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EDITORIAL

Arbitration Commission
– Nearing the End of an Era

It is increasingly hard to avoid coming to the conclusion that Australia's Arbitration system, in the form in which we have known it for eighty years — is nearing the end of the road. Its historic journey has been run. How radical the reforms will be is still to be determined, but the decline of the existing system in public esteem, and in the eyes of the parties who must use it, is apparent.

There is really no mystery about the decline of the system. Its historic failure to achieve the objectives which led to its establishment is indisputable; the sacrifices of basic rights and liberties which were necessary to secure its operation have become more and more burdensome; and the principles of decision-making which it has adopted over the years have become destructive of Australian prosperity. It is almost impossible to point to a single persuasive argument for retaining it, and the accumulated weight of vested interest which has grown, up around it is being more effectively challenged now than it has been for decades.

The failure of the system by the standard of its founding objectives is plain. Its founders hoped that it would replace industrial conflict with a system of law and order — that strikes and lockouts would give way to peaceful negotiation and the acceptance of an independent arbitrator, that the losses Australia had incurred in the bitter disputes of the 1890s could be consigned to the past. No one now claims that this objective has been met. It is simply not credible to argue that Australia's industrial relations would have been significantly worse than they have been over the years in the absence of the system — and there are good grounds for thinking that it has actually sustained and even worsened disputes by inserting a compulsory third party into industrial relationships, thus transferring responsibility from managements and employees themselves.

The system of conciliation and arbitration as it was established required a substantial sacrifice of traditional rights and liberties. Employees effectively lost their right to freely establish their own unions or associations, once an organisation has been registered "to which they might conveniently belong". A ramshackle and monopolistic system of unionism has emerged built on this framework, with the power to coerce employees and with officials focussed on the maintenance of their status and privileges rather than on securing the support of their members. As a consequence, Australian unions are among the most unpopular in the world, even with their own members.

On the other side of the ledger, employers surrendered a degree of management autonomy, and the extent of the surrender has become greater and greater over the years, as the scope of awards has expanded. This is often (and appropriately in the private sector) discussed in terms of the erosion of private property. The erosion of management autonomy, however, has become a serious problem for public sector managements as well. It is apparent from the recent action of the Commonwealth Government to promote greater flexibility in its capacity to deploy staff that government managers, as well as those in private enterprise, are restless under the system which has evolved. Undermining management autonomy creates extreme rigidities in organisations, weakens accountability and demoralises leadership. The arbitration system by its very character has thus undermined both popular unionism and management, and thereby inflicted considerable damage on the functioning of Australian society.

The principles which the system has evolved over the years to support its decisions are fundamentally inappropriate to a competitive and efficient economy, and have been careless of individual rights and individual opportunities. The principle of "comparative wage justice" — which means equal wages for employees of equal training in jobs requiring equal skill — was initially introduced to eliminate what the Arbitration Court thought was a significant cause of disputes. In fact it has fostered endless disputes over whether jobs are similar or different, and a baroque structure of classifications which have divorced it from the real world of economic life. It has never effectively acknowledged that wages are properly determined in the context of the market success of particular business enterprises, nor on occasion that
productivity must set limits to wage increases. Excessive minimum wage levels and excessive increases have created unemployment and inflation, inflicting enormous damage on the Australian economy. In granting preference to unionists and effectively endorsing closed shops the system has dragooned employees into unions, frequently against their will, and effectively undermined the right not to be compelled to belong to any organisation. The vested interests which have grown up around it seem to support the elevation of unions effectively above the law — if the Hancock Committee recommendations are a guide.

Is there not anything to be said in favour of the system? The most common argument these days is that it is necessary if a crisis imposition of a wage freeze is required. This is fallacious. If the Commonwealth has the constitutional power to secure a freeze, it is not bound to work through an arbitration commission of the existing type. Does it protect the weak against the strong? The unemployment rate of 8.5 per cent provides the most powerful refutation.

The simple fact is that the Arbitration System established in 1904 must be added to that growing list of luxuries which Australia can no longer afford. It salved the consciences of prominent lawyers, but it was based on fundamentally unsound principles for a free enterprise economy. Its time is running out fast.

A Licence to Live

As it proceeds with its plans for the Australia Card, the Government is walking into a trap lured or encouraged by surveys of public opinion which at present superficially appear quite favourable to the proposal. That this should be so on a proposal which few have yet studied is not surprising, but it is probable that this assessment will not last. Australians have been well-treated by the cards they presently have in their wallets — Bankcard, Keycard, Easycard and so forth — after all, these cards provide money at the touch of a button. What could be more attractive than a card which bears the name of the country they love? The Orwellian “newspeak” with which Dr. Blewett’s Department talks about the card continues for the present to lull people into an unsuspecting state of mind. Thus we are told in the Department’s brochure Explaining the Australia Card that all Australians will be “invited” to submit proof of identity.

The “invitation” to submit proof of identity will be one of those invitations you cannot refuse. And is it true that the card will do no more than verify records and payments of benefits? Not on your life. According to the brochure, just referred to, the card will be “needed” in “only” three situations — employment, financial dealings and the claiming of Commonwealth benefits. In other words, the card will be required to get a job, use the bank and to obtain government benefits.

Let’s translate all this into plain English. The card is to be compulsory. It is part of a campaign of civil conscription which treats all Australians as potential tax evaders and welfare cheats, with the threat that unless they agree to be photographed and registered (and to make private information available to government bureaucrats) they will be impeded in or even deprived of their basic liberties to work and use the banking system. A fundamental change is to be wrought in the relation of citizen to state. In effect, under Dr. Blewett’s scheme, from now on Australians will require a licence before they can work or employ their capital. What were heretofore regarded as basic rights inherent in being a free person will now be a privilege to be exercised by permission of government. The Australia Card is effectively to be a “licence to live” — a government pass whose production must be demanded by employers and financial institutions on threat of large monetary penalties.

The political failure of the scheme is certain. It can only be effective if every person is conscripted and no cheating occurs. Their membership will have to be sought by penalties of a very severe kind. This will further alienate many who might otherwise support the scheme. The significant political fact revealed by the polls even at present is the substantial minority who do not support the proposal. In the case of most policies the opposition of a minority is not serious. In the case of a policy of universal civil conscription it is quite fundamental to assessing the likely consequences of attempting to introduce the policy. A new problem of “draft evasion” is about to appear on the Australian scene, and because this campaign of (civil) conscription must catch all, the number of potential evaders will make the problem which arose in the case of military conscription look miniscule. Moreover, the campaigners against the card will have the advantage of speaking for values and liberties which are supported by the vast majority of Australians. There has rarely been such a presumptuous and unwise proposal.
Australia’s Real Extremists

During recent months a concerted attack has been launched by Government spokesmen, and from other usually associated quarters, on the so-called “New Right”. The H. R. Nicholls Society, an industrial relations discussion group of which I am President, has been singled out for particularly violent attack.

