs which are at risk.

It is the productive workers of Australia who are going to “cash in their chips” in this next senseless round of wage increases. It will not be the politicians or the union leaders or the Canberra bureaucrats who lose their jobs, but the average working man and woman.

The Prime Minister, of course, has made great play about the 600,000 new jobs which are alleged to have been created in the last three years. Even if we take these statistics at face value, the important point to remember is that it is not Mr. Hawke, Mr. Keating, Mr. Crean or Mr. Kelty who have created these jobs at all. These jobs have been created by the business sector of Australia which has either provided these jobs directly or created the primary tax base which has allowed various governments in Australia to employ more people.

I believe that the creation of these jobs is a tremendous tribute to the tenacity and the persistence of the Australian business community at a time when it has been under almost unprecedented attack by the governments of this country.

At a time when business has been burdened with wage increases based on indexation rather than on capacity to pay and has been subjected to increases in government charges and a vast range of new anti-business taxes, it has, over three years, created 600,000 new jobs. It is almost unbelievable that business has been able to achieve this.

During this period it has had little help from the governments of Australia and the only three positive factors which have assisted business over that period have been the Wages Pause of 1982/83, the breaking of the drought and the improvement in the U.S. economy. None of these factors is now present to assist us in the period immediately ahead.

I have been one of those (often standing alone unfortunately) in the business community who has said from Day One that the Prices and Incomes Accord would be an economic disaster for Australia, that it was unworkable, and that it would ultimately destroy our economy.

The evidence of the past three years has not inclined me to retract one word of that observation. In fact, I believe we will soon see Mark III of the Accord which simply indicates that Mark I and Mark II have failed.

The supporters of the Accord are quick to point out that the Accord is preferable to a “wages free-for-all”. What they are in fact saying is that union lawlessness must be recognised and must be accommodated. If we accept this spurious reasoning and make this accommodation and bow the knee to union lawlessness, we deserve the economic chaos which we are beginning to reap.

It has long been my view that Wage Indexation is simply a socialist tax-gathering exercise in which workers are pawns in the financial power game being played by the bureaucrats and the politicians in Canberra and by union leaders.

One needs to look no further than interest rates in Australia to understand the havoc which is being wrought by the Prices and Incomes Accord.

The question we should be asking ourselves today is why Australian interest rates are some 7 to 10 percentage points higher than in the rest of the Western world.

The answer to my mind is quite simple — it is the cost being borne by all Australians for this Government’s economic policies; of the Prices and Incomes Accord, of the cost of keeping money in Australia and of propping up our over-valued dollar.

It is perhaps significant that, on the very day when we pushed our home loan interest rates to 15½ per cent, home loan interest rates in the US fell below 10 per cent and have since declined close to 8 per cent.

In Singapore, which is not without its economic problems, the 30-year home mortgage interest rate is 6¼ per cent.

The confidence trick of the Accord and its companion, Wage Indexation, is revealed by the higher interest rates that Australian workers are now paying.
If we assume that the average mortgage of an Australian family is $50,000 and that average personal loans are $10,000, then we can see that with interest rates 7 per cent above the rest of the world, the average Australian family is paying more than $4,000 per annum (or $80 per week) than would be the case if our interest rates were in line with the rest of the world.

There is no reason at all why Australian interest rates should not be in line with the rest of the world if we were following sensible economic policies.

The fact is that this $80 per week in excess interest payments is more than the total wage increases that average wage earners have received from all the Wage Indexation decisions since Mr. Hawke became Prime Minister.

It has long been my view that Wage Indexation is simply a socialist tax-gathering exercise in which workers are pawns in the financial power game being played by the bureaucrats and the politicians in Canberra and by union leaders.

All we do is give the workers Wage Indexation increases at one end, tax them on the way through and then take even more money off them with higher interest charges at the other end of the pipeline.

It is little wonder, as indicated in letters which I receive from average Australians from all over the country, that ordinary families in Australia are becoming more and more desperate and are finding that they are getting further and further behind the eight-ball because of horrendous interest costs on their mortgages and personal loans. They have not benefited one iota from the Accord or from Wage Indexation.

The reality is that if we had had no wage increases at all over the past three years and if our interest rates were in line with the rest of the world, the average Australian worker and the average family would be far better off than they are today.

Employers would have a lower cost structure and be far more competitive internationally. In addition, our national debt would be significantly lower and our overseas borrowings greatly reduced.

It all sounds too simple! In fact it sounds strangely like common sense.

We need to realise that we are being run, not by the world's greatest Treasurer or by an outstanding Prime Minister, but rather by two of the greatest borrowers in the world today.

Australia's total indebtedness to the rest of the world has increased by nearly $50 billion under the Hawke/Keating regime.

The Prime Minister's recent 10-minute address to the nation, apart from being an insulting exercise in which he treated us all as "mugs", emphasised just how bereft he is of policies to assist Australia at this critical time. It must be a terrifying situation for those Australians who are really depending upon the Prime Minister to do something for them. He showed that he has nothing to offer. The Prime Minister reminded me of the Managing Director of a company who was facing his shareholders well knowing that the company was going broke and that there was nothing he could do about it.

My advice to Australians is to brace ourselves: the worst is yet to come and it will be every man and woman for themselves as we try to avoid being part of the 500,000 unemployed which will be created by 'Gough' Hawke and 'Jim' Keating.

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**“ARBITRATION IN CONTEMPT”**


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A conflict with far-reaching repercussions has developed between those who view the institutions and values inherited from the past as a firm foundation for building the future and those who view the bulk of Australia's cultural inheritance as a cause for shame and a barrier to the construction of an equitable society. Tim Duncan assesses an increasingly important struggle for the hearts and minds of Australians.

When Australians seriously entertain the idea that the settlement of this country has been a regrettable mistake it is surely a sign that something quite perverse has been going on.

A battle over the worth and legitimacy of Australian culture is running hot at present and it has been under way for some years. Because the lines are fluid, and because the arena of combat changes unpredictably, few are aware of the interconnected nature of the fronts. But the struggle is central to the development of Australian society in the late twentieth century.

The current cultural battle has its roots in the failure of nerve that gripped business and community leaders towards the end of the 1960s which resulted in conservatives conceding control of a broad range of cultural institutions. A hungrier generation emerged — at odds with a basically conservative society and suspicious of its history — and it moved to influence curricula development in schools, training and doctrine in churches, and to establish a host of new cultural authorities from which to disseminate a generally more radical vision of the Australian past and present.

More recently, newly aggressive conservatives have made enthusiastic attempts to regain their cultural influence. Their progress has been patchy. Despite notable exceptions, business leaders often seem reluctant to become involved in a struggle they presume to be too broad to have any direct relevance to their particular business activities. As conservative critics see it, this failure to assert the cultural legitimacy of business values and practice compounds a general uneasiness that the earlier withdrawal of conservatives from cultural influence has left in its wake. In their view, to leave education, churches, government cultural authorities and strategic bureaucracies to the radical establishment is to risk creating a divided culture, alienated from its historical roots, and unequal to the task of defending its traditional commercial and political freedoms.

Nevertheless, there are signs that the revival in conservative intellectual leadership is spilling over to the political arena. The revival has reinvigorated thinking about Australian society and not surprisingly has kindled a wide-ranging debate over the nature of Australia and its past as the disenchanted find themselves subject to unaccustomed pressure. Both major parties are being affected by the struggle, although the ALP is suffering more internal tension as a result of it. Perhaps because the Liberals put less value on ideas at the branch level, they remain more protected. However, Liberal members of parliament too are feeling the tensions.

Because the cultural battle intimately concerns the institutional framework for the development of the Australian economy, and because it is shaping the values of Australians at a critical time following the era of mass immigration, politicians cannot claim immunity. But for them the complication is that the struggle crosses the boundaries that separate party and faction.

Why the notion of Australia as a mistake? The whole idea sounds so loopy; surely we have...
better things to get on with. Perhaps — but consider this familiar version of our past and present.

To begin, our forefathers arrived uninvited. They perpetrated genocide upon the prior occupants. By digging ugly holes and spreading foreign seed they arrogantly ruined the land. A sexist, racist, materialist lot were the colonists. Retaining a wretched subservience to Mother England they became misguided militarists as well. Perfidy accumulated with time. The children of the colonists grew rich and fat and philistine. To sort out their pecking order they inflicted economic depression over each other and although they imported factory fodder from other places they continued to hog the best jobs. They indulged in racial prejudice, ecocide, male chauvinism, Americanization and, finally, they touted a nuclear apocalypse.

From this bleak view of Australian history it follows that the current generation of Australians, and especially their children, are mistakes, and that some form of cultural reconstruction is required.

Hence the current cultural armoury of the disenchanted. Multiculturalism will dilute the basic social stock of sin.

The progressive churches, through political action, will expiate the guilt of two hundred years. A Human Rights Commission will fix up the worst excesses of sexism and racism. A Bicentennial Authority to revalue the false gods of the past. (The first fleet, local capitalism, commercial achievement, and democratic innovations are out: multiculturalism, feminism, environmentalism and minority rights are in).

A Commission for the Future to cope with the coming excesses of capitalism; and a battery of curricula development centres to get across to the young the message that Australia has a dark past, a gloomy present and an uncertain future.

Let’s stop this country — we want to get off! But where is the debate now? There is a counter position — associated with the rise of the New Right — that appears to be getting much noisier. Its central thesis is understandably reactive. It is simply that Australians, who believe that neither they nor their country are mistakes, think we should stop beating our breasts and sparring shadows, that we should not only conserve our established political and economic freedoms but expand them, and that we should direct our energy to those problems which are threatening to bring us economic stagnation and social rigidity.

Once again, this view starts with a romantic notion of Australian history and culture. Our forebears, so the view runs, carried with them the most sophisticated social organisation on earth. They arrived to find no kings with whom to negotiate, and an inferior native culture which seemed to disintegrate before them almost of its own accord. Against fearsome environmental odds, and labouring under imperfect technological knowledge, they settled the land and founded a self-sustaining economy. They demonstrated how a free society could profit economically and socially, with political and technical innovations that could produce a democratic, capitalist paradise in the antipodes open to the legitimate claims of the working man. Ever mindful of their cultural debt and trading realities, they proudly provided Mother England with the most resourceful fighting man the world had seen. Thus, the development of a noble people, but vulnerable to uncertain international markets, stubbornly resistant to opening their paradise to all-comers (especially those from Asia where most of them seemed to be). It was a community where men were mates and women were not. But realising their military and economic limits they opened themselves to foreigners and brought off an immigration experiment of unparalleled social harmony.

The current agenda of the cultural conservatives thus possesses an inevitably reactionary flavour. A Human Rights Commission is said to be a dangerous contradiction in terms — by imposing minority rights it injures majority sensibilities, politicizing and polarizing areas of human relations too sensitive for unilateral rules imposed by the States. A Bicentennial Authority obsessed with minorities and the claims of special interest, ignores the harmonious facts of Australian history, the homogeneity of its people and their blessedly liberal approach to political and commercial life. Cultural institutions like these, funded by the taxpayers but not reflecting the values of taxpayers, are thus being attacked at every opportunity.

The extent of the cultural battle is striking, — its dimensions are summarised in the accompanying table. The following arenas are currently some of the “hottest” and their eruptions tend to leave marked insecurity in their wake.
Cultural concerns that divide us

The rescue of Australian History

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Leftist “orthodoxy” that the New Right attacks</th>
<th>“Mainstream” tradition that New Right asserts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1788</td>
<td>Invasion</td>
<td>Settlement</td>
</tr>
<tr>
<td>Aboriginal contact</td>
<td>Genocide</td>
<td>Fragile native culture</td>
</tr>
<tr>
<td>Pioneers</td>
<td>Environmental rapists</td>
<td>Undaunted visionaries</td>
</tr>
<tr>
<td>Colonial Women</td>
<td>Oppressed and victimised</td>
<td>Pillars of hearth and home</td>
</tr>
<tr>
<td>Working-class</td>
<td>Condemned to exploitation</td>
<td>Well-organised and socially mobile</td>
</tr>
<tr>
<td>Explorers</td>
<td>Incompetent or possessed</td>
<td>Sturdy adventurers</td>
</tr>
<tr>
<td>Eureka Stockade rebels</td>
<td>Working class heroes</td>
<td>Emergent entrepreneurs</td>
</tr>
<tr>
<td>British Investment</td>
<td>Economic dependency</td>
<td>Condition for progress</td>
</tr>
<tr>
<td>Early capitalists and</td>
<td>Lackeys of London</td>
<td>Enterprising and outward looking</td>
</tr>
<tr>
<td>politicians</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anzacs</td>
<td>Innocent victims</td>
<td>Conscious patriots</td>
</tr>
<tr>
<td>Depressions</td>
<td>Weevils in the flour</td>
<td>“Susso” provided and fascism averted.</td>
</tr>
<tr>
<td>Menzies</td>
<td>McCarthyism and cultural despair</td>
<td>A home of your own</td>
</tr>
<tr>
<td>USA</td>
<td>Source of evil</td>
<td>Natural allies.</td>
</tr>
<tr>
<td>Immigration</td>
<td>Factory fodder</td>
<td>Land of opportunity</td>
</tr>
</tbody>
</table>

Reasserting traditional social values

<table>
<thead>
<tr>
<th>Theme</th>
<th>Leftist Interpretation</th>
<th>Mainstream Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic development</td>
<td>Destructive</td>
<td>Creative</td>
</tr>
<tr>
<td>Family</td>
<td>Source of conflict</td>
<td>Fundamental social haven</td>
</tr>
<tr>
<td>Rights</td>
<td>Minority rights</td>
<td>Responsibilities</td>
</tr>
<tr>
<td>Church</td>
<td>Consciousness raiser</td>
<td>Spiritual welfare</td>
</tr>
<tr>
<td>Patriotism</td>
<td>Unhealthy, militaristic</td>
<td>Foundation of citizenship</td>
</tr>
<tr>
<td>Sexual morality</td>
<td>Alternative lifestyles</td>
<td>Heterosexuality</td>
</tr>
<tr>
<td>British heritage and Crown</td>
<td>Colonial anachronism</td>
<td>Lifeline to world’s best legal and political institutions</td>
</tr>
<tr>
<td>Australians</td>
<td>Racist</td>
<td>Assimilationist</td>
</tr>
<tr>
<td>Australian Society</td>
<td>Multicultural</td>
<td>Integrated</td>
</tr>
<tr>
<td>Education</td>
<td>Child centred, creative</td>
<td>Standards and citizenship</td>
</tr>
<tr>
<td>Ideal man</td>
<td>Sensitive caring, collectivist</td>
<td>Independent</td>
</tr>
<tr>
<td>Australia’s future</td>
<td>Solar not nuclear</td>
<td>A secure job</td>
</tr>
</tbody>
</table>

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## The future of Mankind

<table>
<thead>
<tr>
<th>Theme</th>
<th>Orthodoxy as now taught in Australian Schools</th>
<th>Current reality as promoted by New Right.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>Breeding out of control. Within our lifetime famine, riots, poverty, wars and catastrophe.</td>
<td>Rate of growth of population is slowing. Growth of food production outstripping growth of population.</td>
</tr>
<tr>
<td>Wealth</td>
<td>Because of the greed of the West the Third World is condemned to be poor.</td>
<td>Western economies produce the most food. Third World produces the least due to market inefficiencies.</td>
</tr>
<tr>
<td>Resources</td>
<td>Running out of the lot. It’s almost all gone.</td>
<td>More resources available now than ever before. Doomsday has been predicted for 10,000 years.</td>
</tr>
<tr>
<td>Pollution</td>
<td>World becoming filthier and dirtier every day, life more precarious.</td>
<td>People are living longer than ever before and in good health. This is the best indicator of a viable environment</td>
</tr>
<tr>
<td>Energy</td>
<td>None left for the Third World or for your kids.</td>
<td>Energy cheaper now because there is so much of it. If oil gets more expensive it will become redundant.</td>
</tr>
<tr>
<td>Nuclear energy</td>
<td>Dangerous in operation, dangerous wastes and won't take off anyway.</td>
<td>Fastest growing form of energy in the world today. Virtually unlimited supply.</td>
</tr>
<tr>
<td>Arms race</td>
<td>That there is an arms race, that it will inevitably terminate life as we know it. It hangs over all our lives.</td>
<td>If the arms race hangs over all our lives this is because the prophets of doom ensure that it does and they ignore the last 40 years of relative peace for the West, unparalleled in the 20th century.</td>
</tr>
<tr>
<td>Capitalism</td>
<td>Consumerism and commercialisation are harmful because they encourage over-consumption and stand in the way of a sustainable society.</td>
<td>Commercialisation has democratised the world's best innovations by making them the property of the masses, thus liberating them from drudgery. If you don't believe it try walking.</td>
</tr>
<tr>
<td>Ideal society</td>
<td>A ‘sustainable’ society, living within its means, conserving for future generations and living simply.</td>
<td>A sustainable society is an ecological dreamtime — something which has never happened in human history but whose likeness can be found at times of maximum human impoverishment and misery.</td>
</tr>
<tr>
<td>Economic growth</td>
<td>Cannot continue growing as in the past. There has to be a plateau. We are at the pinnacle and should wind back. Life is at its fullest now and that is too unstable.</td>
<td>There are no physical or economic constraints to continued progress. The only constraint is the current self-imposed constraint of ideology and will.</td>
</tr>
<tr>
<td>Technological change</td>
<td>Destroys dignity, jobs and lives.</td>
<td>Eases the burdens of centuries and creates completely new sorts of jobs.</td>
</tr>
</tbody>
</table>
Immigration Policy

Despite the continual assertion that Australia is a "multicultural" society, the term cannot tolerate rigorous definition for the reason that its real meaning is too controversial. Once Australia's British heritage is put on the same level as Australia's, say, Muslim heritage, then Australia's relatively secular political system, its social mores, and its British notions of justice lose their traditional authority. So, instead, the debate over "multiculturalism" is de facto restricted to immigration policy where it rages so hotly that mainstream political parties have withdrawn from policy-making, leaving immigration policy subject to the self-interest of contending lobbies. The results are manifest in the sporadic outbursts of controversy that unnerve both immigrants and the native-born. There is a general unease owing to foggy, unresolved pictures of the nature of Australian society in the future. To the extent that the "multicultural" future is so elusive, the Australian present is insecure.