The tactics in this co-ordinated campaign have been to portray such bodies as the H. R. Nicholls Society, the Institute of Public Affairs, the Australian Institute for Public Policy and indeed almost any body advocating the need for more common sense in the conduct of our economic and social affairs as “extremists”. No doubt with a view to creating divisions within the Liberal Party, the tactics have also been to suggest that these “extremist” groups have taken over the policy-formulation processes of that Party, or are in the course of doing so. A Genghis Khan apparition stands threateningly behind Mr. John Howard on the “Gillies Republic” as the ABC, predictably, contributes to this campaign.

Now personally the only thing which comes as any surprise in this is the degree to which the sheer ferocity of these attacks has helped bodies such as the H. R. Nicholls Society, the Institute of Public Affairs, the Australian Institute for Public Policy and indeed almost any body advocating the need for more common sense in the conduct of our economic and social affairs as “extremists”. No doubt with a view to creating divisions within the Liberal Party, the tactics have also been to suggest that these “extremist” groups have taken over the policy-formulation processes of that Party, or are in the course of doing so. A Genghis Khan apparition stands threateningly behind Mr. John Howard on the “Gillies Republic” as the ABC, predictably, contributes to this campaign.

Nevertheless, with all these charges of “extremism” being thrown around, it may be worth asking who are, today, Australia’s real extremists? Some obvious candidates suggest themselves.

First and foremost must be those who, in our trade union movement, would deny to their fellow Australians the right not to belong to trade unions. This, and all the other attacks by trade union bosses and their “enforcers” upon our civil liberties constitute the ugly face of trade unionism.

Let there be no mistake about this. All over Australia, in large enterprises (particularly) and in small, union organisers demand that individual workers pay up for the privilege of being “represented” by a union, the objectives of which may have nothing in common with those of the workers concerned. With trade union “agendas” now so heavily politicized, that is even more likely today than it has always been.

I personally believe strongly in civil liberties; it is merely a pity that most bodies in Australia purporting to concern themselves with that topic appear to have been “captured” by interest groups, such as the Labor Lawyers; intent on grinding other axes of their own under the civil libertarian cloak. I can recall no instance of any of these groups raising their collective voice to attack the extremist actions of our trade union bosses in forcing ordinary Australians into their union membership yokes.

Of course, trade unions differ from case to case. Not all trade union leaders are extreme. Some, however, such as the leaders of the Food Preservers’ and Confectioners’ Association, or the Australian Meat Industry Employees’ Union, are very extreme indeed. It is perhaps therefore no accident that these were the two unions associated with the Dollar Sweets case, and the Mudginberri Abattoirs case, respectively.

Another Communist-led union, the Amalgamated Metalworkers’ Union (AMWU), was the principal union which, in 1981-82, led the charge on behalf of the ACTU to produce the “wage explosion” of that period. True, it was a pyrrhic victory for its members, a great many
of whom lost their jobs in the ensuing economic recession. As the Treasurer said during the Labor Party’s Hobart National Conference last July, the AMWU leaders to this day “carry around their necks the jobs of the 100,000 dead men ......

One of these AMWU officials, Mr. John Halfpenny, after 28 years in the Communist Party of Australia, has now become a leading spokesman for the Socialist Left of the A.L.P’s Victorian Branch. Some indication of the moderation of his views is to be had from the text of his Arthur Calwell Memorial Lecture, delivered at Monash University, Melbourne on 8 September last.

It is, incidentally, symptomatic of all that is wrong with the Labor Party these days that, of all people, Mr. Halfpenny should be invited to deliver a Memorial Lecture to honour the memory of the late Arthur Calwell. I was then too junior a Treasury officer ever to have had any personal dealings with Mr. Calwell during his time as Leader of the Opposition. Nevertheless, my own recollections of him and the accounts of those who did know him personally both agree that he was a decent Australian, a Labor Party man of the old style (“the cream of the working classes”) rather than the new style (“the dregs of the middle classes” — to quote Mr. Kim Beazley, Senior).

Before becoming Leader of the Opposition, Mr. Calwell was among those who, though remaining in the Labor Party, fought desperately to preserve it (and the trade unions from which it derived so much of its support) from subversion by that same Communist Party of which, throughout 1951 to 1979, Mr. John Halfpenny remained a member in increasingly good standing. The choice of Mr. Halfpenny to deliver this year’s memorial eulogy upon this good Catholic and devoted family man must have him, poor man, still spinning in his grave.

Those who are concerned with “extremist” tendencies in some societies overseas (e.g., the United Kingdom) often point to the problems created in them by high levels of unemployment among young people, seeking the work experience which only real jobs (as distinct from various forms of governmentally created “leaf-raking”) can give.

In September, 1986 some 22 per cent of 15 to 19 year olds were unemployed. That chiefly derives from the rigidities of our labour market, and the power exercised in that market by trade unions and the various arbitral tribunals. It is those tribunals which, under pressure from such unions as Mr. Simon Crean’s Storemen and Packers’ Union, have raised minimum wage rates for young people to levels which price a significant proportion of them out of jobs. In Professor Porter’s expressive phrase, their decisions have made full employment in Australia illegal.

An employer offering a young person a job at less than the award rate for someone of their age will be breaking the law. If detected in doing so, the Industrial Inspectorate will descend upon him like the proverbial ton of bricks. What, I ask, could be more “extremist” than the self-serving arguments of those trade union bosses and other members of the Industrial Relations Club who seek to defend this indefensible approach to the markets for labour?

Let us take another, quite unrelated field. What could be more “extremist” — that is, lacking all common-sense and moderation — than the current administration of the Fringe Benefits Tax (FBT)? Undoubtedly the proliferation of so-called “fringe benefit” forms of remuneration had gone well over the odds. At the same time, over the years successive governments had certainly built up very strong incentives for such behaviour. The very high marginal rates of personal income tax, and the ever diminishing levels of real income at which those high marginal rates cut in, produced enormous pressures towards providing remuneration in non-monetary forms.

Be that as it may, under the proposed FBT the business community now faces an administrative nightmare. For these purposes, put on one side the essential injustice of taxing employers for the fringe benefits received by their employees. Over 200 years ago the American colonists mounted the cry “No taxation without representation”. The Commonwealth Government has today transformed this cry, in the FBT area, into one of “No taxation where there is representation”. Because the Government fears the political backlash against it if it were actually to tax fringe benefits in the hands of the multitude of voters who receive them, it has taken the cowardly course of taxing them in the hands of those many fewer employers who pay them.