National Symbols

A new flag? A new constitution? We've got a newish National Anthem, so why not go all the way? Conversely, we had a lousy ditty imposed on us that panders to a republican push, but nobody knows the words. Will a new flag become just as empty a symbol? As for a new Constitution, this involves a fundamental change in national identity. Here the debate has an air of unreality. Those proposing change seem to be saying either that these symbols have served us poorly in the past, or that they will be inappropriate in the future, but they neglect to say why. Those resisting changes to our symbols are suspicious on every count; Who wants these changes? Why now? What's wrong with tradition? Why these infernal attacks? Again, the cultural debate gives off uneasy airs of insecurity.

Commissions and Authorities

Judging by the agenda of many of our government cultural authorities, the receipt of a public sector salary seems to license people to attempt to change the nature of the community which finances those salaries. These days this habit is attracting indignant responses. The ABC is thus singled out by critics who claim that its attacks on the ANZUS alliances and its support for anti-capitalist consumerism and a broad range of minority causes are fundamentally irresponsible. The Human Rights Commission is subject to abuse for its stands on racism and sexism (and sometimes free speech and freedom to choose) that are seen to put it at odds with a basically conservative society. The Bicentennial Authority has been criticised, in part because of the stance taken by its staff against contemporary Australia and Australian history. The Commission for the Future was attacked immediately it was conceived in the confident expectation that it too would come up with some new formula for social engineering.

Does an elected government have the competence, and the political authority, to change the values of those who elect it? This question runs through all the controversies that bedevil the cultural authorities. At the root of the debate is the perennial concern — what are the limits of government? Is government, through its specialist agencies, contributing to the breakdown of integration in Australia by assaulting its traditions and mindlessly advocating change on behalf of a small intellectual elite that is alienated from the Australian people?

Schools and Curricula

Peace education is beginning to divide school communities. Is this responsible pedagogy or extremist propaganda? Ever heard of development education? Some say this is a sincere expression of Christian internationalism that encourages proper habits of charity, humanitarianism and international responsibility. Others say that it is thinly disguised Leninism that stimulates in young Australians a bizarre sense of guilt for the efficiency of their economy. Futures education, values clarification, political literacy, social responsibility — are these the ideological weapons of crude propagandists who masquerade as responsible teachers? Are they telling children that the world is a horrible place? Some are convinced that school curricula is now in the hands of people who cannot be trusted, who do not like Australia, who denigrate its history and who want the place changed. Let a million Gandhis flower!

For their part, teachers are confused by the popularity of the more spectacular attacks on their profession. They perceive a gap between their schools and the wider community as reflected continually in the press, but they do not know
what to do about it. Nowhere is the cultural battle being fought so hard as it is in the current education debates.

**Churches**

Few societies are as secular as Australian society currently is, judging by church attendances. But the churches remain politically influential. Each major church in Australia is currently engaged in the cultural battle. The Catholic Church, the Uniting Church and the Church of England are deeply divided by the activities of their “social responsibility” branches, all of which have taken positions that put them at odds with Australian society and culture.

Significantly, the alienated are very much dependent on a single source of funding — government. It could be their Achilles heel.

To some extent the Church has always been subject to tensions between those who advocate emphasis on its “prophetic” role (essentially socially utopian) and those who emphasise its “pastoral” role (basically socially supportive). But it is significant that the splits in the Australian churches mirror the divide in education, in government service, in immigration policy and in questions of national identity. Consistent are the stances taken on Australian society and history. One side, generally holding the policy reins, is alienated from Australia, dismissive of its past, bearing the flags of its minorities, and out to invoke fundamental cultural change. The other side observes the sayings of the alienated with a mixture of horror and amusement, but is indignant when accused of various forms of sin because it merely respects its country’s institutions and history.

Under way since the mid-1960s, the cultural battle took off at a time of unprecedented affluence. The alienated then lacked power. Now their position is very different although their attitudes have changed little. Currently the culturally alienated hold the upper hand in key government, cultural and church positions. But the defenders of tradition, those intent on preserving national unity and the traditional symbols of national identity, are now on the attack.

Significantly, the alienated are very much dependent on a single source of funding — government. It could be their Achilles heel. Meanwhile the debate is becoming fought more closely than in the past. Perhaps this is not so surprising. Affluence, that is the solving of basic material needs, can lead to self-questioning, sometimes indulgent self-questioning. But economic times can change for the worse.

There are great risks for politicians arising from the cultural debate. So far ALP governments have been largely content to appease their alienated clients by leaving the cultural commissions and authorities to them and funding a broad range of their base organisations through government grants. Thus the more pragmatic ALP leaders, whose electoral appeal derives from their ability to accommodate and reflect mainstream values, are financing their most influential cultural critics. Unless ALP leaders take great care they risk being identified with the disenchanted and to suffer electorally as a result.

For the Liberals the risk is that they may miss the cultural debate altogether, except at the parliamentary level where the already apparent tensions may accumulate and become even more debilitating. There is little evidence that the Liberals are prepared to cope with the pressures the cultural debate will bring upon them, should government fall into their hands. Their general reluctance to grapple with ideas and values matches the reluctance of many of their business supporters. For both of these camps the risk is that the world might continue to pass them by.
Why the Cultural Debate Matters
Ken Baker

Most Australian politicians and businessmen feel more comfortable dealing with matters of administration and financial management than with issues of culture.

As a consequence, it has been common for problems which fundamentally are cultural to be either ignored, misconceived as problems of economic management or administrative structure or handed over to the cultural wets, who, like the economic dries, exist on both sides of Parliament.

One of the great delusions of the age of the Welfare State and consumerism is that a cultural/spiritual malaise can be cured with material goods. The rise of economic rationalism has acted against this by pressuring politicians to resist demands for increased government spending as the solution to every problem. But the economic rationalists are ill-equipped to tackle cultural problems on their own terms (their call for deregulation translates badly into the cultural realm where questions of social order, authority and the preservation of institutions are at stake). As a result, much of the debate between the economic dries and the cultural wets is a demarcation dispute, with the dries attempting to define an issue in terms of efficiency, taxes and economic growth, while the wets claim it as one where “social values” are under threat. The development of this situation has allowed a (mostly) false dichotomy to emerge between cultural values and economic growth in which the left claim a near monopoly on questions of social conscience.

Why should culture matter? The most obvious answer is that culture concerns the life of the spirit; it touches, indeed it forms, our sense of identity — both as individuals and as part of a community. It is thus understandable that despite the resilience of the hip-pocket nerve, issues of culture stir the passions more than calls for deregulation or privatisation. Every time the question of a new national flag is raised — as The Bulletin found out when it co-sponsored a competition to find a new flag — people feel some aspect of their identity — no matter how small — under threat. Greg Sheridan’s well-known article in The Australian — “The Lies they Tell our Children”, on the value bias in Australian schools — gave rise to a similar chorus of outraged voices. Don Chipp claims to have received 25,000 letters and telegrams on the proposed Bill of Rights. Karl Marx’s “revolutionary masses” have remained on moral issues stubbornly conservative. There is potentially great mileage for the conservative politician who with conviction and authority takes up the cultural debate.

There is a second reason why the cultural battle should matter. Free enterprise, and thus economic prosperity, were built on a particular cultural ethos, embodying virtues such as self-restraint, hard work, frugality and individual responsibility. This ethos is now the object of an assault, the breadth of which cannot easily be summarised (but see the table on pp. 22-23). It extends from the massive growth of psychotherapies over the past two decades — designed to liberate the emotions from the straitjacket of bourgeois restraint — to the attack on the haven of middle-class domesticity and privacy, the suburban home — called by Betty Friedan a “comfortable concentration camp”.

It extends from the anti-intellectualism of child-centred education to the erosion of the idea of individual responsibility (discussed below). Note also the remark of Lionel Trilling in 1961, one of America’s most eminent literary critics, that the central urge of modern literature is the desire to be free of the stultifying codes of middle-class virtue. The question is: can free enterprise survive indefinitely if its cultural foundations have thoroughly eroded?

The outcome of the cultural battle will have profound economic consequences, as the rise of the Welfare State has demonstrated. At the centre of this rise and its incumbent costs has been a wide shedding of responsibilities — by individuals and by institutions such as church and family — and the absorption of these responsibilities by government. This is essentially a cultural problem. It has proceeded under the rubric of the realisation of “social values” with the path before it paved by a broad body of arguments and theories. A significant part of modern sociology has been the production of “excusing reasons” to displace responsibility away from the individual and ultimately onto the State with the professed goal of creating a more humane society. Just as the upright citizen was reinterpreted by pop psychology in the 1970s as uptight, so sociology has converted the criminal culprit into a victim of society. In fact, every time the anti-social actions of an individual are blamed on his low socio-economic status (or alternatively sex-role conditioning, poor public housing or the structural violence of “the system”) it not only insults the 95 per cent of people with similarly deprived backgrounds who do not commit such acts, but denies the individual the status of a moral agent responsible for his actions. Nothing could be more dehumanising.

The erosion of the family has also resulted in great economic cost to the community (exemplified by the explosion of numbers collecting supporting parents’ benefits). In this case government policy (through the Family Law Act, for example) may have actually accelerated the decline of the moral foundations of family integrity.

In short, many of our economic problems have cultural roots. The lesson for politicians (and businessmen) is that the cost over-runs in public expenditure which they must solve (or pay for) are the product of prior cultural trends which in many cases have been allowed to develop unchallenged. This is a case, surely, where prevention would have been better than cure.
The Denigration of Australia's British Links

John Carroll

Australia is fortunate to have inherited from Britain the institutional and cultural foundations of a free, prosperous, democratic society. Yet, paradoxically, during the same period in which thousands of migrants have "voted with their feet" and come to Australia to share in this inheritance, Australia's British links have come under persistent attack from some quarters.

"Thanks to our sullen resistance to innovation, thanks to the cold sluggishness of our national character, we still bear the stamp of our forefathers.... Atheists are not our preachers; madmen are not our lawgivers. We know that we have made no discoveries; and we think that no discoveries are to be made, in morality; nor many in the great principles of government, nor in the ideas of liberty, which were understood long before we were born, altogether as well as they will be after the grave has heaped its mould upon our presumption, and the silent tomb shall have imposed its law on our pert loquacity".

Edmund Burke (1790)

In Australia at present a clandestine war is going on, which, because it is in the cultural arena, where real blood is not spilled, is not recognised for its gravity. If this war is lost then the stability of our society and its institutions is going to be at risk — in the way Edmund Burke predicted that the French Revolution, through its overthrowing of tradition, belief and law, would uproot Frenchmen from their natural soil.

One of the fronts within the cultural war is Australian history, the view we hold of our country's past. A concerted assault has been launched on the traditional picture we have of our nation as a success story in pioneering a huge and largely inhospitable territory with well-planned communities which have prospered, and produced a society whose affluence, standards of justice and liberty, and pleasant way of life is bettered nowhere in the world, and is the envy, and rightly so, of most other countries today. This traditional view of Australia, past and present, is still held by the vast majority of Australians. They like their country, and know it is a good place for their children to grow up in. Moreover, this view, in any reasonable historical and sociological terms, is a true one. Australia is a great success story. An essential ingredient in all of this is our good fortune to have been founded from Britain, and to have thereby inherited British institutions, especially the political and legal ones, which have proved to be by far the best for any complicated, civilized society.

The assault on Australian history is striving to redefine the past as a bad one, full of evil acts, a past of which we should be ashamed. The new radical view holds that our forefathers systematically and mercilessly exterminated the Aborigines, the rightful owners of the land, whose existing primitive society was a paradise of purity, goodness and the brotherhood of man. Our forefathers then devastated the natural habitat and built cities within which exploitation and inequality were the dominant feature. A further element in this attempt to rewrite our history is to denigrate the British, to blame the British for corrupting what otherwise would have been a pure and virtuous new nation.

I am going to concentrate in this article on current Anti-British thrusts, because they are building up to what will prove to be crucial battle in the cultural war. I argued myself in an essay on

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Sir Robert Menzies (Quadrant, January 1985) that: “Too much of Australian history has been written in terms of dependency, lack of initiative and immaturity. This is a false perspective. A new society is like a human infant. If it is going to develop into a confident and resourceful adult, with a measure of command over its destiny, then it needs to have inherited a range of strengths and virtues from its parents. Genealogy is of greatest importance. In our own case we had the great good fortune to have had Britain as the institutional parent, and we are foolish and ungrateful in the manner of a prodigal son who has outgrown his youth if we do not acknowledge the fact. The premature search for some unique “national identity” is a species of mad and doomed adolescent individualism, that represses the parents and will in the end, if it does not pass in early adulthood, lead to the individual falling on his face. Maturing works in its own good time and according to its own hidden laws, and may not be rushed. Sir Robert Menzies had a true feel for the English inheritance, starting with the common law and the political virtues of constitutional monarchy. This did not make him less of an Australian; on the contrary, he did not have the insecurity that drives some men to deny their origins and consequently fail to realise their inherited strengths”.

Let us turn to some recent examples of the anti-British movement at work. There have been recent attempts to load the Anzac legend with anti-British sentiment. This should be of special concern, given that Anzac Day is the one home-grown national ritual that has succeeded, that has developed a sense of occasion and importance, of something to remember, to respect and to maintain. The most flagrant example to date was the film Gallipoli. It was guilty of two major distortions. Firstly, it suggested that Australia was somehow conned into fighting in someone else’s war on the other side of the world, a war of no strategic significance to itself. The official Australian history of the First World War, written by C.E.W. Bean, makes it clear that feelings of attachment and loyalty to the mother country held by Australians in 1914 made it unthinkable that Britain’s war should not be Australia’s war, and vice versa.

Secondly, the climax of Gallipoli shows a suicidal series of attacks on the Turkish trenches, in which waves of Australian soldiers were mown down by machine guns. The film blames callous and incompetent British officers. Bean records no such episode in his two-volume account of the Gallipoli campaign. On the contrary, he records the warmth of the Australian soldiers’ feeling for their British officers. They cheered enthusiastically when Lord Kitchener visited the front. Their admiration for General Birdwood was legend.

The assault on Australia’s past as evil, and on our British parentage as corrupt, is driven by a hatred of the present and its society.

The popularity of this film has meant that much of a new generation of Australians have a quite false picture of a major episode in the nation’s short history, one which grotesquely distorts the truth about Anglo-Australian relations and feelings. The revised and false view has become so orthodox now that even the recent television series, The Anzacs, which was essentially excellent and fair, could not resist, in its Gallipoli episode, highlighting a conflict between Australian nationalist and British imperialist attitudes, embodied in tensions between a son and his father. It also caricatured British officers as affected, snobbish and lacking military sense.

The rewriting of Australian history really began with Professor Manning Clark. In particular, the later volumes of his History of Australia, volumes four and five, are littered with stories and remarks casting slurs on the British — many of which have been shown to be fanciful or based on slim historical evidence. In an important sense the current move to get the Union Jack off the Australian Flag, while being time-tabled to the approaching Bicentennial, began in the 1970s with Whitlamite nationalism, which found its academic legitimacy in Manning Clark’s History.

The Australian Bicentennial Programme is itself a glaring example of the successful extension of this movement. While generous in the emphasis it gives to multi-culturalism and Aborigines, it neglects to mention the British heritage.

Anti-British sentiment in Australia today is still the preserve of a minority. The majority attitude is demonstrated during Royal visits — spontaneous, enthusiastic and generous. The majority is patriotically Australian, but with a patriotism which includes a special warmth towards Britain. There is very little republican sympathy: indeed, soon after the Whitlam dismissal, the event if any that would have generated a wave of republicanism, Macmillan published a book of essays by well-known figures, edited by Geoffrey Dutton, under the title Republican Australia, at a low price: it flopped.

The problem is that the anti-British minority is extraordinarily vocal. It forms the central elite in terms of influencing public opinion. This elite was formed in the universities in the 1960s, where its beliefs were forged. It now occupies the majority of positions in the universities themselves (in the areas that count culturally, the humanities and the social sciences), in schools, in the mass media, and among those who advise governments, both State and Federal, especially but not exclusively on the Labor side.

The assault on Australia’s past as evil, and on our British parentage as corrupt, is driven by a hatred of the present and its society. Indeed the entirety of contemporary radical politics is to be understood in terms of self-hatred (something not true, by the way, of some earlier generations of socialists, including trade unionists, who were genuinely driven to fight real wrongs). This hatred of the world in which we live is puzzling in an elite whose members are well-paid, secure, and who have influence and therefore power. That such a privileged group should attack the society which has singled its members out for high reward — in terms of money, status and power — is very odd.