As I say, however, let us put that point of principle on one side and concentrate solely on the “extremist” nature of the administration of this tax. With the Treasurer’s full support, the Australian Taxation Office seems to be setting out to tax everything that can be faintly imagined to be a “fringe benefit”. A farmer who kills a sheep to provide mutton for his employee will have to pay tax at 46 cents (prospectively 49 cents) for every...
dollar it is deemed to be worth. Caretakers looking after National Trust properties, and enjoying "grace and favour" accommodation for doing so, will entail the Trust paying tax on the deemed value of that accommodation. Other examples, too numerous to mention, all point in the same direction. What began as a proposal, in itself soundly based in taxation principle, to tax the more obvious "fringe benefit" forms of remuneration received by generally more well-to-do employees, has multiplied — like the most malignant cancer — to engulf all manner of nonsenses within its extremist maw.

To turn to another example, as a Director of Peko-Wallsend Limited, I am naturally reluctant to discuss at length the extremism displayed by the Government of Western Australia, the relevant trade unions, and the WA Industrial Commission, in their handling of industrial matters arising at the Robe River iron ore mine from end-July onwards. When however a State Minister for Mines can act, under the special powers available to him, to appoint as so-called “Special Inspectors”, six trade union organisers and three former employees who had been dismissed from the service of Robe River Mining company, one begins to understand where extremism in Australia truly resides.

One also begins to understand how fundamentally anti-business (all protestations to the contrary notwithstanding) the present Government of Western Australia really is, and how close Western Australians have already come to living in a police State — a State where nobody has any rights other than the petty Czars-in-office and the trade union bosses who have paid the political bills for putting them there.

Our "Caring" Seamen's Union

To close on a lighter note, there has recently come to my notice a “Fifty-Five Dollars” bank-note-like object which informs us, on its front, that “55 dollars represents the share every Australian has in ANL” (the Australian National Line) and which rails, on its reverse, against the carriage of Australia's trade by foreign shipowners. Among these latter, the Columbus Line is singled out particularly for having “the effrontery to seek to impose massive fines and claim huge damages from officials and members of the Seamen's Union for daring to demand the right to work for its members”. Australian flag ships, it says, “would generate jobs for young Australians throughout the community". This plea is authorised by a Mr. Tony Papaconstuntinos of the Seamen's Union.

The thought of the Seamen's Union, whose members spend approximately half their year on fully paid holidays, demanding the right to "work" may merely raise a wry smile. Indeed, even when the gentlemen concerned are actually aboard their ships, their level of over-manning there is such, compared to comparable ships in comparable countries elsewhere, that in these circumstances also "work" is clearly a term of art. What is really being demanded, of course, is the right to stop some non-Australians from really working, thereby making life tiresomely competitive for members of our Seamen's Union.

As to generating jobs “for young Australians throughout the community”, Lord help the 78 per cent of young Australians whom other Australian trade unions have not already priced out of jobs, if the Seamen's Union were ever to get its restrictive hands upon the bulk of our external trade. The rise in costs which that would overnight produce would put more of those young people (and other Australians) out of jobs than would ever be put into them in the privileged lifestyles in which the members of the Seamen's Union nowadays find their calling.

Of course, none of this means that it would not be a good thing if more of Australia's trade (and other people's trade for that matter) were carried by Australians. For there to be any chance of that happening, two things are needed. First, the dead hand of government has to be got out of the whole fearful mess which the ANL constitutes. Secondly, the stranglehold of the trade unions generally on Australia's shipping has to be broken, without which it can never become competitive.

As for the 55 dollars per head share which I, my wife and our five children are each alleged to have in the ANL, we should be glad to receive our $385 as soon as possible, if only someone can be found to take the Line off Australians' collective hands at a price which would allow that. The trouble is, I fear, that so long as the Seamen's Union continues to run it — in line with the new Swedish model which the ACTU are now trying to sell us more generally — we shall be hard pressed even to give it away. It really would be cheaper for us all, in those circumstances, to dispose of it for scrap, or even tow it out into the Tasman and sink it. At least we would not then continue to be burdened with its annual costs of operation — or humorous misrepresentations from Mr. Papaconstuntinos.
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Hugh Morgan
The Trade Union Reform Act of 1987

Peter Costello

There is widespread public concern about the role trade unions play in Australian political life. It is clear that urgent reforms are required to align the activity of trade unions with the values and expectations of the great majority of Australians. Peter Costello sets out his ideas on the shape such reforms should take.

Australian trade unionism is in need of major reform. While every study of public opinion confirms that Australians support the concept of unionism, these studies also reveal there is widespread and deep distaste for the kind of unionism which has evolved in Australia.

Australians would willingly support a voluntary union movement, led by people in touch with the aspirations of their members, concentrating on wages and conditions, promoting the legitimate claims of their members, prepared to let managers manage, defending employees against exploitation, and operating with a responsible regard for community interests. This is not the kind of unionism which has been practised in recent years.

The reality of Australian unionism is very different from this ideal, and it is disliked by most Australians. A poll by the Business Council of Australia in 1986 found that 83 per cent of all Australians opposed compulsory unionism. A poll in September 1986 found that 78 per cent of Australians thought trade unions had too much power and even 68 per cent of union members held this view! The 1983 Australian Values Study (Morgan Research) found that while 80 per cent of Australians had confidence in Australian companies, only 25 per cent had confidence in Australian unions. These are not isolated findings. Opinion polls over a number of years have confirmed these views.

These findings are alarming.

Since over 50 per cent of the workforce is unionised a large proportion of union members (and their families) apparently have no confidence in the organisations to which they belong. The failure of Australian unionism to adequately represent or lead the Australian workforce must be regarded as a serious structural problem facing Australia at the present time. This problem must be dealt with if unions are to play a positive role in the future of Australia.

The original ethos of trade unions, formed in the 19th century, based on a divisive view of society, premised on the supposition that there is a fundamental conflict between employers (capital) and labour, is outmoded. It is time to drag union thinking into modern times. Now more than ever it is clear that employers and employees have common interests. They have much more in common than they have been led to believe — the creation of profits to sustain investment, the creation of jobs, and joint reward for their respective contributions to production.

Significant social change must also be taken into account in the reform of Australian unionism. Australian employees are better educated and better informed than ever before. They are quite capable of handling relations with their employers in their own workplaces. It is no longer necessary for employees to hand over complete responsibility for the representation of their interests to someone else. They should be given increased opportunity to define and protect their own interests. It will take sensitive union leadership to allow this to occur.

The failing of Australian unionism is, to some extent, the product of history and of a legal framework which is no longer appropriate for the aspirations of the modern workforce. Our legal framework for industrial relations has changed very little in eighty years. Our workforce and the shape

Peter Costello is a founding member of the H.R. Nicholls Society.
of our industry has changed dramatically. Our aspirations, our education and our economic requirements are different. We need a system of industrial relations and a modern form of unionism geared to the times. What is needed is a Trade Union Reform Act which will promote public confidence in unions by conferring freedoms in the workplace that Australians have come to expect in the other important aspects of their lives.

The task is to consider the ways in which ordinary employees can regain control of their own working lives and make union leaders accountable to their wishes. The broader objective should be to develop a system where cooperation in the workplace becomes the overriding feature of industrial life.

These are some proposals designed to promote harmony between trade union leadership, trade union members, and management, which will, in the process, enable ordinary trade union members to recover confidence in the organisations supposed to represent them.

1. Formation of Unions

Current trade union structure in Australia is based on the British model of craft or occupational unions. This means that all employees working in a particular trade are eligible to join a trade union which covers that trade on a national basis. Metal workers employed in different States, by different employers, will therefore be members of the one union. Electricians who are employed alongside them by the same employer in the same shop cannot join the same union. They must join an electricians union. This means that the interests of union members are viewed on a national and trade basis rather than on an enterprise basis. The goals of union officials beyond the workplace may be quite opposed to the interests of workers in a particular shop. Metal workers in that particular shop are nonetheless called upon to engage in action damaging to their own interests which is part of a wider campaign.

A bad example of this occurred in the metal industry in 1981. The Metal Workers Union pursued a campaign for more pay for less work. The claim succeeded. A lot of small companies went to the wall as a result. They were forced to close their businesses and 100,000 metal workers lost their jobs. The national wage campaign did nothing for these metal workers. It destroyed their livelihoods. The Treasurer Mr. Keating is reported to have attacked metal workers’ boss George Campbell over this sorry episode at the ALP conference in 1986. He said the officials of the metal workers carried 100,000 unemployed dead men around their neck.

In addition, the system of craft unions leads to vindictive and destructive demarcation disputes. A dispute may arise on the factory floor as to whether a particular job should be done by an electrician or a metal worker. The two unions become embroiled in a dispute over this matter. Each seeks to preserve its membership and jealously guard its turf. Shutdowns, loss of wages and loss of productivity may occur although no one is actually in dispute with the employer.

The task is to consider the ways in which ordinary employees can regain control of their own working lives and make union leaders accountable to their wishes.

The answer to this problem is to facilitate enterprise or industry unions where all employees in a particular industry or enterprise join the one union. If this occurs there would only be one union and one set of officials. It would not matter to them whether the job was done by the electrician or the metal worker. They might even let the management decide who should do the job! It would reduce the opportunity for union officials to slug it out in a fight that helps no one but themselves.

Over the years there have been various attempts to facilitate the development of industry unions. Progress along these lines has been slow and difficult. When two unions amalgamate they only need one set of officials. As a result some officials inevitably face the prospect that their power and influence will diminish or become obsolete. The rearguard action of union officials fighting for their own jobs (as opposed to the interests of their members) has often led to amalgamation proposals being defeated.

It is time for a bold new approach to overcome this problem. At present employees are prohibited from forming their own unions if there already exists a union to which they can “conveniently belong” (S.142 Conciliation and Arbitration Act). One of the major costs of the arbitration system has been the denial of the freedom for employees to form their own organisations. It is high time that this freedom was returned to them. Legislative restrictions should be abolished and the way paved for any group of enterprise or industry employees, who wish to do so, to form their own union.

This would allow the development of enterprise
and industry unions and overcome the ability of entrenched leaders to block progress along these lines.

It would also introduce a healthy element of free competition to trade unionism. If workers are consistently called out against their will in the interests of “national collectivism” they would have the option to form their own association, accountable to them on an enterprise or industry level, to protect their own interests rather than the interests of others. Employees who are sick and tired of being put out of work by more militant elements would, for the first time, have freedom to form their own associations and look after their own interests. If they did a good job others would join them. If they did a bad job they would lose their membership. The constant check of free competition would promote more accountable trade unionism.

2. Membership

A further feature of Australian unionism which has attracted wide public opposition for considerable time is compulsory unionism. A number of surveys over the years has consistently shown that over three-quarters of Australians oppose compulsory unionism and believe that union membership should be voluntary. Compulsory unionism is enforced partly by law (preference clauses) but mostly by muscle. If an employee refuses to join a union, the union threatens action against the employer unless he is sacked. He generally is.

Compulsory unionism is an infringement on the right of citizens to freedom of association — and in relation to one of the most significant areas of their lives. It becomes even more obnoxious when it is recognised that unions can undertake activities which are totally opposed to the interests of individual members. These members can nevertheless be forced to finance those activities. The 100,000 “dead” metal workers no doubt received little joy from financing the campaign which put them on the dole queues.

It is currently an offence for an employer to dismiss a person who chooses to join a union. The Trade Union Reform Act should make it an offence for an employer to dismiss a person for choosing not to join a union, and it should make it an offence for a union, its officials, or members, to incite an employer to dismiss employees who freely choose not to join. This would protect genuine freedom of association in the workplace.

3. Finance and Political Affiliation

The Australian Labor Party was formed by trade unions. Its organisation is dominated by trade unions and they provide a large source of its income. Once again, this feature of Australian unionism has very little public support. A national survey in 1979 found that 79 per cent of Australians believed that trade unions should avoid supporting any one political party.

The trade union connection has become a millstone around the neck of the ALP. The Prime Minister is doing his best to free himself from this constraint by ignoring, or overriding, policies of the ALP organisation, heavily dominated as it is by the unions, when the Government disagrees with them.

The ALP affiliation also does unions no good when the Liberal-National parties are in government. Unions must live with Liberal governments and seek to persuade them to look after the interests of their members. But as an organisation affiliated to the ALP they are committed to removing Liberal-National parties from office. This makes Liberal governments suspicious of their motivations. The trade union movement would do better if it remained independent from both political parties and sought to exercise its influence on both to promote the interests of its membership. On some occasions the ALP-trade union affiliation has reached ridiculous proportions. When the current Prime Minister was

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UK UNIONS AND POLITICAL ACTIVITY

The situation regarding political activity of trade unions in the United Kingdom is quite different to that in Australia.

A trade union is legally permitted to engage in party political activity provided a majority of its membership has voted in favour in a ballot and that all such activity is financed by a separate contribution which any individual member can opt out of paying without prejudicing his or her ordinary benefits and privileges. The Certification Officer's annual report records that 58 unions maintained a political fund at the end of 1983 and some 6 million members contributed to a political fund. Following several trade union mergers, the number of unions with a political fund had fallen to 53 at the end of 1984.

— Editor.
both President of the ACTU and President of the Labor Party he was required in his former capacity to persuade the Liberal-National government to look after his trade union constituents and in his other capacity to remove them from office. The dual personality of trade union leaders can create a conflict of interest.

One of the largest sources of income for the ALP is the fee paid by unions to affiliate with it. This gives trade union leaders influence over the ALP in its decision-making bodies. The money which they pay in order to obtain this influence, however, is not their own — it is raised from the subscriptions of members.