In a recent book¹, I have explored at some length the source of this disaffection. Its origins lie in the heavy load of guilt borne by modern individuals which, unharnessed from its traditional spiritual moorings in Christianity, has attached itself to destructive anti-social causes, including radical left-wing ideologies. To hate the culture which has had a formative influence on one’s own identity and development is to hate oneself; self-hatred is a principal symptom of guilt.

If individuals want to stew in the inner hell of their own rampant guilt that is primarily their own problem. Once, however, they start to act out their masochistic needs in our key institutions, under the duplicity of terms like “reform” and “rights”, then the private problem becomes a public one, one for all of us. One of the symptoms of psycho-pathology in an adult is an unrealistic sense of his or her past, and above all the failure to have resolved tensions caused by lingering hostilities to one or both parents. Similarly, at the wider communal level, it is crucial for the well-being of a society that it preserves a living sense of the strengths and weaknesses of its evolution, and that it nourishes a true gratitude to the people and processes that have made it what it is. We should be proud to still bear “the stamp of our forefathers”.

On the Road to Freedom

The worldwide trend towards democracy of the last few years continued during 1985, even though this progress received far less media attention than continuing repression in South Africa, Poland, Chile and Nicaragua. Democracy was consolidated especially in South America, India and Thailand; improvement continued in El Salvador and Guatemala; and progress occurred in Pakistan and Bangladesh.

Yet it is still the case that only a minority of people (36.27 per cent) live in countries that can be considered members of the free world. 23.29 per cent live in part-free countries, while a shocking 40.48 per cent live in wholly unfree ones.


Five beacons in the dark continent

Most of black Africa is a political and economic disaster area. But three countries — Ivory Coast, Cameroon and Malawi — must be judged successful at least in economic terms. In all cases governments encourage private enterprise (not least in agriculture) and welcome foreign investment. Senegal, less successful economically, has established a stable liberal democratic system, and in 1981 reversed a Marxist coup in neighbouring Gambia. Botswana, which combines liberal democracy with a free economy, is most successful of all: since gaining independence in 1966 it has enjoyed an annual growth rate of 11 per cent, and its annual per capita income is approaching US$1000.

The United States Agency for International Development is urging other African countries to follow these examples and is backing up their efforts with grants. Among countries receiving such aid in 1985 and 1986 are Mali, Zambia, Zaire, Togo and Guinea.


Working for Welfare

One of the great dilemmas for policy makers is how to provide a reasonable level of benefits for welfare recipients while maintaining the incentive to work, without excessive government expenditure.

In the U.S., in recent years, a number of programmes have been established which link welfare with training and work for the State. One of the most successful is “GAIN” in California, a comprehensive programme which involves training, work (for the State), subsidised private employment, personal counselling, travel subsidies, after school care for children and more. Because the programme embodies so many features it is very expensive and probably does not save the taxpayers much money. But it does appear to have achieved a fair degree of success in getting the unemployed into work and, more important, the programme could break the cycle of dependency and despondency characteristic of long term welfare recipients.


The Arts: subsidise the consumer, not the producer

State subsidies to the arts are usually directed exclusively to the producers. The major beneficiaries are the arts establishments and better-off members of the public who could afford to (and if necessary would) pay the entire cost themselves. The alternative is to subsidise the consumers of art. This allows the benefits to go to
those groups which are deemed genuinely to need help in gaining access to the arts, and enables them to exercise some freedom of choice.

In New York a coupon scheme was introduced fourteen years ago to attract fresh audiences to the theatre. It has been of most help to blacks, Hispanics and the aged. The scheme has proved cheap to run, since the administrators do not have to decide how to allocate the subsidies among the available productions but can leave this to the automatic operation of the "quasi-market" generated by the coupons.


**Feminism: a marginal interest**

Kenyon College, a highly reputed liberal-arts college in rural Ohio which was untouched by student disruption in the 1960s, is now in turmoil. But this time the radicalism comes from the administration, which is trying to impose a feminist orthodoxy on the staff and students, especially females. Pressure on departments to hire women comes from the college's new "Hiring Workshop on Gender and Minority Issues", yet an untenured female staff member was denied re-appointment because she refused to incorporate feminist materials into her courses.

The original women's studies course in 1983-84 attracted only 32 enrolments out of a possible 1,400. In 1984-85 enrolments fell to seven. This year it has had to be dropped, but seven quasi-women's studies courses are offered focussing on the family or on gender. The administration is determined to resume the core course next year, and is trying to create a new position — Director of Women's Academic Concerns — to promote feminism throughout the curriculum. Meanwhile, student indifference remains monumental.


**Racism in Russia**

The Soviet press daily condemns racism in the USA. Yet racism is rampant in the USSR, according to black American and African visitors to that country. The Patrice Lumumba University in Moscow, attended by thousands of blacks, is nicknamed "the zoo" by Russian students. In recent history Soviet racism has reached near-genocidal proportions: viz. the forced deportation of the Crimean Tatars to Uzbekistan in 1944 and the continuing persecution of Tatar activists trying to organise their return home. Since World War II the Russian communists have taken over from the Nazis as the world's main purveyors of antisemitic propaganda.

The Soviet authorities deny that racism exists in Russia, but in fact they promote it as a means of keeping the many nations in their empire divided and therefore conquered. Their racism is at least doctrinally sound: there is no shortage of it in the writings of Karl Marx.


**The Soviets in S.E. Asia**

The Soviet Union gives Vietnam military aid at a rate of $3-6 million a day, as well as the services of currently over 2,500 military advisors. In return Vietnam has allowed the Soviets to build Cam Ranh Bay into their largest naval base outside the Warsaw Pact. The Soviets are adept at taking advantage of political tensions and realignments within a region. At least five sources of realignment or destabilisation exist in the Asia-Pacific region. These include Asian resentment at increased protectionism in the U.S., W. Europe and Japan, changes in national leadership (many of the pro-Western leaders are old) and the effect of continued Vietnamese expansion which may strengthen or divide ASEAN (tensions already exist between Thailand's attitude to the problem of Vietnam and Indonesia's). The future of the U.S. Clark and Subic bases in the Philippines is also uncertain.

*Alvin H. Bernstein, "The Soviets in Cam Ranh Bay", The National Interest, Spring 1986 (also in Quadrant July/August 1986).*

**A Slingshot Against Media Giants**

Reed Irvine is the gadfly of the American media. He heads a small outfit of vigilant media watchers called Accuracy in Media and publishes regular reports exposing instances of the left-liberal bias which he believes pervades the U.S. media. Accuracy in Media issues a fortnightly report on bias and last year produced an hour long critical response to the series "Vietnam: a Television History" (the latter was shown in Australia on the ABC).

Not surprisingly Irvine has aroused the ire of U.S. journalists who claim that bias is in the eye of the beholder and that Irvine's eye has a distinct bias to the Right. Irvine's response is that if AIM is a right-wing fringe group then so is the majority of Americans whose views on freedom and democracy he claims to share.
In recent years, partly as a response to a barrage of complaints from the public which AIM has spearheaded, major U.S. newspapers have employed ombudsmen and television networks have appointed public affairs officers and even run special "Your Point of View" programmes. Reed Irvine can claim some credit for this.


State-subsidised anti-Western propaganda

Material produced by the US information Agency may not be broadcast or distributed in the US itself. This prohibition is meant to protect American citizens from propaganda. Yet the Public Broadcasting Service (PBS), which receives public money, gets away with showing television programmes which display an unashamed bias against America and the West generally.

In December 1985 a PBS documentary about Guatemala ("When the Mountains Tremble") effectively accused America of being responsible for mass oppression in Guatemala since 1954. Among its many omissions and distortions (often achieved by suggestive and misleading camera footage) was the documentary's failure to state that US military aid to Guatemala was halted in 1977. American citizens are invited to complain about this abuse of their taxes.


Punishment as retribution, not deterrence

Public opinion insists on justifying punishment in terms of retribution rather than deterrence (viz. the continuing demand that aged ex-Nazis be tried for alleged war crimes.) Retribution is really a sort of "sanitised revenge", a superior substitute for private revenge (which easily gets out of hand). Established legal practices sublimate personal indignation in solemn legal ceremony, and impress upon the criminal the seriousness of his offence while preserving intact his membership of the community.

This conception of punishment need not entail capital punishment, but it does suggest that the public shaming and humiliation of offenders may be more effective and humane than the present practices of fining and prolonged incarceration.

Andrew Oldenquist, "The Case for Revenge", The Public Interest, no.82, 1986.

Why Social welfare does more harm than good

Social welfare programmes in democracies tend to provide enough incentive to produce bad behaviour, but not enough in the way of solutions which stimulate good behaviour.

Many social welfare programmes not only do not, but cannot achieve their intended effects. The "law of imperfect selection" ensures than some people excluded from programmes are more needy than some of those included, leading to a constant broadening of target populations. The "law of unintended rewards" encourages people to acquire the qualifications for welfare benefits (with obvious exceptions such as severe physical disability). The "law of net harm" means that programmes designed to modify deeply ingrained behaviour patterns will have very low success rates and will end up rewarding such behaviour.


Special interests support smaller government

Pressure for financial deregulation in Australia stemmed from developments in the 1970s, including increases in public debt, new communications technology, and stronger links between domestic and international financial markets. The banks lost their pre-eminence as substitutes for traditional modes of financing public and private debt became available. Deregulation was possible because of a unique coalition between public and private interests. The monetary authorities needed to implement market-oriented instruments of monetary control; both the banks and the new non-bank financial institutions perceived gains from increased competition; and the bank unions acquiesced in the hope that employment opportunities would increase.

The lesson is that deregulation is most likely when regulated producers can no longer control the emergence of substitutes. "If the growth of substitutes is sufficiently strong, the survival instincts of public monopolies like Australia Post and Telecom Australia may lead them to advocate deregulation".

ASEAN: Imperfection is Preferable to Instability

Owen Harries

After its apparent success at promoting democratisation in the Philippines by supporting Mrs Aquino against the authoritarian government of President Marcos, should America apply similar destabilising pressure to other authoritarian, though friendly, governments in the South-East Asian region, such as Indonesia? Owen Harries thinks not.

Until recently Paul Wolfowitz was the U.S. State Department's assistant secretary of state for East Asian and Pacific Affairs. As such he had the direct responsibility for the oversight of U.S.-Australian affairs. He also played a key role in making and implementing U.S. policy toward the Philippines during the recent crisis. Now he is off to be America's ambassador to Indonesia, the Philippines' nearest neighbor. It should be an interesting experience.

In his new job, Ambassador Wolfowitz will have cause to consider very carefully the interaction of two facts. First, recent events in Manila (and to a lesser extent Haiti) have aroused considerable enthusiasm in America, among conservatives as well as liberals, for aiding "third forces" against authoritarian regimes, as a general policy. As the "Philippines corollary" the idea has even been incorporated by some into an extended version of the "Reagan Doctrine". It has several things going for it: the ideological and moral appeal of helping the good guys; an escape from a "narrow" concentration on anti-Communism, the potential for arousing bipartisan support and for restoring a much-longed-for consensus in U.S. foreign policy; and the promise that, as there is allegedly a global "democratic revolution" in progress, it will be in harmony with the times.

Second, though someone depending exclusively on American media coverage of recent events might be forgiven for thinking otherwise, the Philippines does not exist in a void, nor exclusively in terms of its relations with the United States. It has neighbors, it belongs to a region. More particularly, it is a member of an important and successful regional organisation: the Association of South-East Asian Nations (ASEAN), whose other members are Indonesia, Malaysia, Thailand, Singapore and Brunei.

It would be unrealistic to expect that what has happened in the Philippines will have no effect on these countries. It would also be unrealistic to expect that some American enthusiasts for "third forces" will not, in any case, target some of the ASEAN countries for treatment. Indeed, they have already started to do so: A.M. Rosenthal, the executive editor of The New York Times, has recently urged that America should bring leverage and pressure to bear on, among others, Indonesia, in the interest of promoting political freedom.

He has a case. As far as corruption is concerned, Indonesia's President Suharto is in the same league as Marcos. In terms of ruthlessness he is in altogether a higher one. Hundreds of thousands have perished violently in Indonesia since Suharto seized effective control in 1965. Most were killed in massacres (which may or may not...
have been carried out spontaneously by anti-
Communist villagers) following the abortive coup
of that year, and in the process of imposing
Indonesian rule over Timor, following the
withdrawal of the Portuguese. But there have also
been recent killings by government-controlled
“death squads”.

Conditions in the other ASEAN countries are
not anything like as bad as they are in Indonesia,
but, by the standards now being applied by many
Americans, they are not very good either. In
Thailand the military plays a dominant role. In
Malaysia there is serious economic discrimination,
sanctioned by law, against the large Chinese
minority and the government is attracted to
Islamic fundamentalism. Lee Kuan Yew controls
Singapore’s press and intellectuals with a firm
hand and tolerates little genuine opposition. And
as these are among the most economically
advanced countries in the Third World, with well-
developed middle classes, they offer more
convincing prospects of viable democratic “third
forces” than most.

There is one thing to be said about
Indonesia and the other ASEAN
countries. Strategically they are both
important and vulnerable.

So these countries are ideal targets for an
American policy of promoting democracy by
pressuring authoritarian governments to reform,
right? Well, no actually. Consider the recent
history of the countries. Two decades ago they
were rightly seen as amongst the most unstable
and vulnerable in the world: internally divided,
weakly governed, economically stagnant,
threatened by subversion and insurrection. Around
this time, Arthur Schlesinger, Jr. wrote, with
justification, “an underdeveloped subcontinent
filled with fictitious states in vague, chaotic and
unpredictable revolutionary ferment”. Indonesia
had the largest Communist movement in the world
outside the Soviet bloc and China, an inflation
rate of over 600 per cent, and one of the most
radical and anti-Western governments in the world.
(Sukarno’s “To hell with your aid!” was still
ringing in American ears). Malaysia was coping
with the remnants of a serious Communist
guerrilla movement. The capacity of Singapore
even to survive seemed dubious, given that it had
absolutely no resources (not even its own drinking
water) and a racially divided population.
Communist China to the north and North
Vietnam to the east, both countries with
formidable armies, presented external threats
which the region was ill-equipped to meet. As well,
with Sukarno’s Indonesia in a confrontational
mood and the union between Malaysia and
Singapore having broken up, relations among the
countries themselves were far from good. All in
all a sorry picture. Most Australians at the time
saw South-East Asia as representing trouble and
instability, and the evidence supported them.
(Those on the Australian Left, who saw
opportunity where others saw danger, were busy
explaining how for historical and cultural reasons,
it was quite unreasonable to expect the people of
the region to be interested in or to show a talent
for either democracy or capitalism.)

Then quite suddenly and unexpectedly, just
about the time Schlesinger’s words were published
in 1967, the countries of the region began to get
their act together, and in a few years both the
reality and image of the region had changed
radically. The defeat of the Communists and the
fall of Sukarno in Indonesia removed a major
source of trouble-making. ASEAN was formed in
1968 and regional cooperation began to flourish.
Economic growth rates varying from good to
absolutely spectacular were achieved and
maintained through the 1970s. Governments
became more efficient, and internal order and
stability were established. In the course of a
decade, what had been one of the world’s principal
areas of instability became and remains one of its
great success stories, in most ways a model for the
rest of the Third World. All this was achieved with
little outside help or interference. In fact, one of
the features of ASEAN as an organisation has
been suspicion and hostility toward such
interference.

What the ASEAN countries have managed
is an incredible achievement. Take Indonesia, the
most likely target for American reformist zeal. It
is a huge country; superimpose it on a map of
Europe and it stretches from Ireland to the
Caspian Sea. It is made up of 13,500 islands. It
has a population of 170 million. Before it achieved
independence in 1949, its only experience as a
united political entity was under Dutch colonial
rule, which did not go in much for apprenticeship
in self-government. Twenty-one years ago it was
in political and economic shambles. In these
circumstances it seems less surprising that the country is today under authoritarian rule than that it is still in one piece.

There is one other thing to be said about Indonesia and the other ASEAN countries. Strategically they are both important and vulnerable. They control the passage between the Pacific and the Indian Ocean, which is vital for Japan and other countries of North-East Asia, as well as for the US Navy. Three Western countries have fought major military actions in South-East Asia since World War II, and currently the Soviet Union thinks it important enough to spend about $2 billion a year it can ill-afford to support a client state there. It is a matter of great concern to the Chinese that the region should not fall under the domination of another great power. At the same time, and despite their economic success, the ASEAN countries are militarily weak, while, in Vietnam, they have a neighbor that possesses one of the world’s most powerful fighting machines, is ambitious and is very poor. This juxtaposition of weak, prosperous countries and a strong, poor one is intrinsically dangerous.

Given all this — the still recent history of instability and backwardness, the success against all odds in overcoming it, the strategic importance of the region, the Vietnam factor — it would be insanely dangerous and irresponsible for the United States to heed the advice of those who, in the name of freedom and democracy, now urge it to press change on the governments of the region. Such intervention would be much more likely to endanger the hard-won gains of the last two decades, and to result in a return to the conditions of the 1960s, than it would be to further the cause of democracy.

There may be countries in the world where it would make sense (i.e. it would serve the interests of America and Australia) to destabilise friendly authoritarian governments. But it is an activity that should be undertaken only after very careful deliberation, a close examination of the particular circumstances, and a clear sense of what it is likely to lead to. This is something that one would expect conservatives, at least, to understand in their bones. That many of them evidently do not is a cause for deep concern about both American conservatism and the prospects for American foreign policy. The United States’ handling of its relations with the ASEAN countries is of great importance to Australia. A stable region is essential for us, especially if we are determined to run down our capacity of self-defence. Unlike Southern Africa or Central America, South-East Asia is for real as far as Australia is concerned, and any self-indulgent moral posturing is impermissible. This means that Canberra should be watching carefully for any signs that Washington intends to implement the “Reagan Doctrine” in the region. If it detects any such signs, it should register firm opposition.
A “Letter from Washington” can fittingly be followed by a “Letter from Britain”, Australia’s other traditional great partner and, for many Australians, still the mother country: the more so as Britain has been going through internal and external difficulties, from trade union or public debt problems to questions of external relations, some of which are surprisingly reminiscent of the issues confronting Australia.

The Government of Margaret Thatcher is thought, not unlike that of Malcolm Fraser, to be a story of radical and widely welcomed intentions inadequately carried out.

Nevertheless, a promising start has been made on economic reform, the revival of enterprise, and privatisation. Britain’s GDP growth rate has been impressive, as has the growth of new and fledgling, sometimes hi-tech, economic activities, though the media and political debate continue to concentrate on the woes of hopelessly ossified industries like printing and ship-building and on the difficulties of the unemployed.

In external relations, the underlying debate continues to be between pro-American and pro-European schools of thought, against a considerable public mood of insularity. The weight of influential opinion seems to be swinging towards Europe. In part, this is because of the growth of anti-Americanism on the squierarchical and pro-social consensus Right as well as on the Fabian and more radical Left. Each, albeit for somewhat different reasons, distrusts the emphasis on the market, on competition, on enterprise and on self-help which characterises so much of the American approach to both economics and politics. In part, too, the swing rests on the assumption — which may well turn out to be mistaken — that whereas in the American alliance Britain must follow, in Europe Britain might lead. Underlying both there is the fact that, in the words of the London Economist, “the post-war tradition that the intellectual left in Britain was naturally Atlanticist is over” and “the next Labour Government will have to decide whether to annoy America or antagonise Europe. They will choose the former”. In such circumstances even pro-Americans must trim their sails in the expectation that, sooner or later, governments change.

That changed mood was clearly reflected in the public reaction to Mrs Thatcher’s support of Mr. Reagan over the Libyan raid. In the aftermath the Labour Leader, Neil Kinnock, has found it useful to paint Mrs Thatcher as Mr Reagan’s poodle and to imply that British independence should be measured by its distance from Reaganite policies. Not that Kinnock can yet count upon winning the next election. He carries the burden of an unpopular defence policy and, perhaps more importantly, the even more unpopular radical wing of his own Party. Above all, there is the rise and rise of the new centre Party, the Alliance. For the time being, the smart money says the likeliest result of the next election — although it is still two years away and much may happen in the meantime — will be a hung Parliament, in which two of the three Parties will have to form a coalition. The policies which will emerge can only be guessed at.

In defence policy, Britain confronts two main groups of difficulties. One is how to conduct the three major elements of that policy, maintenance of the Rhine Army, of the Royal Navy and of the British independent deterrent, in a period when both equipment and manpower costs are rising sharply. Defence spending this year will be down, in real terms, by 1 1/2 per cent from 1985/86. Yet personnel costs will go up by 7 per cent in spite of a manpower cut of 2 per cent. The Trident submarine and missile programme will be maintained. There will be difficult choices about priorities and what can be dropped.

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The other difficulty is potentially even greater. It is Mr. Kinnock's announced intention to eliminate the British nuclear deterrent and to expel US nuclear weapons from Britain. Whatever Labour now says, such a move would be likely to have a dramatic impact on NATO and the entire Western alliance. It would also be embarrassing for Mr. Hawke who could hardly welcome the spectacle of Britain going down much the same road as New Zealand's Mr. Lange. The whole thing could create important repercussions within the ALP.

At the same time Britain feels herself to have important residual responsibilities, partly moral, partly political and partly economic, in Africa and to a lesser extent in the Islamic world. This overlaps with the issue of the Commonwealth, especially over Southern Africa. Here lies one of the major difficulties of British-Australian relations for the moment. Both are represented on the Eminent Persons Group, the Australian being Malcolm Fraser and the Briton a former Chancellor of the Exchequer, Lord Barber. For the moment, Britain and most of the rest of the Commonwealth seem to have agreed at their meeting in London at the start of August to disagree about the kinds of sanctions which should be applied against South Africa, with Mrs. Thatcher accepting only a few symbolic measures as a gesture of Commonwealth solidarity. Mr. Hawke has spoken about enlisting the US and Japan in a somewhat broader sanctions programme as a way, at one and the same time, of giving more, and more visible, western support to black nationalists throughout Southern Africa, of increasing the pressures on the South African Government, and the pressures on Britain to get into line over sanctions. In fact, it seems certain that the official sanctions will be largely, if not entirely, circumvented. Goods from and to South Africa can and will be shipped through third parties (Eastern Europe may make a lot of money in the process) and whatever the Australian Government may say, short of sweeping exchange controls money could easily be sent to Johannesburg through Hong Kong or Zurich. On the other hand, the decline in business confidence about South Africa brought about both by events there and by the sanctions row could produce greater pressures on the Government in Pretoria than the sanctions themselves. Whether that succeeds in changing South Africa's course remains to be seen.

Politics, perhaps fortunately, is not everything. The personal and family ties between Britain and Australia continue to matter a great deal and even, to some extent, move public policy. They matter on travel and tourism and immigration. They matter in creating British interest in the Australian Bicentennial preparations.

Beyond that, Britain remains a major aid donor in the South-west Pacific while her policies in Hong Kong, and the process of returning Hong Kong to China, must affect Australia's own relations with Beijing. Britain is playing a helpful role in the current difficulties of ANZUS. Behind the scenes the British are talking to New Zealand, with the advantage of not being a party to ANZUS yet enjoying particular political and sentimental ties with New Zealand. If New Zealand fails to respond then at some point Britain might be driven to say "Well, we tried. But we cannot forever defend your position either in the face of the Americans or as against the French within the European community. There is no more that we can do for New Zealand exports threatened in, and by, Europe". Nor have Mr. Lange's attempts to export his policies, and his recent lectures in and to Europe about nuclear matters, endeared him to governments there or in North America.

The Hawke Government has publicly welcomed what Britain is trying to achieve in Wellington but privately does not expect Britain to succeed in moving Mr. Lange. Australia — and the indications are that Mr. Hawke and Mr. Hayden see eye to eye on this — seems to have written New Zealand off and to be reconciled to seeing ANZUS, until further notice, as a bilateral arrangement between Australia and the U.S. The important thing from Australia's point of view is the way in which the US deals with the matter, whether by ignoring New Zealand or by taking some positive action about the issue.

Britain will also be involved over the protocols of the South Pacific Nuclear Free Zone Treaty. The protocols, which are to be open for signature by existing nuclear weapon states, are likely to be finally framed in August. The British attitude is likely to depend largely on the Americans. If the US refuses to sign, which seems likely, or else signs but with extensive reservations, then Britain may well follow suit. Given that the French are bound to be unsympathetic to the Treaty, Britain may not wish to stand aside from both France and the US on an issue such as this, in which few British interests are in any case directly involved.
Is Socialism Finished?

Bob Carr

In a speech to the Fabian Society earlier this year, Bob Carr, the Minister for Planning and Environment in the New South Wales Labor Government, argued that socialism has “run out of steam”. Bob Carr’s speech may well mark a turning point in Australian political thinking. The speech was delivered by a senior Labor Minister to a society which has had a vital role in promoting socialist thought.

The salient characteristic of socialism is its lack of popular support.

This is true in states like the USSR where, one observer has written, it is impossible to inject a discussion of Marxism-Leninism into a conversation with ordinary people without generating explosions of disbelief, rather as if someone in a Leagues Club started talking evangelical Christianity.

It is also true in western democracies, Australia being no exception.

This is, of course, remarkable. Socialism has been around for 150 years and socialist parties have run states for up to 69 years in the case of the USSR. It is no longer an untested ideal. As Tom Wolfe wrote recently, socialism has been the subject of a field experiment for 69 years and the results are there for everyone to see.

Socialists have had numerous forums and the most articulate advocates, sometimes a disproportionate share of the opinion elite or intelligentsia. They have had opportunities to popularise their message during two world wars and a Great Depression in which up to one third of the workers in western countries were spilled into the degradation of joblessness. But, even then, they never converted a majority of people, even a sizeable minority, to the idea of a radical revision of society along socialist lines.

The working class have been the great disappointment of Marxism, wrote A.J.P. Taylor. And the fundamental reason they have not brought capitalism down is that parliamentary democracy has provided them with the leverage to secure their goals, such as trade union rights and the welfare state. Thus wrote John Strachey, a British Labour front-bencher of the Attlee years who himself had been through the Marxist mill: democracy had defeated Marxism.

Pluralist democracy — with its market place of ideas, advanced civil liberties and alternation of governments — has not only rendered Marx’s credo irrelevant but seems to be confounding any attempt to further expand state ownership and responsibilities by democratic or gradualist means.

Ralph Miliband in his Capitalist Democracy in Britain (Oxford, 1984) attempts to explain Britain’s high measure of social and political stability ... and he moves away from other Marxists who write British history as a sequence of aborted revolutions and close shaves for the ruling classes. He says:

“In Britain there has been no crisis of the regime in this century ... the fears expressed in high places in 1919 were not justified. Labour had no wish (or capacity) to provoke a major crisis. Nor was there such a crisis in 1926, or at any time thereafter. It is in fact not too much to say that there has been no crisis of the regime in Britain since 1688, which is a long time”.

From the Duke of Wellington to Winston Churchill in the General Strike there have been patricians prepared to hit the panic buttons; they need not have bothered: the best organised working class in Europe remained opposed to the nostrums of the far-Left.

Recently the Australian Left held a conference in Sydney and, from reports, some sense was talked. But the Left has had a long time, a very long time, to build a constituency for its policies in Australia, and it has never succeeded — not in the Labor Party’s first generation, not at the end of World War I with widespread disillusion among workers and revolution in Europe, not in the Great Depression, not in the late 60’s, early 70’s “Time
of Hope’, as Donald Horne called it. The key tenets of socialists — a commanding role for government in the economy, a bigger say for the unions and sympathy for revolutionary regimes abroad — have never won support, although not since the Cold War have they been quite as unattractive as they are today.

“If Only”

This can produce the “if only” response. If only the people understood elementary economics, if only they weren’t so apathetic, if only they weren’t cheated by Labor fakers, if only they weren’t fooled by the media...

This last is the most commonly heard.

Drip, drip, drip goes the propaganda of the capitalist, wearing down the critical capacity of the poor proletarian. Drip, drip, drip goes “repressive tolerance,” “capitalist hegemony”, from the pipeline of Women’s Weekly, the Brisbane Telegraph, Eyewitness News, seducing the ironworker, the teacher, the scientist from their natural preference for Left solutions.

The fact that there might be solid reasons why the working class rejects socialism — and always has — is altogether overlooked.

Perhaps the answer lies in agitation and propaganda, a Labor weekly, trade union arts festivals, a Labor college, a Left Book Club, that is “education”. One should be skeptical of any argument that begins: “We’ve got to educate people to...!” Whenever someone wishes to sell you a politically hopeless proposition — say, the desirability of higher income taxation or of the phasing out of the motor car — it is always prefaced this way.

A Soviet dissident, Vladimir Bukovsky (whose description of Soviet socialism in his memoir To Build a Castle (1978) had a marked influence in France) had something to say on how you “educate” people to accept socialism. He wrote:

“The amazing, naive and inhuman faith of all socialists in the power of re-education transformed our school years into a torture and covered the country with concentration camps. In our country, everybody is being ‘re-educated’, from the cradle to the grave, and everybody is obliged to re-educate everybody else. Conferences, meetings, discussions, political information sessions, surveillance, check-ups, collective measures, Saturday working and socialist competition. For the in-educable, heavy physical labour in concentration camps. How else could you build socialism? All this was clear to me as a fifteen-year-old lad. But ask any Western socialist what should be done with people unsuited to socialism and he will reply: re-educate them”.

“Socialism” in the West is discredited, tarnished forever by its association with Marxist-Leninists.

At the start of the first oil price shock of 1974 there were people who said “Well, that’s the end of the period of effortless post-war economic growth... there’s going to be a radicalisation ... whether of Left or Right”. It is noteworthy that that never happened: there has been no resurgence of neo-Nazism in West Germany, no swelling of the National Front in Britain — and, everywhere, rather than gains for the Marxist Left, a remarkable slump in communist party support especially in France and Spain (where unemployment stands at 20 per cent but communist support was only one per cent at the last election). In fact, 12 years of economic instability and high unemployment have only seen a strengthening of the Centre; and continuing moderation of socialist and labor parties, as they revise further their original creeds.

Why?

In the collective mind of Western Europe there is still a vivid recollection of what happened when demagogues offered quack solutions to the economic crisis of the 1930s. Few want to go down that track again. The West Europeans can see Marxist-Leninist solutions on the other side of the border and Eastern Europe is a very bad advertisement for Eurocommunism.

Totalitarian

But it is these totalitarian regimes that have appropriated the term socialism. When Western electors think of socialism they think of the communist bloc. For years we’ve attempted to argue them out of it: “That’s not real socialism ... you can’t have socialism without democracy ... in Australia, in France, in Britain it would be an altogether different type of socialism...”

We thus engage in an endless tug of war for
IS SOCIALISM FINISHED?

possession of the term “socialist”, a tug of war with such lovely types as Pol Pot, the Baathist Party of Iraq and General Jaruzelski. But most Western electors still think of them not us, when someone leaps from the bushes and says, “Socialist!”.

In fact Western electors probably have a composite picture of socialism that incorporates East Berlin’s Stalin Allee, self-applauding Politburo members in baggy grey suits and steel-rimmed glasses, the Ruritanian antics of the Ceausescu family, Solzhenitsyn’s “Zeks” with their shaven heads in an Arctic night tramping the earth behind the barbed wire.

Moscow has won the tug of war. “Socialism” in the West is discredited, tarnished forever by its association with Marxist-Leninists. We face this question: Is it really worth fighting for possession? Or better to let them have it?

Well, my view is let them have it. Allow Pol Pot to revel in the term. We can call our core belief something else, social justice, social democracy, equity or plain fairness.

There may be Western voters who still see “socialism” in domestic terms. But they probably associate socialism with the greyness of post-war Britain. Someone has argued that in the UK socialism conveys an image of poverty rather than prosperity. With the arguable — very arguable — exception of Sweden and Austria, nowhere does it seem to represent anything like a cheerful rallying call.

One of the grossest inequalities can be between public sector workers with security of employment and substantial superannuation and those in the private sector...

As an advertising man might put it, these are fundamental image problems. They seem as fundamental now as in the early 60’s when British Fabian tracts were embellished with the slogan: “Socialism in the Sixties” and showed a tortoise crawling forward. We’re in the 80’s and there’s been no mass conversions. The tortoise has not advanced .. no, given Thatcher’s privatisation and rolling back of union power we’d have to show him going backwards.

In the West there are signs that socialism has faltered.

The Size of Government

The main limit it has run into is the size of the public sector. State spending in Western Europe as a share of GDP is at an average of 50 per cent, having risen from just under 35 per cent two decades ago. When it was 35 per cent all things seemed possible: socialists could compile extensive shopping lists of desirable reforms and programmes. Not today. It is difficult to cut, control or redirect total government spending because of the growing number of elderly and because of payments to the unemployed. It can’t be further expanded without increasing taxation or adding to the public debt. Socialism has long been defined in practical terms as increasing government’s responsibilities, an approach we simply can’t afford anymore, partly because economic growth has trailed off, and this is the second major constraint. Labor governments in Britain (1974 to 1979) and a Labor-led government in Israel know what it is like to govern in austerity, to talk not about redistribution of wealth but about fair distribution of sacrifice, as do the Portuguese socialists after the last experience of government. You cannot champion bold new programmes of social reform in a no-growth economy and that means you settle for administering the status quo more equitably.

Since Hugh Gaitskell’s Fabian Tract, Socialism and Nationalisation, written in 1953, and Tony Crosland’s monumental The Future of Socialism (1956), Labor Parties have gradually revised their time-honoured priority of expanded State ownership. In the mid-80’s, however, it is necessary not just to be critical of state ownership — like Peter Walsh I see no inherent virtue in either private or public ownership without considering the merits of the particular case — but of state intervention in general.

Today we know centralist answers are not always the best for economic efficiency or fairness. One of the grossest inequalities can be between public sector workers with security of employment and substantial superannuation and those in the private sector especially manufacturing. State and Federal Labor Ministers are viewing with concern the rise of a new class of co-ordinators, “resource people”, and social workers burning up in salaries funds that should go direct to the poor. Executives and parlaments are struggling to bring the sprawl of government under some effective control; in the meantime everyone has stories of waste,
IS SOCIALISM FINISHED?

duplication and inefficiency.

The burden of all this is borne disproportionately by the PAYE taxpayer, and increasingly the ones on ordinary incomes. Three quarters of the workforce in Australia is employed in the private sector. It is not a constituency for bigger government.