This would not be so objectionable if employees were given complete freedom of choice on whether or not to pay trade union membership fees. They are not however. Compulsory unionism is a dirty fact of industrial life and those who wish to obtain a job are almost inevitably forced to pay a fee to a trade union for the privilege of work. It is without question a serious infringement on the rights and liberties of employees that they should be compelled to contribute to a (party) political cause with which many undoubtedly disagree.

It is clear that significant numbers of trade union members vote Liberal. Most estimates put that proportion at approximately 35 per cent. In joining a trade union these people are often forced to contribute, by affiliation fees, to financially support the Labor Party. The Trade Union Reform Act should ensure that unions who wish to support party political causes through affiliation fees or otherwise are obliged to strike a completely separate fee for this purpose. The payment of that fee should be genuinely optional. Political affiliation should be a matter left entirely to individual choice.

The Trade Union Reform Act should therefore make it an offence to dismiss a person for refusing to pay a separate levy struck for (party) political affiliation or political causes. Since an employer is only likely to do this under pressure from a union, it should also be made an offence to incite an employer to dismiss, or otherwise prejudicially deal with, an employee who chooses not to pay the separate (party) political levy to a trade union.

4. Trade Union Objectives

The disentanglement of unions from politically partisan causes should go much further than the protection of genuine freedom of association in the workplace. Trade unions should reconsider their own stated objectives. Unions which exist for the purpose of promoting employees’ industrial interests are an essential feature of democratic life. As a result, legislation has facilitated their development and given them legal privileges in order to exercise this role. The legislation was not intended to create and confer privileges on organisations with wide (party) political goals. This is a matter which is properly the province of political parties and political lobby groups.

The largest trade union in Australia is the Amalgamated Metal Workers Union. Its objects include the following:-

- "The control of industry in the interests of the community".
- "The furtherance of political objects as provided by these rules..."
- "The extension of co-operative production to assist in altering the competitive system of society for a co-operative system".

These objects sound suspiciously like the old socialist objective of "nationalising the means of production, distribution and exchange". Indeed the central object of the ACTU is as follows: "The socialisation of industry, i.e production, distribution and exchange".

These objects are no mere accident. They are carefully drafted in order to legally define what an organisation may and may not do. By taking advantage of legislative benefits designed to facilitate the growth and operation of organisations representing industrial interests, trade unions have conferred upon themselves wide political discretions which enable them to go much, much further. In fact the above objects illustrate that some trade unions have in fact used the privileges conferred by industrial legislation to enable them to lawfully pursue the socialisation of the Australian economy.

In view of these objects it is amusing that trade union leaders often argue that all employees should be forced to belong to a union since they all benefit from it. Presumably they think that all employees will ultimately benefit from socialism and therefore all should pay for it. We would all no doubt pay the cost of socialism!

When one considers the objectives of some unions (and the central objective of the Australian Council of Trade Unions) one can easily see how wrong it is as a matter of principle to maintain that all workers should be forced, even against their will, to join a trade union. What they are being forced to join is an organisation which may be legally indistinguishable from a political party.

Trade unions cannot have it both ways. Either they should take advantage of industrial legislation
to form organisations restricted to industrial pursuits or they should be open about their objectives and call themselves political parties or political lobby groups. The Trade Union Reform Act should restrict union objectives to industrial matters insofar as they take advantage of the legal privileges granted to industrial organisations. If unions want to continue a wide (party) political role they should not be entitled to the legislative privileges of industrial legislation. They should compete with other lobby groups and political parties for membership on an equal footing.

5. Internal Democracy in Trade Unions

Much has been said in recent years about public funding of Australian elections. The argument is that all points of view should be adequately funded to enable voters to make an informed choice about who should govern. Little attention has been paid to the question of how union members can be given similar advantages in voting for the leadership of their own unions. Australia's big unions are multi-million dollar operations. They employ large numbers of full-time organisers, the organisers drive union-owned vehicles to visit job sites, the union publishes magazines on a regular basis, and the officials fly around Australia, at union expense, meeting job delegates. How can an ordinary employee with a full-time job who wishes to stand for union office possibly attempt to match the resources of an entrenched union leadership and fight an election on equal terms. The employee cannot spend his whole time campaigning, he has no magazine which is delivered into the hands of all members of the union, and he does not have the electoral apparatus of organisers and officials who can be turned out in support of the current leaders. This is the real problem in developing internal democracy in trade unions.

One must bear in mind that an internal union election is a reference to the members of who should control union funds and union direction. Surely it would not be inappropriate if some of those funds were set aside to allow different candidates to put their views to the members. If sums were set aside for this purpose full-time employees could take leave from work and use the finance provided to them to visit factories and shops and put their case. It would be necessary for organisers not involved in the election to exercise great restraint in not abusing their position to favour the incumbents. It would also be necessary for similar restraint to be shown in the editing of union journals.

It must be acknowledged that many unions allow candidates to make a statement of their policies in brochures distributed with electoral ballots. This is to be welcomed, but it is rather ineffective for the candidate without the opportunity to campaign full-time and without the electoral apparatus of the union at his disposal.

If some unions refuse to allow their resources to be used in promoting strong internal democracy the Trade Union Reform Act could amend the current legislation to require them to adopt rules designed to do so as a condition of their registration. The existing processes could then be used to enforce compliance with those rules. Current auditing procedures could be used to monitor whether union resources are being used to favour some candidates over others.

6. Union Representation

It is a quirk of the Australian system of industrial relations that unions often obtain awards prescribing wages and conditions which apply to all employees in an industry — whether union members or not. This means that even where members choose not to belong to a union they receive the terms and conditions negotiated by it — without their involvement or consent. The theory is that if a union obtains higher wages for its members, employers will employ non-unionists if they can be paid less. So the award prescribes conditions for unionist and non-unionist alike. It is designed to protect the unionist.

In a situation like the metal industry, where the award of higher wages could well mean economic catastrophe for some companies and unemployment for their employees, those employees might well prefer less than award wages. The choice for them is the dole or a much higher sum which is less than the award. One suspects they would prefer work and a wage. Nevertheless they are not given this option. They get the union's award (if the employer can pay it) or they get the dole.

Such employees should be allowed to opt out of the union's award where they genuinely wish to do so. In allowing them to do so, the ability of trade unions to fix conditions for non-unionists should be restricted.

In addition, union members should have the right to opt out of awards obtained by their leaders. They might choose to do this where they are
prepared to take a pay cut to preserve their jobs or they might do this where they are prepared to work more efficiently for higher remuneration. This was the situation at the Mudginberri abattoir.

At the Mudginberri abattoir, members of the workforce were given the right to opt out of their award terms and conditions if they could negotiate payment more than 20 per cent in excess of those terms and conditions. They successfully did so by agreeing to abolish restrictive work practices and lifting productivity. This enabled the employer to pay them substantially more. The employer benefited from higher productivity and the employees benefited from higher payments.

Their trade union vehemently opposed this arrangement. It opposed ordinary union members taking control of their own working lives even when this had the effect of substantially improving their remuneration.