In mid-1983 the British Labour Party fought an election on a policy of big public sector expansion including nationalisation and a free hand for the unions, with a commitment to unilateral disarmament thrown in. This proved an unpalatable cocktail. The party’s vote dropped to its lowest since 1918; the party only led the Liberal-SDP Alliance by one or two percentage points; and trailed it in a majority of Tory-held marginals. The party is now beginning to look at alternatives to expensive nationalised bureaucracies: co-operatives and employee buy-outs. The prospects here, of course, are not promising.

The French Socialists learnt one year after their mid 1981 victory that vigorous public sector reflation in one country does not work, and switched from all out statism to policies based on the market. I have tremendous admiration for Mitterand: he lost his government at an election in which the combined vote of the Right wing parties was 55 per cent, and managed to persuade the world it was “a close-run thing”. Anywhere else it would have been seen as a landslide defeat.

The Spanish Socialists, who came to power in 1982 without a distinctive economic position, are pushing competition and modernisation as an alternative to Franco’s top-heavy state. Dutch socialists are talking privatisation of parts of their health service.

Privatisation of health services or fostering competition can achieve various goals such as greater equity... 

All these trends can mean different things. They certainly suggest there is no commonly understood body of ideas, programs or strategies that come under the heading “socialist”. Yet up until recently that was, more or less, the case, certainly would have been in 1955 or 1945.

Social democratic parties are as vital as ever, in southern Europe doing better than anytime in history, but not without measures that have morally been understood as socialist.

Privatisation of health services or fostering competition can achieve various goals such as greater equity considered desirable by reformist governments but socialist measures they are not. There really is not that much use in the word “socialist” anymore.

It has run its race.

Of course you can argue your way out if you are prepared to redefine socialism as something it never really was. William Lane has said socialism just means “being mates”. The Economist used “neo-conservative socialism” to describe what Spanish, French and Italian socialists are doing. This stretches meaning a bit too much.

When you get to that point you really should give up.

Socialism means State Power

Socialism has a specific meaning: more state power in the economy. As John Dunn argues in The Politics of Socialism (Cambridge, 1984):

“Socialism is concerned with many other matters besides the exercise of state power, but it is politically puerile to ignore the centrality to socialist politics of the struggle to acquire, and to exercise state power for what are hoped to be good ends. In political theory socialism must be defined in the first instance in terms of the exercise of state power and the organisation of an economy; it cannot simply be dissolved into the name for an assemblage of miscellaneous cultural enthusiasms which happen to be current at a particular time. The classic questions of socialist political theory concern the form of the state and the organisation of the economy”.

In 1986 there is hardly an irresistible case for a further expansion of the states’s economic responsibility.

There are three points we should always remember.

The first is that the pluralist democracies of the Western world are not wretchedly unjust societies, although specific injustices can be found in them. They are the first societies in history to make a decent life available to ordinary people. This is a considerable achievement and reflects well on the labor movements and social democratic, labor and socialist parties. Few in these societies consider themselves oppressed and those that do, like farmers in Australia, reach conclusions altogether different from those socialists would
ordain.

The second point is that active politics touches most people in only a marginal way. A state of political agitation — issuing pamphlets, seizing microphones, bossing workmates into signing petitions and going to meetings — will always be untypical ... thankfully. As Crosland put it, most people want to be left to tend their gardens.

As a result — and this is my third point — it is hard to force change in our societies, certainly harder than we all thought in the early 70's. You can only go a little way at a time and then, as Neville Wran says, only get away with change when you make the voters believe they thought of it first.

I'm not saying there is nothing for reformist governments to do. There's plenty: getting the mix of policies that delivers good non-inflationary growth and continuing to push for a more equitable tax system for a start. Redistributing welfare from the middle class to the poor; giving the under-serviced working class suburbs their fair share of services; turning the tide of environmental degradation; and trimming the waste from government: all these should be on the agenda.

But I don't think it's useful anymore to pretend these things amount to socialism, or that socialism has much use as a concept, or that it carries support, or that a growing number of people want it: in fact, their numbers are contracting. And it would be silly to cling onto it out of sentimentality.

The Italian communist party has referred to the "exhaustion of the ideas unleashed by the October 1917 coup d'etat in Russia. In other words, Marxism-Leninism has run out of steam.

Exhaustion is not a bad term to apply in 1986 not just to Marxism-Leninism but to socialism.
Where have all the investors gone?

According to Simon Crean the Australian business community has been letting the country down by not investing more in Australia.

While it is true that the profit share of GDP has risen substantially, investment decisions are not made on the basis of this share. (I wonder how many businessmen are even aware of this profit share).

The two main considerations in making an investment — expected future returns and returns on alternative uses of funds — are not reflected in the profit share of GDP.

With such a complex of matters as wage indexation, union-run superannuation, the Arbitration Commission’s Termination Change and Redundancy decision, new punitive taxes such as fringe benefits taxes and the capital gains tax, the Prices Surveillance Authority, and legislation on occupational safety and health, affirmative action and industrial democracy hanging over their heads, it is little wonder that businessmen are showing some nervousness about investment.

The attractiveness of alternatives has also dampened investment in industry. One alternative is government paper. The return here, as the graph below shows, is currently close to an historically high level and more than two and a half times the level in the late sixties.*

Average returns on business investment are currently better than during most of the 1970s but as the graph shows, still substantially below the level of the 1960s. More importantly, the margin for risky investment in business over riskless government paper has in recent years been less than half what it was in the late ‘sixties and early ‘seventies.

Until the gap between return on business investment and alternative investment widens to something like it was in the 1960s (the shaded area in the graph) it may be difficult to get a substantial increase in business investment.

The alternatives to business investment in Australia are not all to be found in the public sector. An increasingly attractive proposition for

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* The figures in the table refer to 10 year government bonds. Other government guaranteed investments, such as semi-government bonds, provide still higher interest rates.
Australians is to invest overseas in the more dynamic economies such as the U.S. Overseas investment by Australians is still small in total but the graph below shows that it has been expanding rapidly in recent years.

$M  Australian Investment Abroad

Strike Trends

Official statistics show that the 1.2 million working days lost in the twelve months to January 1986 were only two-thirds of the days lost in the year preceding the Accord and the lowest since 1969. But do the official statistics accurately reflect the industrial relations reality?

The official statistics on "industrial disputes" record only strikes of more than 10 work days duration. According to many business managers, particularly in the public sector, the pattern in recent times has been fewer large-scale strikes and more work-to-rule campaigns, work bans and other limitations. These obstructions can inflict no less damage than full-scale strikes, without being recorded in the official statistics.

The Public Service Board in its most recent Annual Report noted that in 1984/85: "Industrial action primarily took the form of work bans and limitations in selected work areas of selected departments rather than work stoppages".

That the activities can be at least as, if not more, damaging than strikes is illustrated by the following example quoted by Mr. J.R. Smith, Chief General Manager of the State Electricity Commission of Victoria, in a recent speech:

"A more worrying trend from our viewpoint is that work bans and limitations in the SEC rose from 35 in 1983 to 40 in 1984 and 52 in 1985. In the LaTrobe Valley in the last six months of 1985, at any one time on average there were seven noticeable bans in force.

We have estimated that bans in 1984-85 cost the SEC $15 million, nearly 1 per cent of operating costs. That is a significant sum. It obviously pushes electricity prices up not down".

Terms of Trade and Standard of Living

In his Address to the Nation Mr. Hawke emphasised the role of falling prices for Australia's exports in the decline of the Australian economy.

Just how much damage the deteriorating terms of trade have caused can be seen from the graph below. The top line in the graph details the quarter by quarter seasonally adjusted Gross Domestic Product. The bottom line represents the value of national production after allowing for the fact that falling prices for our exports have reduced the purchasing power of our domestic income.

The shaded area between the two lines represents the loss in value in Australia's GDP due to the deteriorating terms of trade. This loss of value in national production has increased dramatically in the past two years. In the year to March alone the falling terms of trade cost Australia almost $5,000 million or over $300 for each Australian.

Yet in the face of this loss of income, the Arbitration Commission continues to award higher wages and unions continue to agitate for more income.

$M  Loss to National Income from Adverse Terms of Trade
The Welfare Explosion: Who is Responsible?

Conventional wisdom has it that Australia is going through a period of severe strains on its welfare system because of the ageing population. A close analysis of the figures suggests this to be far from true. The real excesses in the welfare budget are to be found in other areas, such as the supporting parents’ benefits.

In the ten years to June 1985 dependants on the supporting parents’ benefits increased from 36,000 to over 158,000 — an annual increase of 16.0 per cent, eight times the growth rate of the labour force. In contrast aged pensioners over the 10 years increased at an annual rate of only 1.9 per cent, marginally less than the labour force growth. Thus, in 1975 there were some thirty aged pensioners for each supporting parent, but by 1985 the ratio had fallen to eight to one.

The shift in expenditure toward supporting parents shows a similar pattern. In 1985 the Government provided single parents with over $1,000 million. This follows an annual increase of 30 per cent for the previous ten years, bringing the expenditure ratio of aged to single parents down from 20:1 to 5:1.

What of the future?

It is, of course, true that the ratio of aged persons to those working is increasing. Population projections suggest that by the year 2021 the aged will account for 19 per cent of the population — twice today’s proportion. But, according to EPAC, if there were to be no change from current levels of pension, population coverage and levels of benefits (real) by the year 2021 expenditure on age pensions would fall from the current 2.68 per cent to 1.90 per cent of GDP. This would happen because the growth in the economy which might be expected over the next 35 years is greater than the growth rate of the aged population. Only if the (real) level of the benefits to aged pensioners is increased during the period does the aged population begin to place the strains on the economy which are so freely predicted.

On these figures, it appears that the aged are unfairly blamed for the explosion in the Government’s welfare bill. It is the supporting parents’ beneficiaries, who receive on average one and a half times the benefit given to the aged persons, who need to be scrutinised closely. This applies both to unmarried mothers who increased in number by 150 per cent in the past ten years, and separated wives, who went up by over 500 per cent.

Cutting the Public Services

In 1983 the Premier of Western Australia, Brian Burke, in what was an unusual and courageous step, announced a plan to reduce the size of the State public service (see “Premier Burke’s Public Service” IPA Review, Winter 1983). Two years later, in June this year, Mr. Burke announced further restrictions on the growth of the public sector in the form of a freeze on vacant positions and temporary relief staff.

Why has Mr. Burke found it necessary to repeat the efforts of only two years ago? Was the original effort not successful?

The answer to these questions can be found in the table below.

<table>
<thead>
<tr>
<th>State Public Sector Employees*</th>
<th>1983</th>
<th>1984</th>
<th>1985</th>
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<tbody>
<tr>
<td>NSW</td>
<td>347.8</td>
<td>352.7</td>
<td>354.1</td>
</tr>
<tr>
<td>Vic</td>
<td>281.1</td>
<td>287.2</td>
<td>297.5</td>
</tr>
<tr>
<td>Qld</td>
<td>164.6</td>
<td>174.0</td>
<td>176.5</td>
</tr>
<tr>
<td>SA</td>
<td>105.1</td>
<td>104.9</td>
<td>108.6</td>
</tr>
<tr>
<td>WA</td>
<td>114.4</td>
<td>111.0</td>
<td>119.6</td>
</tr>
<tr>
<td>Tas</td>
<td>39.0</td>
<td>37.5</td>
<td>40.1</td>
</tr>
<tr>
<td>N.T.</td>
<td>15.3</td>
<td>15.8</td>
<td>15.8</td>
</tr>
</tbody>
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* December of each year

In 1984, the year following the introduction of restrictions on public sector growth, Mr. Burke was able to reduce the number of public servants by some 3400 — a 3 per cent reduction. The other States by way of contrast increased their public sector employment by an average of 2 per cent.

But in 1985 public employment in WA jumped by 8600 persons — a 7.7 per cent increase. The other States averaged an increase of 2.3 per cent. Over the two years Queensland (7.2 per cent) and Victoria (5.8 per cent) recorded the largest increase in public sector employment, while in Western Australia the increase was 4.5 per cent.

The important lesson of this experience for self-proclaimed cost-cutters — and several Premiers claim to be in that category — is that one-off efforts are not sufficient. What is needed is a longer term policy in which public sector employment ceilings are clearly specified — and held.
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The End of External Exams?

a pyrrhic victory for radicals

Peter McGregor

As a result of pressure from radical educationists and teacher unions, bewildering changes have been made, or are being made, to final year secondary school assessment around Australia. However, according to Peter McGregor, despite the gradual disappearance of external exams they might well re-appear in some form: the question is whether future testing will be done by groups of schools, employers or tertiary institutions.

The number of students staying on to attempt Year 12 in Australia is growing steadily. Yet there has never been more debate about the courses which should be studied and the procedures to assess performance.

Since the late sixties in Victoria — long regarded by educational progressives as the innovator in educational “reform” - the HSC as the measure of student ability and comparison has been attacked as elitist, competitive, unfair, invalid and restrictive. Without the burden of HSC hanging over the heads of secondary school teachers, so ran the rhetoric, real quality of education would be attainable.

In response to reformist lobbying, the Victorian Institute for Secondary Education (VISE) was established by the Hamer Government in the late seventies to usher in a new era in curriculum development and assessment, but was more widely regarded at the time as the means for presiding over the demise of HSC without alarming the community. Certainly, most of the esoteric literature VISE has published and the seminars it ran throughout its controversial years of operation pointed to that as one of its main objectives.

VISE managed to antagonise experienced teachers and some of its own subject committees, create the impression that it was more an ideological organisation than an educational one, and was instrumental in blurring the community’s understanding and acceptance of HSC. It tried to fudge the time-honoured boundaries in the minds of students and employers between traditional subjects (Group 1) and a host of others (Group 2). But its greatest achievement in the name of egalitarianism was the establishment of compulsory pass rates so that, no matter how well (or badly) some students performed, they would pass. In English, for example (the only compulsory subject in Victoria), 80 per cent of students now pass regardless of the standard of their accomplishment.

But in 1985, in response to the Blackburn Report, the Government commandeered the role of catalyst for change, largely adopting the VISE agenda for reform. HSC was to be phased out at the end of 1986 and a new Victorian Certificate of Education would be instituted; at first, merely replacing in name only the HSC and two other parallel Year 12 certificates. The “fully reformed” VCE (Victorian Certificate of Education) and the curriculum — a general, two-year course for all — would not be in place until 1989.

The aim was for a “more attractive” education which would hopefully result in 70 per cent of students staying to complete their final year. (This retention rate varies considerably between schools. It can be as high as 90 per cent, or as low as 10 per cent.)

In any case, a Pandora's box was opened.

In recent months, as the schedule of change unfolded and the realities dawned, realisation of the complexities and a lack of satisfactory progress...
in designing a suitable alternative to meet the needs of all parties concerned (while at the same time fulfilling the high expectations of the reformers and government) has led to a public controversy in the daily newspapers.

A spokesman for the Vice-Chancellors of Victoria's four universities voiced serious doubts about what is being proposed and whether the universities can accept those who graduate under such a scheme. There was even talk of an extra year at university being necessary to bring students to a level necessary to begin a degree. However, a spokesman from Monash, representing 25 educationists, supported the changes, attacking the past and present system: "A good HSC result is no guarantee of a level of real understanding of the topics in a subject". Soon, on the basis of these reports, letters to the editor of *The Age* with differing points of view were running daily.

The Dean of Melbourne University's Faculty of Education and former Chairman of VISE, Professor Kwong Lee Dow (*The Age*, 3/6/86) expressed concern about the actions of the working parties currently interpreting Blackburn and recommending changes.

"I am one who believes that students ought to be admitted to tertiary courses of their choice on as fair and objective a basis as possible, and that to do so we are greatly helped by external examination in a clear and valid form", he told a graduation ceremony. "The present proportion of school assessment to external assessment seems about right to me."

Soon after, Professor of Education at Melbourne University, Hedley Beare wrote in *The Age* (17/6/86) of the need for "open, defensible, and publicly-accepted" selection criteria.

At present, a Victorian student's mark in each subject is made up of 50 per cent school assessment (based on assignments, on-going tests, and a variety of other undefined criteria) and 50 per cent external exam. Only time will tell what will be expected in the coming years, but already principals of schools are expressing concern — even if only that they do not know what is going on and cannot report the "state of play" accurately to staff, students or parents.

But in large part, it has been a debate among educationists and lobby groups, with little or no parent, business or community participation. Perhaps they have heard it all before.

**Around Australia**

In Queensland, where external exams were abolished ten years ago, senior educators claim that students are now under more pressure than they were with the old system. "Instead of working methodically towards exams," said one academic, "the kids today are subjected to the constant pressure of being assessed on their every move. Everything they do 'counts'." At the same time, newspaper reports suggest that parents still do not understand the system. A Federal bipartisan Senate Standing Committee on Education, for example, in late 1985 found the system to be "a disaster, widely misunderstood, and lacking community support" (*Courier Mail*, 20/12/85) and all this resulting from an attempt by eminent educators of the reforming 70s to liberate schools from "the straitjacket" of external examinations.

In New South Wales, 1986 sees the beginning of a new system that will give students a confusing two marks for every subject: one of them, the Education Department's moderated ranking that has already attracted considerable flak — from the militant 'leachers Federation who said that the changes were not fully understood by teachers and principals, and would inevitably result in a "full catastrophe" at the end of the HSC this year. One Sydney newspaper ran the headline: "Higher Stress Certificate!"

In the ACT, where external exams are not used, meetings of parents have called for a return to exams moderated by internal assessment.