The provision for union members and non-union members to opt out of industrial awards should be widened and responsibility for negotiating conditions of employment as far as possible returned to employees on the shop floor. They know best what they want in their employment and they should be able to determine it. Trade unions underestimate the intelligence of their members when they assume they are incapable of looking after themselves.

The devolution of responsibility for fixing wages and conditions back to trade union members themselves will be a giant step forward in Australian industrial relations. It will facilitate the development of co-operation between management and employees. It will overcome the divisive legacy of past thinking and it will do away with the alienation that many members feel towards their remote leadership.

These are matters for urgent consideration. Australia needs a Trade Union Reform Act in 1987. It would be well served if that Act facilitated flexible, accountable and modern trade unionism. So too would the millions of Australia's trade unionists.

Editor's Note

In the issue of Autumn 1986 in an article entitled 'Compulsory Unionism and Individual Rights' reference was made to the case of a Mr Hein. The article referred to the consideration of his complaint by the Equal Opportunity Board. The article should have stated that the conciliation of the complaint was attempted by the Commissioner for Equal Opportunity and her staff. The two bodies are separate. No criticism of the Equal Opportunity Board or the Commissioner should be drawn from the article. The criticism made in the article was directed at the Equal Opportunity Act in its current form.
Is the Real Horror Budget Still To Come?

Les McCarrey

The failure of the Federal Government to cut expenditure in this year's budget, together with some important tax changes, will mean that Mr. Keating is facing a tough deficit problem in preparing next year's budget.

Somewhere in Canberra there will be a piece of paper showing the underlying deficit flowing from this year's budget that will confront the Treasurer going into 1987/88. That is because Treasuries are usually at pains to point out to Ministers the longer term effect of their decisions shorn of the cash flow fiddles which can tart up the budget result in any given year, but leave next year exposed to cold reality.

The piece of paper would show that the underlying deficit built into the 1986/87 budget and which will be the starting point for next year is at least $8 billion. This figure is easily derived from the budget tables and it is inconceivable that the Government is not aware of the trap it has set for itself.

The announced deficit of $3.5 billion was arrived at from Mr. Keating's stated starting point of $7.5 billion through expenditure cuts of about $2 billion and revenue raising measures to boost receipts by $2 billion.

But the expenditure cuts were not all real in an ongoing sense. Some $390 million was saved by deferring pension indexation increases, income test adjustments and medical and hospital benefit rises. In fact the budget tables show that of the net $2 billion expenditure 'cuts' this year, only $1.5 billion will carry over into 1986/87 as savings to next year's budget. Also some $600 million of the expected tax gain of $2 billion was obtained by deferring the proposed income tax cuts by three months.

Thus over $1 billion of the measures implemented by the Treasurer this year, ostensibly to reverse the deterioration of the nation's finances, have no lasting effect. They are simply cash flow adjustments which do nothing to correct the basic imbalance of the budget.

The effect of manoeuvres of this kind lasts only for the duration of the current accounting period. The $1 billion so 'saved' this year reappears immediately on 1st July next as part of the deficit base carried into 1987/88.

So if we adjust for the cash flow fiddles the underlying deficit jumps to $4.5 billion.

But that is not all.

The revenue estimates show a number of items which are clearly of a once-off nature indicating that the Government has combed through the cupboards in an effort to boost revenue this year as much as possible. The largest of these has been widely identified — the $2.6 billion profit transfer from the Reserve Bank largely by way of windfall from the bank's sales of foreign exchange. Just how much will be available from that source next year is debatable but it is a fair bet that it will be nothing like the $2 billion paid into the Treasury in 1985/86 and the $2.6 billion Mr. Keating is counting on this year. The bank's holdings of foreign currencies, progressively sold off to support the dollar, are diminishing rapidly and its capacity to generate income anywhere near that magnitude from market operations is doubtful to say the least.

Not less than $1 billion of the $2.6 billion supporting the budget from this source this year has to be regarded as windfall revenue not available next year. The true figure is probably nearer $2 billion but Mr. Keating is entitled to the benefit of any doubt.

A number of handy windfalls amounting to $400 million that pad out government revenue this year include $124 million proceeds from the winding up of TAA superannuation fund, $100 million of...
advances to Telecom clawed back on a roll over of debt due this year, $50 million repayment of principal from the Defence Service Homes Corporation, $80 million from the accelerated disposal of Commonwealth property and $36 million from the proposed sale of Community Services rehabilitation centres.

To the extent that some of these items are treated as financing transactions, they serve to finance the deficit rather than reduce it. However, at least $200 million from this source has gone towards achieving the published budget result.

An extra $220 million will be obtained this year from changed timing of company tax payments. This is not quite in the category of a once-off gain because the Treasury expects the greater cash flow effect to last for the next two years as well. So we leave that on one side in calculating the underlying deficit carried forward to next year although eventually that chicken will also come home to roost — or more aptly, not come home.

The Treasurer can rightly claim that there are some windfalls of this kind in every budget, but there is no doubt that a combination of good fortune in the case of the huge Reserve Bank profit and an assiduous search of the cupboards for once-off injections of revenue has distorted the real budget result. Altogether between $1.5 billion and $2 billion have been added to revenue by these means.

Now there is nothing wrong with accelerated recovery of revenues in this way to meet a short-term crisis. But no one should fool themselves that they represent a permanent structural change to correct the underlying budget problem — least of all the Treasurer.

To the extent that the cash flow adjustments are not available next year the underlying deficit that will be exposed going into next year is in the order of at least $6 billion.

That carried-over deficit is the direct consequence of the methods used to produce what is now clearly seen as a cosmetic result this year which perhaps explains the cool reception given to the budget by the money markets.

The consequences of that gimmickry for the Government’s financial position next year are serious when it is realised that the commitment to further reductions in personal income tax from 1 July next, already in legislation before the Parliament, will carve a further $3 billion from tax revenue in 1987/88.

When we add this commitment, net of gains and losses from other tax measures introduced this year, to the minimum $6 billion gap emerging from this year, it is clear that Mr. Keating has an $8 to $9 billion headache up front in 1987/88.

It is important to note that this figure for the start-up deficit next year takes no account of a possible shortfall on assumed revenue growth this year nor of the differential growth of revenue and expenditure in 1987/88.

To the extent that the budget assumptions on the growth of GDP, and the outworking of wages policy are not realised, a blow-out of the actual deficit this year is a real possibility.

To add to Mr. Keating’s woes next year, revenue growth must be expected to sag as the recession bites deeper. All in all, the Government needs to brace itself for an opening deficit of about $10 billion in 1987/88 compared with the $7.5 billion the Treasurer had to grapple with this year. There is little indication that the Government has grasped that essential point.

The consequences of the Government’s failure to take an axe to the burgeoning expenditure base this year are that the task will be far harder next year.