Other States are experiencing similar difficulties over the process of "freeing up" the final years of schooling, although in Western Australia — which has a long tradition of not running too far ahead of public opinion in education — 1986 is the first year in which 50 per cent of the Year 12 assessment will be based on a school-based mark, and both parents and educators feel that this is as far as compromise with progressives should go. There seems little pressure to liberalise any further. If anything, there is a strong feeling that a return to basics is necessary in education. As one senior administrator said: "Recently, too much has become fluff, ephemeral in nature and lacking any academic integrity."

While educators at all levels invariably hail "change" as both inevitable and desirable, many are also very suspicious of the kind of educational
External Assessment
Around Australia

New South Wales
Year 12 students: 34,261
Courses run for two years (Years 11 and 12). Assessment commences in Term 1 of the first year and measures the total achievement. Use of moderation between schools. HSC certificate shows two marks for each subject, the final external examination mark, and the school assessment mark. Students receive a ranking; i.e. position in group within each subject. It is not clear yet on what basis selection will be made for Higher Education.

Victoria
Year 12 students: 30,706
Currently HSC is made up of 50 per cent internal school assessment and 50 per cent external state-wide exam. (Two other certificates exist, established in response to radical opposition to HSC.) The new Victorian Certificate of Education is to take the place of all Year 12 certificates, including HSC, in 1987. There is to be a new Year 12 curriculum by 1990. For further details, watch the daily newspapers.

Queensland
Year 12 students: 22,668
Under the authority of the Board of Secondary School Studies, a Senior Certificate is issued reporting on performance in Board subjects and Board-registered subjects. In an attempt to achieve comparability of assessment, review panels across the state receive submissions from schools and offer advice. A single assessment is given after two years of study. For admission to Higher Education, students receive a separate Tertiary Entrance score, the result of a very complex set of calculations which few really understand.

Australian Capital Territory
Year 12 students: 3,150
Assessment is internal. Student achievement is reported on a five-point scale, A-E.

South Australia
Year 12 students: 11,711
Two parallel systems operate: one, run by the Public Examinations Board, offering tertiary admission subjects and a certificate that records final results based on a combination of exams and school assessments. The second, offered by the Education Department, provides for different courses and gives moderated school assessments in the form of a scale of grades: A,B,C,D and U (unsatisfactory). Students may study subjects from either course and receive two certificates on completion of Year 12. Schools also provide a School Leaver Statement, showing subjects taken and teachers' comments. University entrance is based solely on performance in publicly-examined subjects.

Western Australia
Year 12 students: 11,059
Carefully structured requirements, administered by independent committees under the auspices of the Tertiary Institution Services. (There is strong opposition to the idea that schools should be free to decide curricula or methods of assessment.) From 1986, Year 12 accreditation is to be an aggregate based on an external exam, together with a school-based mark totalling 50 per cent of the score. There are a few options and the guidelines to schools are very specific. Overwhelming support for the continuation of exams. Selection for Higher Education based solely on scaled examination marks (no school component at all).

Tasmania
Year 12 students: 2,126
Most subjects at Year 12 can be taken at one of two levels, one being a higher standard than the other. Five grades are used: Credit, Higher Pass, Pass, Lower Pass and Fail.

Other Countries

In reviewing the available literature on HSC-equivalent practices in other countries, it is instructive to notice that changes, uncertainty and mounting criticism of educational performance is not uncommon.

Canada: After years of using school-based assessments only, community dissatisfaction had led some provinces to re-institute state-wide examinations to assist with university and employment selection.

Federal Republic of Germany: In general, schools are responsible for issuing students with an appropriate certificate.

Japan: At about age eighteen, students enter colleges, most of which are privately run. Entrance is based on exams prepared by each institution; but in effect, the university entrance exam is the primary sorting device.

Netherlands: School marks on graduation certificate are based on both nation-wide exams and school-based tests.

United Kingdom: Selection is the responsibility of individual institutions, but the minimum requirement is two passes in the Advanced Level of the externally-run General Certificate of Education.

United States of America: Those who graduate from school and wish to enter college usually undertake the privately-run Scholastic Aptitude Test. But declining enrolments and concern about falling standards has led to school administrators seeking tighter entrance requirements as support for their attempts to put more solid academic courses in the school curriculum — to encourage students to take education more seriously.

USSR: Entrance to higher education based on highly competitive state-run examinations. One system for the few privileged; another for the rest.
The experimentation that is occurring and are cautious about its supposed advantages. The influential Deputy Director-General of the Victorian Department of Employment and Industrial Affairs, Mr. Peter Kirby, recently described Australia's education system as "cruelly deficient" (*The Age*, 16/6/86).

**What the Radical Professionals Want**

The pressure for change has not arisen in response to "consumer demand" but has come from outspoken and influential education groups or individuals, supported by university education faculties and teacher unions.

The approach being advocated argues for changes such as:

- course content and assessment to be based on negotiation and compromise between teacher and taught;
- more and more reliance on school-based assessment and descriptive profiles of student performance; that is, without reference to class, school or state norms (or public accountability);
- continual widening of the curriculum choice for students with the inclusion of more creative and practical subjects ("soft") and less emphasis on the importance of traditional areas of study ("hard"), such as maths, science and foreign languages;
- acceptance of the view that Year 12 should not be used in testing for entrance to university or employment; rather, that it is the final year of secondary schooling and should be "evaluated" regardless of what is to follow;
- the elimination of any concept of failure from the classroom; for example, a move away from standardised assessments of all kinds which make comparisons among students, and a move towards check-lists of skills;
- "socially-critical" schooling — present political and economic systems and institutions to be subjected to student analysis and criticism with a view to highlighting their weaknesses.

**What Should Schools Teach?**

According to a recent report in *The Age*, universities have very reasonable expectations of schools; namely, that students have:

- a level of competence in certain sorts of written English language skills;
- some numerical and quantitative competence and confidence;
- a mastery of some specific prerequisite knowledge;
- a reasonable level of learning across a broad spectrum of studies — "general education";
- some skills, self-discipline and confidence about themselves as learners.

Hardly a millstone around any child's neck! Most members of the wider community would probably endorse these requirements as excellent educational objectives; providing usable information for employers and institutions; but, of course, differences arise within education groups about the specifics — in particular, how these attributes are to be assessed and measured, and the nature of the courses that will transmit them.

**Consequences**

With increasing confusion amongst those both inside and outside the education system, the likely consequence is that employers, colleges and universities will either establish their own exams, or informally grade schools according to their reputation for academic rigour. Those graded highly will probably be private schools and government schools in middle class suburbs. An "A" from Melbourne's Eastern suburbs will be judged better than an "A" from a Western suburbs school, no matter how unjust this sounds.

In other words, external exams, which subjected all students to the same criteria of assessment, regardless of school, social background or family connections, may well be replaced by an assessment of students according to their social class and background. This is an inequity for which misguided radicalism must take the blame (one can well imagine the next generation of social reformers calling for state-wide, publicly accountable examinations — in the interests of social justice!).

Despite its problems (and no system is perfect), the great virtue of external assessment is its impersonal nature. No one can accuse an impartial examiner of allowing emotional involvement or social prejudice to interfere with his or her judgement of a student's work. This cannot be said of internal assessment; and in some overseas countries has gradually degenerated to a system where students pass merely by attending class (the 1985 Blackburn Report took Victoria a giant step towards this prospect).
In Canberra earlier this year, at a meeting of concerned parents, a statistician at the ANU spoke about the part exams played in helping students consolidate and review their learning. He reported that research in Tasmania had revealed that among students following the same course, those with an end-of-year exam had shown superior results in retaining knowledge when assessed one or two years later, than those who had been subjected to continuous assessment but no final exam.

He added: “but I cannot believe that you need a statistican to tell you something so obvious”.

In all States, internal school assessments are often the result of group consultation or “moderation” procedures, which is the current fad or orthodoxy in Australian education. Moderation is the process by which teachers in the same school or same region get together to discuss uniformity of assessment. It has long been practised in courses where objective testing is difficult, if not impossible (such as in the case of student art and craft, as distinct from intellectual knowledge of a subject).

While moderation has something to recommend it as an idea, the practicalities are that teachers need to absent themselves from teaching duties, creating serious difficulties for school administrators and loss of continuity for students. While acknowledging its potential value, its contribution to educational inefficiency has been largely ignored by reformists.

Without a doubt, many students have lost their way along the learning track as a result of the disappearing role of examinations — first from the middle levels of schooling, and now the spectre of removal from Year 12. Whatever else may be said about them, exams encouraged sound study habits and effective learning skills, such as review, reinforcement and note-taking. Today, many senior students are aware of their own study deficiencies but neither they nor their parents and teachers are able to overcome them. Opportunities to develop and inculcate sound study habits in the formative years have fallen by the wayside because of the apparent irrelevance of exams to the “assignment” and “continuous assessment” methods.

In the meantime, students “get by”, believing they can go on “getting by” and at the same time failing to acquire sound, regular learning and study skills. The good students manage, while the majority (and especially the less able) are disadvantaged. But neither group eventually makes the most of learning opportunities.

New Approaches

As a result of the changes outlined in this article, all institutions and employers in some States will soon no longer be able to discriminate reliably between students on the basis of assessment.

But the prize for the most original and radical suggestion for university selection must go to The Age’s education editor, Geoff Maslen, who in all seriousness recently proposed that places be allocated by ballot (lottery). This is an extreme example of egalitarianism.

In the near future, universities, colleges and employers who wish to assess school-leavers on the basis of literacy, numeracy, reasoning ability and general knowledge, may have to devise their own examinations.

Moves are already afoot to do just that. With the chaos and confusion about HSC that was a feature of Victoria and N.S.W. earlier this year, and with the apparent alternative in at least one other state on the verge of collapse, steps have already been taken in Victoria to explore the possibility of establishing an accreditation process (regardless of the final outcome of government plans) that would be fair, reliable and a valuable guide to ability and performance for students, parents and interested members of the community. It already has the support of many within the business community, as well as the school principals and subject specialists who have been approached.

No doubt, other initiatives will be taken as lack of confidence in education’s capacity to respond to community requirements grows — so that one of the prospects students of the 90s will face is the taking of multiple sets of exams, one for each of the institutions or industries they may wish to enter; together with the exam that is most highly prized for enhancing employment opportunities (run, perhaps, by a private organisation, as in the U.S.).

In New Zealand recently, when external exams at the end of Year 11 were abolished, groups of schools declared their intention to form a conglomerate and devise a substitute. Such a possibility at Year 12 (for example, among non-Government schools) cannot be ruled out, in Victoria at least. Inevitably, this would have the effect of creating two systems, one with external exams and one without: a first-class and a second-class system that would discriminate against students attending schools whose staff adopted “exam-less” courses.
Education and Values
the end of centralised schooling?

David Kemp

The concept of compulsory education organised through centralised state education systems is foundering. Wide support for these systems from nineteenth century liberals was based in part on a view of knowledge which is no longer generally accepted. As the role of values in education is more widely recognised, the organisation of education needs to reflect that fact.

The concept of compulsory education has long been supported by liberals from John Stuart Mill to Friedrich Hayek, on the ground that a certain basic knowledge is desirable if not essential to take advantage of freedom. Hayek identifies two arguments to support compulsory education up to a certain minimum standard:

First, "There is the general argument that all of us will be exposed to less risks and will receive more benefits from our fellows if they share with us certain basic knowledge and beliefs". (The Constitution of Liberty, p.377).

And second, ".... in a country with democratic institutions there is the further important consideration that democracy is not likely to work, except on the smallest local scale, with a partly illiterate people" (On Liberty, "Applications").

The case for compulsory education does not necessarily mean that such education should be provided by government. Mill thought that it should not:

"A general state education is a mere contrivance for moulding people to be exactly like one another: and the mould in which it casts them is that which pleases the predominant power in the government, whether this be a monarch, a priesthood, an aristocracy, or the majority of the existing generation" (On Liberty, "Applications").

Today the predominant power in education policy may well be the teacher unions.

The classical liberal position on education has partly rested on the assumption that there is some knowledge which is so basic and fundamental that there can be agreement on it and that a curriculum to teach it can be appropriately supervised by government. Beyond that basic curriculum, the values and beliefs of people in the community will vary, and the education system should reflect that in the variety of its schools and courses. It is precisely this understanding which has been challenged and to a degree undermined by the growing awareness in the twentieth century of the role of values in the selection and description of reality. Depending on the position of the critic the secondary curriculum has been seen as skewed by the institutional values of the education bureaucracy, the universities, private property, private enterprise, the churches and so forth. As Hayek has noted:

"The fact that all education must be and ought to be guided by definite values is, however, also the source of real dangers in any system of public education. One has to admit that in this respect most nineteenth century liberals were guided by a naive overconfidence in what mere communication of knowledge could achieve. In their rationalistic liberalism they often presented the case for general education as though the dispersion of knowledge would solve all major problems..." (Ibid. 377-378).

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The term 'liberal' is used here to refer to those who believe in individual liberty as the basic principle of a civilized society, not in a party political sense, nor in the common American usage as 'left-wing' thought.
What is the consequence of acknowledging that all education must be guided by definite values? At present the practical consequence of this recognition is an increasingly heated debate over what those values ought to be. In particular, there is debate over the extent to which compulsory education should promote a particular view of Australia and should enlist support for Australia's political and economic institutions, or whether education should be a vehicle for bringing about social change, and if the latter what social changes should it promote?

No Monopoly in Opinion Formation

From a liberal perspective, the recognition that education must have a value component — that such a component is unavoidable — reinforces the traditional argument that public education should not be a government monopoly. In the context of the extensive unionisation which has proceeded in education in the last two decades, the conclusion is reinforced that the values taught in education should not be under the monopoly influence or control of any particular authority. A liberal system of schooling will provide opportunities for choice among schools according to the values of parents.

Here of course is one of the major issues for a radical left-wing view of education. In a left-wing view parental values are seen to be determined by the institution of private property and the social and economic relations which develop consequent upon it. A centralised government-run system is promoted as a means to counter this influence. The government system is seen as a way of countering the influence of traditional institutions and as a means to challenge the hegemony of the current economic system.

It can be taken as common ground that the views of parents are not independent of the institutional structure of society. This is as true for the views of the radicals themselves as for the mass of parents. Radical views are not independent of the influence of counter-authorities and institutional interests, and they are indeed heavily influenced by the institutional interests of unionism itself.

In a liberal conception of policy the chain of authority begins with the individual, whatever social influences may have been at work. In the case of children the chain of authority begins with the parent. Authority in a liberal state thus starts with the numerous class of people, not with a self-appointed elite which believes that it alone possesses true understanding of social processes. In this sense liberalism is profoundly egalitarian, and the radical position profoundly elitist. The liberal position assumes that all are equal in the right to choose, and that social institutions must be constructed to reflect this equality.

From a liberal perspective acceptance of the validity of the view that the established authorities in a society profoundly influence opinion has certain consequences. One is that no single authority must be given predominant influence on opinion. Individual independence is achieved through a variety of authorities competing for attention which is likely to arise in a liberal society. In schooling this means that parents must have the opportunity to discover the schooling which best reflects their particular value priorities and this will almost certainly mean a school system based on independently run schools. Ironically, the case for a centralised government-run system has been largely undermined by the awareness of the nature of knowledge which has been energetically promoted by the radical unions. When education was about 'facts' pure and simple, centralised government education was much more acceptable than when the complexities of the education process are more widely recognised.

Chosen, Not Imposed, Pluralism

A related issue is the extent to which a liberal state should actively promote diversity in curriculum, to the extent that it requires a range of values to be taught in any particular school. At first sight this active encouragement of pluralism in education might seem eminently "liberal". Yet such a view gives inadequate regard to the fundamental character of knowledge which has been identified.

The deliberate and equal presentation of a range of conflicting views will almost certainly contain within it the implicit value that all are more or less "true" - a misinterpretation of the fact that some people will believe any side of conflicting views to be true. Yet whatever individual "independence" may mean, if it comes to mean independence of any set of values, this will be at enormous psychological cost to the individual person, for such a profound value agnosticism can only lead to an identity crisis and to a level of unhappiness which can be self-
destructive.

Liberalism in the modern world must recognise that the relation of the individual to society is of profound importance to psychic well-being, and that "value freedom" as an orientation to life is demoralising. Meaning and purpose in life require a degree of value commitment which can not be encouraged by an education system based on value relativism.

**Free Choice Encourages Harmony**

Yet, it will be said, if parents are to be allowed to choose an education for their children which is deliberately value-based, will not the consequence of such a pluralistic education system be the loss of the unity of Australian society, and the division of the society into a multiplicity of warring minorities? Opposition even to the present independent schools sector has been given such a justification. Can liberalism be reconciled with social unity?

A liberal may well answer to this concern that the only unity in a society which is worth having is a unity which results from the choices of individual people, not a unity which is imposed by government. If unity is perceived as coming from deliberate indoctrination through the school system in one set of values and beliefs then it is not a unity which liberals could support. It can also be said more decisively and accurately that government-imposed social unity through the education system is a chimera in the absence of coercion, because in a society with a substantial degree of freedom of speech and association overt attempts to impose unity are likely to meet with resistance from at least minorities and, depending on the values on which unity is sought, even from majorities. The capacity of a government schooling system to foster social unity depends in large part on the existence of a wider social harmony, as the experience of Northern Ireland shows, and the experience of educational systems in any nation in which there are significant subcultures.