But the consequences for the taxpayer of the expenditure blow-out are frightening.

Will the proposed personal income tax cuts go the way of the trilogy?

The conclusion that shouts from these quite simple calculations is that both Mr. Keating and Mr. Howard must go back and do their sums again. Nothing short of drastic surgery on Government expenditure and a ritual slaughtering of a whole herd of sacred cows will do. And the sooner that process is begun the sooner the Australian taxpayer can begin to hope and the sooner the dollar will stabilise.
Ideas Which Count

Ideas can enhance freedom and encourage enterprise. Or they can suppress freedom and cost the earth. 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.

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Australia's Heavy Capital Gains and Wealth Taxes

Terry McCrann

Responding to criticism by the Minister for Finance, Senator Walsh, Terry McCrann sets out his reasoning and evidence for the claim that Australia's capital gains and wealth taxes are among the most severe in the industrialised world. This article is based on two columns which appeared in the Melbourne Age on June 19 and June 20.

Senator Walsh took me to task, uncharacteristically gently, for referring to the Government's capital gains tax as the most punitive in the world. While I concede this was a touch exaggerated, Australia certainly has one of the most punitive taxes. Further, we appear to have among the highest levels of "wealth" taxes among developed industrial countries, with many ordinary wage and salary earners each year having to pay $1,000 or more — and rising rapidly — in these forms of tax.

According to Senator Walsh, the key point is that whereas most OECD countries levied capital gains taxes at a rate around 30 per cent, they did so on nominal gains (with the exception of Britain). Thus, while our all-new local capital gains tax would be levied at the taxpayer's normal marginal income tax rate — which in most cases would be either 47 per cent or 61 per cent, maybe dropping back to a maximum 50 per cent next year — only real gains were to be taxed down under. Obviously, if a realised capital "gain" was entirely due to inflation, no tax would be payable in Australia in contrast to some tax paid in most of those other OECD countries. Conclusion: our tax was less punitive.

The good Senator was kind enough to concede that if one made different assumptions, such as the particular asset's value rising at a faster pace than inflation, then the numbers would not be so dramatically favourable to the Australian tax.

So the same $100,000 asset held for 14 years with five per cent annual inflation but a 10 per cent compound increase in its value — assumptions he stressed were "highly unlikely" — the typical OECD capital gains tax would take just under $90,000 with the down-under model claiming just under $80,000.

His bottom line was that "with any ratio of inflation to asset value increase less than the 1:2 ratio which is cited in that hypothetical example, the Australian tax would be lower than under the common type of capital gains taxes which prevail in the OECD".

Unfortunately, this is barely half the story.

There are less salubrious features of our new tax. Two in particular.

The first is that our tax bears far more harshly than the common OECD tax on short-term capital gains, where inflation is irrelevant. A common example is where an investor buys $100,000 worth of shares, the market booms, and he sells them for $200,000 one year and one day later. Assume a 10 per cent inflation rate and the investor having other income amounting to the mammoth sum of $35,000. That investor will pay tax of 61 per cent (maybe 50 per cent after next year) of $90,000. That is equal to $54,900 (maybe $45,000 if the rates are cut) compared with $30,000 under those far tougher common OECD capital gains taxes.
And why did I say he sold the shares one year and one day after acquiring them? Because that got him into the “softer” version of Senator Walsh’s range of capital gains taxes. The Government plans to leave in place the existing provisions of the Income Tax Act which tax as ordinary income any gains, indeed any nominal gains, on the sale of an asset within 12 months of acquisition.

Now Senator Walsh might argue that this is an income tax and not a capital gains tax. Others might take a different view and even chance their arm that this is the most punitive capital gains tax in the world — without fully knowing the tax systems of Gabon, Gambia, Guinea et al.

If my mythical investor had sold after 364 days, he would not have even picked up Senator Walsh’s “generous” allowance for inflation. He would have paid 61 per cent of the full $100,000 (ditto as before, maybe 50 per cent sometime in the future) — or just about exactly double the amount levied under those terribly harsh taxes common in most other OECD countries.

The second point is that the Government in its generosity will allow realised capital losses to be offset against capital gains to reduce any tax liability. This of course applies to most capital gains taxes in the OECD and, with a moment’s thought, is self-evidently the only equitable thing to do.

But, in the case of our overly generous tax, only realised nominal losses will be allowed to be offset, not as one might have expected realised real losses. Assuming continuing inflation it will be almost impossible for investors to incur nominal losses — except on assets held for short periods where inflation has not had a chance to work its miracles. Whoopee!

Consider an example where an investor buys one parcel of shares for $100,000 and an investment house also for $100,000. Over 10 years (with aggregate 100 per cent inflation) the house appreciates in value to $300,000 while the shares languish at that original $100,000 — a not unlikely prospect to anyone who lived through the early 1970s. Under Senator Walsh’s tax the after-inflation profit on the house is $100,000 and thus $61,000 of tax is payable. No offset is allowed for the real loss on the other parcel because there is no actual nominal dollar loss.

But consider what happened to that investor’s investment portfolio — the combination of the house and the shares. The investor started with a $200,000 investment portfolio. After 10 years the inflated value of his portfolio was then $400,000 which is exactly what he realised on sale. He may have made a real profit of $100,000 on the house, but in real terms he lost $100,000 on the shares. In short, he did not make a penny of real profit on the portfolio taken as a whole. Yet he is still up for $61,000 tax.

Wealth Taxes

The lunatic, and not-so-lunatic, left — and various economists, academic and otherwise — clamour for a wealth tax in this country on the grounds of tax “rationality”, economic “efficiency” and “equity”.

It is undeniably true that one would search in vain through the tax laws for any imposition of a “wealth tax”, or even its less emotive title, “net worth tax”. But that, of course, proves nothing, as a thorn by any other name would still cause pain. In truth, we do have “wealth taxes” — at least three that I can think of without too much effort. And, what is more, they are unfair in their impact as they are levied on gross assets without any deduction for liabilities as against the conventional wealth or net worth tax, which is levied on net assets — the total value of the taxpayer’s assets at a particular point of time less liabilities outstanding.

Furthermore, the down-under wealth taxes are levied almost exclusively on one particular form of asset or wealth which, to use one of those awful phrases I detest from the tax “reformers”, renders them horizontally inequitable. That asset is property.

Various disguised wealth taxes are state property taxes, council rates and Melbourne Metropolitan Board of Works or other water rates. My comments apply to the Victorian situation and especially to the people who live in the Melbourne metropolitan area, but I presume the position is not significantly different elsewhere in Australia. Thus, just about anyone who owns a house in Australia — even just the one family home — is paying at least one, most likely two and possibly three of these disguised wealth taxes.

And in the main they are paying those wealth taxes out of after-tax income as — income-earning properties aside — they are not deductible against federal income tax. Indeed, they might be paying those wealth taxes even though in the strict sense they don’t actually own any property at all, if they have just started paying off their house bought with borrowed money.