In Australia at the present time much of the controversy surrounding education arises indeed from a pluralisation of attitudes and values which challenges a pre-existing consensus. The debate over education is derived from and reflects the wider social debate on values which developed during the 1960s and '70s. Paradoxically, it has been the responsiveness of some in the government school systems to new attitudes and values in matters such as discipline, sexual morality, ethnicity and reinterpretation of Australia's historic identity that has given rise to controversy. The independent sector has to some extent reflected also the increasing diversity in Australian attitudes on such issues, but it is probably more accurate to see the growth of the independent sector as reflecting the desires of many parents to preserve more traditional values against pressures for change.

The degree of autonomy which the government school system has achieved from the values of the community and its responsiveness to the views of "professional" educationalists and teacher unions has been a principal source of the current conflict over educational directions. Pluralisation and social division can occur in government as well as private settings, as leaders of various kinds succeed in their efforts to establish autonomy for themselves and gain control over others. Pluralism in the private sector is much less likely to threaten social unity than a pluralism deliberately fostered by minority interests who have "captured" - albeit temporarily — the authority of government on behalf of their own causes. This is because liberal pluralism relies for social co-ordination on mechanisms of social adjustment — the market, free debate and democratic political controls — which themselves tend to discover bases of agreement and minimise the frustrations and anger which an awareness of coercion through government authority can induce. The independent schools — for all their diversity — are not locked in bitter disputation with each other. The antagonism and drive for monopoly comes principally from the government school unions themselves.

The fears that greater responsiveness of schools to parental values is likely to be socially divisive seem ill-founded. It has indeed been a characteristic of the relatively pluralist societies of the West that they exhibit considerable social harmony and domestic peace, and that the principal sources of conflict within them arise from the drive to establish monopoly or extend the control of one race, one sex, one religion, one economic, political or social perspective.

**Rational Tolerance Essential**

This argument does not however mean that pluralism in education cannot be socially divisive. Any system of schooling must address the
question: are there some matters on which uniformity is essential, and if so, what are they? As Hayek reluctantly notes:

"There is a need for certain common standards of values and, though too great an emphasis on this need may lead to very illiberal consequences, peaceful common existence would be clearly impossible without any such standards. That the United States would not have become such an effective "melting pot" and would probably have faced extremely difficult problems if it had not been for a deliberate policy of "Americanisation" through the public school system seems fairly certain". (Ibid. 377)

One of the most basic common values in securing social peace is the value of the nation itself, and the ideology under which its institutions are legitimised. Minimally this involves promotion of the nation's symbols, and the principles used to justify the organisation of government authority and its claim to allegiance. Obviously it does not and cannot exclude debate about institutional reforms, but it does exclude the deliberate teaching that the nation's institutions are illegitimate and that the nation itself has no legitimate title to exist. It also excludes the deliberate teaching that certain groups in the community are evil or inferior simply on the basis that they choose to organise their lives on different principles to those supported by the controllers of the school. Can such common values be enforced in a liberal state? Is there not too great a risk of the "very illiberal consequences" which Hayek feared, in which open debate and discussion becomes confused with disloyalty, and in which the demand for loyalty becomes a means for suppressing debate? What if there is a group of parents who believe that the system is seriously flawed and who have lost faith in the nation? If they succeed in transmitting their views and persuading others then the capacity of the government to act, especially in a national crisis, may be damaged. Yet if they are prevented from making their choice, then a chain of repression is likely to be established.

There is no simple solution to such dilemmas. However in a nation which is not already deeply divided on such issues, there is every likelihood that a system of schooling which is responsive to parental values will adequately perpetuate the bases of social unity. The possibilities of division are greatly increased when a centralised curriculum falls under the influence of minorities or elites whose values and beliefs differ markedly from those of the community at large.

John Cain's Support for Fundamental Values

The Premier of Victoria, John Cain, in a speech on April 29 outlined his view of the basic values which Australian education should emphasise. Few Australians would disagree with the sentiments of this statement.

"Parents are . . . distressed when their children express apathy, if not cynicism, towards certain values which are neither generational nor party political — the values of civility, citizenship, responsibility and, if I dare say it, hard work.

I would also say this: that it should not be beyond our education system to instil in our young people a notion that is part and parcel of democratic thought: I mean the notion that love of justice is innate in humankind, and that democratic government is the manifestation of that love.

I would find it disturbing if the principles of political democracy were devalued in schools.

The interpretation of democracy as the operation of powerful unseen interests: the sentiment fashionable in some rather ignorant quarters that democracy is a sham and that ordinary people are powerless, is unacceptable and untrue.

It certainly comes as a surprise to a politician. Governments, of course, must, by their words and deeds, foster faith in democracy and in politics.

Teachers, teachers of all political opinions, I believe, have a responsibility to convey a belief in the political system — the belief that democracy is a difficult, fragile, imperfect but precious political system which requires the participation of all if all are to enjoy its benefits.

Those values are fundamental and enduring. The best things in Australia's past and its future depend upon them. It is unashamedly the philosophy and the example of my government to propagate them and I have no hesitation in saying that it is reasonable to expect teachers in schools to propagate them as well.

Teachers have chosen to serve the community. That fact alone should be sufficient requirement for them to take account of the community's expectations. That fact alone makes clear their responsibilities."

John Cain, Charles Joseph La Trobe Memorial Lecture, April 29, 1986
Threats to Human Rights in Australia

Mark Cooray

Australia has an enviable record on the respect for the fundamental liberties of its citizens. But many of the basic freedoms which Australians have traditionally enjoyed are now under threat.

If statutes are a measurement of a country's commitment to human rights, Australia could claim to be in the forefront of nations respecting human rights. Recent years have seen an amazing proliferation of statutes at Commonwealth and State levels which purport to advance the cause of human rights. These laws have spawned bureaucratic machinery in the form of non-judicial tribunals all for the purpose of "enforcing" human rights on the Australian people. Human rights rhetoric fills the air. All this may leave the layman with an impression that Australia is engaged in a superlative effort to establish and protect human rights. Unfortunately the truth is quite the reverse.

It is impossible in a short statement to detail the damage caused by the new philosophy of human rights. What I propose to do is to identify five of the principal threats to human rights arising from the present laws and policies.

The threat to property rights

The freedom of the individual to hold and enjoy private property is the most subverted human right in Australia.

Yet without this right, all other freedoms are practically meaningless. Not only is this right of instrumental value to other freedoms but it is also indistinguishable from the very notion of individual freedom. As Professor Alice Tay states in (E Kamenka, R. Brown and A. Tay (eds) Law and Society: the crisis in Legal Ideals, Melbourne 1978 p.10):

"Property is that which a man has a right to use and enjoy without interference: it is what makes him as a person and guarantees his independence and security. It includes his person, his name, his reputation, his chattels, the land that he owns and works, the house he builds and lives in and so on. These things are seen as his property in early law because they are seen as the verification of his will, as the tangible, physical manifestation of his work and his personality."

The right to private property has been systematically restricted by the enormous volume of registrations affecting property, and its employment in trade or other occupations. Human rights legislation does nothing to protect this right. On the contrary it has curtailed this right by setting up conflicting welfare rights which could be granted only by restricting the traditional rights to the free use and enjoyment of private property. Welfare claims are satisfied by punitive taxation and by subjecting private property rights to innumerable regulations. These regulations include price controls, consumer protection measures, equal opportunity requirements, environmental constraints, employment protection and redundancy provisions, occupational health and safety requirements and constraints regarding administration and production processes imposed by powerful unions. (See Barry Maley, "The Current Attack on Private Property" IPA Review Winter 1984 pp87-91).

In Australia, it is estimated that governments control 72% of all land, aboriginals 13% and 15% is held in private freehold (Viv Forves, Common Sense No.38 March 1985). The government thus has extensive control over economic activity

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particularly in relation to agriculture and mining.

Private property like all rights is not absolute. Some restraints to protect other rights like health and safety are obviously desirable. In recent times, however, every pressure group seems to obtain some further restriction to advance its special interests.

It has to be said that some of the controls have been inspired by the owners of private property themselves (restrictive marketing controls supported by rural interests are indicative). However, these are increasingly being seen as counterproductive.

The attack on personal liberty

Australians enjoy a high degree of protection of personal liberty through legal provisions. However, there is a real danger that the importance of personal liberty may be forgotten or devalued in the search for ad hoc solutions to the pressing problems of modern society. There is a tendency in Australia, as in many other democratic societies, to regard due process requirements as dispensable when they concern offences which governments or interest groups consider to be prejudicial to particular social objectives. A notable manifestation of this attitude was seen in the attempt to set up the bureaucratic Human Rights Commission as an authority to try and to punish acts of discrimination against women, without any regard to the procedural and evidentiary safeguards.

In societies founded upon respect for personal liberty due process of the law has a value that transcends other interests. The procedural and evidentiary rules have been evolved over a long period of time and have been established owing to the conviction that in their absence personal liberty is at great peril. This conviction stems from the knowledge that any benefit that may be gained by dispensing with due process is outweighed by the enormous damage that it causes to the foundations of liberty.

The tendency to create extraordinary offences and extraordinary procedures arises from regulationist and interventionist government. It is not too early to realise that if social control is practised excessively it will create a demand for novel forms of regulation and law enforcement which will gradually undermine the foundations of personal liberty. This is already happening in Australia.

The threat to equality before the law — Affirmative Action

Prime Minister Hawke made two significant points in his Second Reading Speech on the Affirmative Action (Equal Opportunity for Women) Bill. He said that his government was totally opposed to quotas or reverse discrimination and hence supported the merit principle. He also made the point that the “objectives and forward estimates” were to be determined by the employer and not the Director of Affirmative Action. These affirmations are welcome. However, can the authors of the Bill and those who will be in control of its implementation be trusted? Two considerations are important in this context.

Firstly, the word “merit” is not defined. We do know that according to the feminist lobby, merit is something quite different to what it means to the average Australian. The feminist argument denies an objective standard of merit. In their view merit is what a person “deserves” on account of considerations which have no necessary bearing on optimum suitability to perform the required tasks. These considerations can include the supposed handicaps of applicants and subjective notions of what is expected of the successful applicant. The commitment to merit is therefore, quite meaningless.

The second important point is that the Director of Affirmative Action is a virtual inquisitor under the Bill. She or he will be a political appointee. The Director obtains reports from employers, conducts investigations and makes his or her own reports to Parliament through the Minister. He or she is no doubt expected to make critical assessments of how particular employers have complied or failed to comply with the law as he or she understands it. The Director also publicises the employer’s “public reports”. The whole scheme is designed to apply enormous political pressure on particular employers to comply with the government’s idea of equal opportunity. The first stage was the informal enforcement of the Green Paper. The final stage will be the coercion and penalisation of employers who do not conform to the provisions of the Bill.

Undermining the judiciary

A major failing in the current Australian intellectual trend is the non-appreciation of the indispensable role of the judiciary in the operation
of any system of human rights. An independent and impartial judicial apparatus is a prerequisite for the meaningful existence of human rights. Human rights can be violated either by state action or by private action. Human rights were originally conceived as safeguards against oppression by rulers and their importance as such has not diminished. It need hardly be emphasised that only a wholly independent judiciary can guarantee human rights against incursions by state action. When it comes to the violation of human rights by private action, it is important to appreciate that most disputes involve a conflict of rights or claimed rights with regard to liberty. The resolution of such disputes affects not only the liberty of the complainant but also of the defendant. Judicial determination is therefore essential.

The current tendency to seek human rights goals through bureaucratic action is characteristic of the interventionist state. Often tribunals are empowered to determine violations of law. The Human Rights Commission enjoys such powers under the Racial Discrimination Act and the Sex Discrimination Act as do the Equal Opportunity Tribunals under the New South Wales Anti-Discrimination Act. The typical justification advanced is that these tribunals do not conclusively determine the matter and that for enforcement, the complainant or law-enforcer has to institute proceedings in a court. It is also sometimes said that the allegation to be determined is not of criminal nature as it would not involve imprisonment or fine. These arguments have some merit in a purely technical and theoretical sense. But in the practical context the authority of the tribunal would be no less potent than that of a court. The reasons are many. An example is the Sex Discrimination Act under which the Human Rights Commission can declare a person guilty of an act of discrimination. If he ignores the declaration he will have to be convicted by court after trial. But before he exculpates himself in the court he would be publicly declared a law breaker in a declaration made by the Human Rights Commission. He can absolve himself in Court only at great expense to himself and with great difficulty because a finding of guilty or other adverse comments by the Commission could prejudice the outcome of the trial. If the person accused is a company, the mere declaration can cause immense damage to its goodwill.

In the modern era where people's well-being and sometimes their very livelihood depend on licences, permits, quotas and other bureaucratic discretions, there are more ways of punishment than imprisonment or fine. Theoretically the bureaucrat who exercises a discretion can be challenged in court. But given the enormous cost of litigation and the limitation of remedies (by rules regarding standing and grounds of challenge) it is the exceptional citizen who will have the financial resources, knowledge, capacity or inclination to seek judicial relief.

In many cases, the reality is that the bureaucrat makes a final decision on the citizen's right or duty and the matter ends. The consequences are often more serious than a short incarceration or modest penalty.

**Union attack on the freedom of association**

Under current arbitration arrangements workers have no right to form their own union if there is an existing union to which they can "conveniently belong". The right of association has also been perverted by enforcement of the closed shop. The closed shop constitutes an essential pre-condition of modern union power. In return for the promise of industrial peace, unions have extracted from employers the undertaking to exclude non-members from employment. In some instances, even government organisations have become privy to such arrangements (e.g. the statutory grant of labour monopoly to the Waterside Workers Federation). The outcome of these arrangements is that they suppress an integral component of the freedom of association, which is the freedom not to associate. It means that a person who exercises his human rights not to associate with another person, loses his right to be considered for employment.

The closed shop is crucial to union power because without it its monopoly of labour is lost. Without such monopoly, the unions would be compelled to resort to the means available to ordinary citizens viz persuasion and mobilising of support for joint action by democratic decisions. A closed shop enables a union leadership to secure obedience by threat of dismissal from membership which in effect means loss of employment. Through the closed shop the union in effect becomes a monopoly contractor of labour. Unions have always maintained that closed shop arrangements are part and parcel of the freedom to form and join trade unions. However in a recent
judgement, the European Court of Human Rights decided that the dismissal of three British Rail employees for refusing to join a monopoly trade union constituted a violation of Article 11 of the European Convention of Human Rights which guaranteed the right to form and join a trade union (Young James and Webster UK (1980) ECHR 20). The Court, by a majority of 18 to 3 decided that such a dismissal involving a loss of livelihood amounted to “a form of compulsion which strikes at the very substance of the freedom guaranteed by Article 11”. It also decided that even the fact that 95 per cent of British Rail employees were already members of the union did not justify the imposition of a closed shop.

Despite such developments in Europe, the Australian industrial relations system continues to recognise and encourage the closed shop — an institution which is not merely an abuse but an outright negation of the freedom of association. The institutionalised closed shop is but one aspect of the abuse of this freedom. Even in the absence of formal closed shop arrangements, some unions secure monopoly status by intimidating non-members. Even within the unions, democracy is often non-existent owing to intimidation, vote rigging and other forms of corruption. Although most of these practices are unlawful or in breach of contractual terms, union bosses remain immune from the law of the land owing to the industrial power they wield.

The freedom of association also is undermined by legislative and administrative measures which seek to extend the principles of non-discrimination into the areas of private conduct. The traditional view of equality before the law and equal protection of the law is that persons should be treated equally in the making and implementation of laws. The principle enjoins public authorities from discriminating among persons but does not unduly interfere with private conduct, in particular the individual right to choose his or her associates. But the sanctity of the right to associate or not to do so has been undermined by the extension of equal opportunity programmes into the sphere of private conduct. The Victorian Government, for example, has refused a liquor licence to a private club situated on public property on the ground that it refuses to admit both males and females.
All businessmen (and women), employers and citizens who have any commitment to the free enterprise system should be vitally concerned with the implications of Affirmative Action, especially since the Federal Government’s Affirmative Action (Equal Employment Opportunity for Women) Bill has passed the House of Representatives and is due to be debated by the Senate later this year.

The current problems of affirmative action are more easily diagnosed by those with expertise in the twin disciplines of law and philosophy. Dr. Gabriel Moens, Dr. Jur (Leuven), LL.M (North-Western, Chicago) Ph.D (Sydney), is thus particularly well qualified to do this. Dr. Moens, a Lecturer in the Law of European Communities at the University of Sydney, produced his monograph as a result of a study at first commissioned and later rejected by the Australian Human Rights Commission. The Commission claimed Dr. Moens study did not meet the usual standards of scholarship and objectivity. Hired as an independent expert, Dr. Moens seems to have misunderstood what in the vernacular of the Australian Turf is referred to as “his racing orders”. The Commission apparently wanted no objective assessment of affirmative action — merely some thesis from a well-qualified academic which could be used to bolster views that it had already reached.

Dr. Moens’ book includes an interesting analysis of the American experience and literature on affirmative action. He draws the very important distinction between “soft” affirmative action programmes and “hard” affirmative action programmes (which involve the setting of goals, targets or percentages to be achieved according to a prescribed timetable). Dr. Moens argues that “soft” affirmative action programmes such as the elimination of artificial barriers to employment or promotion, improvement in selection and recruitment practices and new training procedures open to all employees, do conform genuinely to the ideal of “equality of opportunity”.

On the other hand, “hard” affirmative action programmes, which, through the setting of targets or goals, seek proportional representation of women and minority groups, conform to a different ideal, that of “equality of result”. Such programmes are inconsistent with the principle of hiring by merit and in academia their most serious and obvious consequence is the loss of excellence.

In a university, excellence is incompatible...
with the selection or promotion of applicants who are good enough in contradistinction to the appointment of those who are the best for the job. Dr. Moens thus highlights what is often deliberately obscured by equal opportunists namely that a contrived equality of result is not equal opportunity nor can it achieve it. Indeed it is used to achieve the very opposite, a discrimination against individuals within a majority to the advantage of individuals within a minority. The fact that already in Australia government advertisements are appearing inviting applications from persons “regardless of sex, race, ethnic background, physical or mental impairment” (my emphasis) tends strongly to support Dr. Moens’ conclusion. Presumably to belong to the minority group of those with a significant mental impairment could theoretically be an advantage, when, for example, one applied for the post of neuro-surgeon in a government hospital.

Dr. Moens asserts that those affirmative action programmes which involve the setting of targets are a smoke-screen behind which preferential hiring takes place, thus shifting the burden of discrimination to a new group: “The practice ends up by creating new classes of victims by lifting the burden from past group discrimination (women and minorities) to a new group — white Anglo-Saxon males”.

In Australia complaints of this kind are already surfacing. A country newspaper in New South Wales carried the report of a man who claimed he could not get a job because he was “a white Australian male who is not disabled”. Arguments for social reform which require one social group or sex to suffer at the expense of another are obviously fraught with grave dangers.

Dr. Moens also makes the important point that affirmative action programmes do not help the truly needy or disadvantaged, because the members of the minority group or women who benefit from such programmes are likely to come from the top of the minority or female population, whereas those white males who miss out as a consequence of preferential hiring are likely to come from the bottom of the white male distribution of the population.

Dr. Moens emphasises that the question of whether justice should be done for individuals or groups is a key issue often neglected in the affirmative action debate. Quoting Nathan Glazer he says: “. . . if the whole concept has been developed in individual terms, how do we provide justice for the group — for example, by a quota which determines that so many jobs must go to members of the group — then do we not by that process deprive individuals of other groups not included of the right to be treated and considered as individuals, independently of any group characteristics?”

**Affirmative Action: — The New Discrimination** is well-written, fully researched and adequately referenced, but, more important, it brilliantly analyses the fundamental errors of current feminist and “equal opportunist” philosophy, which propounded and cloaked in trendy jargon, is often not recognised for what it truly is — “the new discrimination”. Henry Mayer, Emeritus Professor of Government, University of Sydney, commented: “Moens’ anti-affirmative action monograph is an able and intelligent brief, much above the usual level, and I think those who differ from him need to reply at the same level”. The Foreword, which acclaims Moens study as one of international importance, is written by Professor Lauchlan Chipman, currently visiting Fellow in Philosophy and Law at Harvard.

**One of a Few**

**A Course Through Life**

by H.W. Arndt, Canberra, National Centre for Development Studies, ANU,

Reviewed by C.D. Kemp

During my years at the IPA I regarded Heinz Arndt as the best academic economist in Australia. For most of those years he was a socialist — an ideology which I detested, and still do. But he underwent a remarkable conversion — a change of faith — in the Whitlam years, and no doubt partly because of them, a conversion which he explains in his book of memoirs, *A Course Through Life*.

The reason he was such an admirable academic had its roots in his personal qualities — his transparent intellectual honesty (above all), his

*C.D. Kemp is a former Director of the IPA*
fine analytical mind, and his fierce desire to arrive at the truth. He was not a “pure” academic because, like Copland and Giblin of an earlier generation, he participated publicly in the great economic controversies of the post-World-War II era. Over the 1950s and 1960s I disagreed with most of his prescriptions for policy — particularly those on taxation and his belief, in those days, in the need for central planning — but that did not lessen my admiration for him as a person and as an economist.

While he held his opinions passionately, he did not — like so many economists of strong ideological convictions — let his passions submerge his reasonableness and objectivity. That was why he was so good to talk to.

He is also, unlike most ivory-tower economists, a first-rate communicator. He writes with clarity and distinction and because he is always interesting, he is easy to read. One doesn’t have to waste valuable time in puzzling out what he means.

A large part of his book is fairly straight biography of his professional life, but the final two chapters are partly an essay in self-analysis and partly an examination of the nature and the limitations of economics as an instrument for effecting improvements in public policy.

It was the explosion of government spending, the emergence of “big government” and its associated interfering, big-spending bureaucracies in the Whitlam era that completed Arndt’s rejection of his socialist faith. (Previously he had been concerned about what he calls “the more extreme follies” of economic nationalism and environmentalism, the former having to do with the opposition from many quarters to foreign investment, the latter with the anti-growth ideology and the hostility towards uranium mining.)

Arndt writes, “......I found myself increasingly in the liberal camp. While I could not persuade myself that the libertarians had the whole answer, and in particular the inescapable minimum demands for social justice, I became convinced that something had to be done to limit the role of government and that, on this crucial issue, the libertarians were wholly on the side of the angels.”

About this time I remember visiting Arndt in Canberra and asking him what he thought of central planning (to which he was formerly addicted) in the light of the Whitlamite excesses. His answer was to the effect that he had given all that away. This came as a stunning, but welcome surprise to me because of his life-long marriage to socialist ideas.

In his final chapter Arndt reveals a rather puzzling, because ambivalent, attitude to modern developments in economic theory. On the one hand he says that the almost exclusive concentration of theoretical economics in the past thirty years on mathematical and econometric techniques has contributed little to the sum total of economic knowledge or to economic welfare. “I ...remain unconvinced that these techniques, the theoretical construction and empirical testing of econometric models, can do much to help us understand economic behaviour, the working of economic systems and the nature of economic problems” (With this I would entirely agree.) At the same time he reveals a personal predilection for pure economic theory over practical economics. “I must confess that I have derived more pleasure from my modest output of theoretical articles than from my larger, and generally more appreciated, applied work”. He even argues that pure theory and its development should be left to “the most talented minority”, thereby implying that the theoreticians are intellectually at any rate a cut above those concerned to contribute to the solution of the problems of the everyday world.

This, I think, is quite wrong. The truth is that those who are able to make notable contributions, contributions of real worth, to practical problems are really “the talented minority”. They are a minority because as Keynes said in a famous passage “Good, even competent, economists are the rarest of birds”.

Over forty years of experience of economics and economists have made me realise how true this is. During those years the really good economists in Australia could be numbered, I believe, on the fingers of one hand, certainly on those of two. The reason for this is to be found in the nature of the subject. Simply stated, economics is not a science which, like physics, provides ready-made answers to the problems of the real world. It merely furnishes the tools with which to grapple with those problems. How effectively the tools are used depends on the attributes of the user.

What are these attributes? Alfred Marshall set them down very simply in the first chapter of his tremendous work, Principles of Economics — common sense, judgment, imagination, intuition (Marshall, being what he was, would have taken
intellectual honesty for granted.

To these attributes I would add close practical experience of the real world (Keynes' superb biographical essay — which should be read by all aspiring economists — makes clear the great importance which Marshall placed on a first-hand acquaintance with the world of industry and commerce).

All this seems to have been forgotten, or never learnt, by many of the modern breed of economists. But Arndt, despite what he seems to think were his intellectual shortcomings, has the attributes of the first-rate economist. These attributes were infinitely more important than any lack of theoretical expertise.

**Fear of the Market-Place**

**The Doomsday Myth: 10,000 years of Economic Crises**
by Charles Maurice and Charles W. Smithson, Stanford University, Hoover Institution Press.

Agoraphobia — in the original Greek meaning of the word, fear of the market-place, rather than its modern usage to describe a species of neurosis — takes two distinct forms. One is a fastidious distaste for the market and all it represents. This distaste may be occasioned by the presumed money-grubbing motives of practitioners in the market-place, by the vulgarity of the hucksters and their appeal to human cupidity, or by the inequality of incomes and wealth which are seen as the result of giving full rein to market forces. Criticism of markets on these grounds is as old as human history and, based as it is on value judgements, will no doubt be levelled for as many years again.

The other assault on markets comes from those who question their efficacy. Admittedly many of those who doubt whether markets work are encouraged in their scepticism by a dislike of the very idea of leaving economic decisions to the whims of individual producers and consumers. Such scepticism is thus often a rationalisation for dirigisme. At least, however, where the ostensible argument is over effectiveness economists can make a useful contribution.

Two economists who have recently made just such a contribution are the authors of *The Doomsday Myth*, Charles Maurice and Charles Smithson. In a slim volume they manage to cover what the subtitle calls “10,000 years of economic crises” in order to make the point that the market has proved itself capable of defusing even the most threatening of resource shortages. Doomsday is thus for ever being delayed.

The latest such crisis they discuss is, hardly surprisingly, the supposed shortage of energy from which the world was seen to be suffering for much of the decade subsequent to 1973. Earlier shortages identified by the authors as giving rise to much unnecessary anxiety include rubber, timber, whale oil, labour (post the Black Death) and land. Each was resolved by allowing the price of the resource in short supply to rise and/or the application of new technology to economise in the resource in question. Thus the dearth of wood which so exercised the British in the late Middle Ages was overcome by the exploitation of coal, while the US, facing a similar dilemma at the beginning of this century, responded by the use of substitute materials, e.g. steel and concrete, on the railroads, by redesigned wooden bridges, by preserving timber to extend its life etc. In both cases the price mechanism solved the problem with minimal assistance from government.

Maurice and Smithson rightly take doomsayers like the Club of Rome to task for naively extrapolating past trends into the future without paying sufficient regard to the impact

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which the impending shortages have on prices and
the effect of rising prices on the behaviour of
producers and consumers. In this regard they see
the Club of Rome as latter-day Malthusians after
the English economist cum cleric who predicted
that population would outrun food production
and thereby earned the economists’ profession the
stigma of the dismal science. It would, as they
observe, be nearer the truth to describe the
profession, or at least those among it who believe
in the power of free markets to dispel shortages,
as optimists. Economists, as they also might have
observed, tend to be more impressed by supply and
demand elasticities than the layman while
agoraphobia is particularly prevalent in
government circles, among environmentalists and
others of a paternalistic bent, it is by no means
unknown in commerce itself. There will always be
self-serving business people who will see benefit
from having the government ration limited
supplies rather than having the rationing done by
price. Export controls are often promoted by
downstream industries which would prefer not to
have to outbid foreigners to obtain access to their
inputs. They call in government to prevent a
supposed shortage, but in reality are complaining
about having to pay a price which would obviate
any shortage.

Having surveyed 10,000 years of economic
history Maurice and Smithson try to anticipate
where the next resource crisis might arise. They
believe it could well concern the American water
supply and suggest ways in which market forces
could pre-empt it. They make the familiar but
nevertheless valid point that many apparent
shortages arise from the absence of property rights
in the resource in question e.g. the depletion of
whales.

Water has also occasioned much agoraphobia
in Australia. In the last Victorian drought bans
on usage were combined with a system of pricing
which encouraged wasteful consumption.

Australia’s water authorities have shown
themselves wholly incompetent in the marketing
of their product and yet not even the driest of
Liberals seem to want to recommend them for
privatisation.

It’s a funny world, but at least, the doom
merchants notwithstanding, it shows no signs of
coming to an end because of scarcity of essential
resources. Human ingenuity will see to that —
providing the market is allowed to work. The
problem with markets is not that they can’t
eliminate shortages, but that they sometimes do
the job too well and turn shortages into glut.

Again The Doomsday Myth contains examples of
this phenomenon. This overreaction often results
from government intervention, the present glut of
oil being a case in point. Even without the helping
hand of government, however, markets do have
a tendency to over-react if only because investors
tend to respond to present prices or at least recent
price trends without taking full heed of what their
decisions and those of other investors will do to
future prices.

The trend-is-my-friend mentality is a real
problem. Perhaps agoraphobes would be more
usefully engaged in addressing it than by
flagellating themselves unnecessarily over
imaginary shortages of so-called finite resources.
For a start they could stop talking about finite
resources, a term which is not only economically
meaningless but helps encourage over-investment.
Les McCarrey, a former West Australian senior public servant, has been appointed the Director of the Perth-based IPA States' Policy Unit.

Les McCarrey, CMG, was the Director-General of Economic Development, Western Australia, from January 1984 to June 1986. Prior to this appointment he was Under-Treasurer of Western Australia.

He is widely experienced in State Government financial management and his involvement in Commonwealth-State relations spans a period of more than twenty years.

Les McCarrey, the States' Policy Unit Director, said that the Unit would conduct its own research and commission work from experts in business and academia.

He said there was a need to focus greater media and public attention on the performance of all State Governments in financial management and on the provision of services to the public which all too often were at a cost out of all proportion to the real benefits.

"There is a realisation on both sides of politics today that governments must take a hard look at the excessive demands they are making on the nation's limited resources. State Governments have a responsibility to do more than pay lip-service to the urgent task of rebuilding a leaner and more competitive Australia."

Les McCarrey said that the Unit would endeavour to play a constructive and balanced role in bringing about a more vigorous and informed public debate on State Governments' policies and performance.

At the same time it would seek to give credit and a wider national exposure to the positive initiatives taken by State Governments in the direction of greater efficiency and economy.

Les McCarrey indicated that while believing that a healthy Federal system was in the best interests of Australia, the Unit would be concerned with State responsibilities as much as with States' rights. He said the public would be more likely to ensure the preservation of the States' role in the Federal system if it believes that State Governments are doing their job well.

Work of the States' Policy Unit

At present, there is no private sector organisation in Australia which is analysing, on a continuing basis, the broad range of public policy issues involving State Governments.

The IPA States' Policy Unit will have a national focus and work to develop proposals to make State Governments more effective.

State Government policies have an important impact on business. Approximately half of all money spent by governments in Australia is spent by the States.

Some two-thirds of all people employed by the public sector are in State Government departments and instrumentalities.

State Government policies on taxes, charges, borrowing and regulation therefore have an important influence on the climate for business enterprise.
IPA Emeritus Councillors

The IPA has appointed four Emeritus Councillors, Sir Wilfred Brookes, Sir James Foots, Mr. W. Ince and Mr. R.A. Simpson.

Announcing the appointments the President of the IPA, Charles Goode, said the position of Emeritus Councillor recognised the outstanding contribution made by these individuals to the IPA over the years.

Sir Wilfred Brookes was the President of the IPA from 1970 to 1981 and has continued to take an active interest in IPA activities.

Sir James Foots was President of IPA (Qld) from 1982 to 1986 and helped establish the Institute as a force in Queensland.

Mr. Wesley Ince was a member of the original committee which formed the IPA and in 1943 became a member of the IPA council. He played an active role in IPA affairs for many years and was a valued source of advice to the committee and management.

Mr. R.A. Simpson, a Councillor since 1975, has had a special interest in promoting IPA activities in South Australia.

The President of the IPA, Charles Goode, said the Institute had been an active force in Australia since 1942 and it was appropriate to recognise the contribution of individuals who had done so much to further the IPA's goals.

New IPA Publications

In the near future, the IPA will launch two new publications, one in the “Policy Issues” series on the proposed Australian Bill of Rights; the other in the “Ideas and Insights” series consisting of the main papers from the IPA/AEI joint conference held in March.

Policy Issues No. 4, titled The Bill of Rights: Pro and Contra and edited by Ken Baker, will include papers from leading supporters and opponents of the proposed Bill of Rights.

The Bill has been called the most debated Bill in Federal Parliament since Federation.

Responses to it vary enormously: Senator Janine Haines has called it “a particularly weak Bill” which should be strengthened; Professor Geoffrey Blainey has referred to it as “probably the most revolutionary change attempted in Australian life since the introduction of democratic government in the 1850s”.

Corporate Membership

“As a leading free enterprise think tank, the IPA is playing a vital role in the battle for ideas and ensuring the agenda for public debate addresses the concerns of mainstream Australia”, according to Hugh Morgan, Treasurer of the IPA.

With the IPA’s focus on issues such as the burden of taxation, standards in education, and bringing unions within reasonable and enforceable laws, the “silent majority” are having an active voice in public policy issues.

The IPA’s Development Manager, Roger Harley, said the corporate membership of the IPA was steadily increasing. Currently some 600 companies support the IPA.

By becoming a corporate member, companies not only support research into free enterprise issues but are able to receive invitations to IPA forums.

Information on corporate membership can be obtained by contacting Roger Harley or Bruce Edwards on (03) 614 2029.

Both of these views and others will be represented in the Policy Issues booklet.

Australia and the World: Opportunity, Risk and Security the second of the IPA’s occasional papers, derives its title from the IPA/AEI conference from which it draws its contents. Included are top Australian and American commentators on Australia’s economic plight and the international economic environment and strategic situation. Contributors to the booklet will include: Jeane Kirkpatrick, former US Ambassador to the United Nations, Arthur Burns, former head of the US Federal Reserve, John Stone, IPA Senior Fellow and former Secretary to the Treasury and Hugh Morgan, Managing Director of Western Mining Corporation.

Both booklets will be sent to IPA subscribers free of charge.
Ideas Which Count

Ideas can enhance freedom and encourage enterprise.
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The dominant ideas in public policy in the last two decades have promoted greater economic regulation, higher taxes and increased union power. They have resulted in enormous costs for Australian taxpayers.

The IPA, a leading Australian think-tank, critically analyses the costs and benefits of public policy. It promotes, among other things, a reduction of the tax burden, a cut in government waste and inefficiency, an increase in educational standards and a decrease in union power.

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