Before explaining this, it is worth emphasising that rates and state land taxes are very definitely a form of “wealth tax” — or worth, or asset, or
capital tax, whatever particular name is used. They are levied entirely or almost entirely on the value of the asset, in this case property or land. They are not levied on income or capital gain or the like, simply on the value of assets. The fact that it is only one asset — land — is, apart from the tax equity questions, simply irrelevant.

It might be argued that water and council rates are not really a tax but a fee for service — garbage collection, provision of water, etc. — and therefore equivalent to any other expenditures people make, such as for petrol or food.

One response to this is that all taxation is one way or another a "fee for service" — the services being defence, schools, hospitals and so on to even include social welfare which, it might be argued, makes for a less unpleasant environment.

More importantly, though, these rates are less and less related to the cost of provision of the service — and are more and more simply a means of raising revenue. The added costs of collecting one garbage can from a house on a hectare in Toorak compared to a small weatherboard in Williamstown does not justify the Toorak resident paying several thousand dollars for the "service" as against a few hundred for the Williamstowner.

Even accepting in part the fee-for-service argument, one might note that the taxes are levied only on people owning an asset, to wit, the land. They are not levied on users who do not own land. Quite clearly, the money raised by council and water rates is nothing less than a direct tax on "wealth".

And we now find that even people with just one piece of land — the family home — in suburbs a long way from a hectare in Toorak are paying the state land tax. Under the previous Liberal Government (and still so in most other States) the family home was generally exempted from land tax and you had to own at least two properties to be assessed for the tax. This is no longer so and, although there is an initial exemption threshold, people owning quite modest homes which are their only property asset are paying $60 to $100 a year in property tax. And that is the amount this year. The way the tax is structured it will almost certainly rise exponentially as the land value increases at a faster pace than the exemption threshold.

Unless significantly amended, it will mean that ordinary one-home-owning wage and salary earners (and those not even earning) could be paying $500 or more in this disguised but very real wealth tax in the not-too-distant future.

On rates, it is not uncommon for people with ordinary blocks to be paying $600 or more to both the local council and the Board of Works. Add in the land tax and many ordinary Victorians are now paying $1,200 to $1,500 in these disguised wealth taxes.

And they have to find that money out of after-tax income. If their wage/salary is around $20,000 they have to apportion around $2,500 for their "wealth" tax. If they are really rich and earning above $35,000, they have to set aside $3,000 or more.

To emphasise, for many Victorians 10 per cent or more of their pre-tax income is now being paid in these disguised wealth taxes. Those "wealthy" citizens have to pay those taxes whether or not they actually "own" the family home in the true sense. They may pay up to $1,000 a year in "wealth" taxes on an $80,000 home even though they have a $60,000 mortgage and thus only $20,000 of equity in the property.

That alone suggests that our disguised wealth taxes are among the most punitive in the world, but the international comparisons, such as they are, provide further evidence. According to the Chart, the share of government revenue from taxes on wealth in Australia is well above the OECD average and higher than in 16 of the 22 OECD member countries.

![Wealth Taxes](chart.png)

*Relative size of taxes on wealth in OECD countries (1982)*

*Source: Reform of the Australian Tax System, draft white paper, AGPS, June 1985*
Six Principles for a Macro-Economic Policy

Wolfgang Kasper

The failure of Keynesian policies to solve the economic problems of the 1970s has led many economists to emphasise micro-economic policies (deregulation, promotion of competition, etc.) while virtually ignoring macro-economic policy options. Professor Kasper argues that such an approach can be costly and that a macro-economic policy is essential for economic prosperity. However, a successful macro-policy must be based on, and work within, the market place.

The concepts of market-oriented economics have, in recent years, rapidly become dominant in shaping the agenda for micro-economic and business policies in Australia. This change from a rather interventionist philosophy is documented not only in public discussion, but also in the recently published blueprint for a new market-oriented economic order adopted by the Opposition parties.

By contrast to this “sea change” in thinking about micro-economic policies, there has been little concomitant discussion about the shape of a market-conforming macro-economic policy.

It is of course by now widely accepted that Keynesianism did not survive the Whitlam-Cairns effort in 1974-75 at boosting demand by monetary expansion, a lax budget, devaluation and increases in wage incomes. This standard Keynesian experiment ended with higher unemployment and explosive inflation. It is the contention of this article that the demise of Keynesianism has left a dangerous vacuum for the time ahead, when many traditional micro-economic rigidities will disappear and when there will be a great need for macro-economic stability. For example, the deregulation of labour markets could lead to a wage explosion, which might prejudice the micro-economic revolution ahead, if there was no firm macro-economic policy in place. After all, individual markets do not function well in a vacuum. Certain macro-economic guidelines greatly enhance the functioning of markets, as long as those guidelines are designed to be market and enterprise-oriented.

This call for consciously protecting the “macro-economic flank” may not be readily accepted by dyed-in-the-wool free marketeers whose instincts have — for good reasons — been shaped by anti-Keynesian thinking. Many of them tend to identify macro-economics with Keynesianism, which in essence is interventionist. But it is my contention that we neglect macro-economic policy at great cost and that a market-conforming macro-economic strategy can and needs to be designed. The Opposition parties will not have earned their full mandate to govern the economy until they have committed themselves to a cohesive and market-oriented macro-economic view and can offer some institutional answers on how to ensure overall stability.

What are the key elements of such a macro-economic design?

The basis for such a policy is that stable and predictable macro-economic conditions — stable price level, external balance, and overall demand being reasonably in line with a growing supply potential — make individual markets more efficient and therefore enhance the natural rate of economic growth and job creation. Total stability can of course never be achieved. Indeed, minor recessions may well have the function of cleansing the economy of habits and expectations that — in the long run — erode the “natural rates of employment and growth”. But major instabilities (like the...
1974-75 or 1980-82 episodes) destroy confidence and lead, in the long term, to less enterprise, less investment and less job-creation.

**Micro-Economic Flexibility**

A first principle should be to stress that micro-economic flexibility is an essential precondition for macro-economic stability. The Treasurer of a market-oriented government must be clear that every interference by “micro-oriented” ministers with competitiveness, price flexibility and factor mobility contributes to disruptive instability of the macro-economy, because such interventions create rigidities that cause lagged, and then excessive, reactions which often waste resources or contribute to inflation. Thus, wage fixing has the macro-economic consequence that there are wider and more harmful fluctuations in employment than we would suffer with a flexible price for labour.

**Predictable Relative Prices**

A second principle for a market and stability-oriented macro-economic policy would be to focus on relative prices, and to understand the business cycle as the delayed consequence of swings in rates of return, wages, exchange rates, etc. to which capital — because of its structural rigidity over the short term — cannot adjust. Policy makers must seek to avoid strong swings in these relative prices and make them more predictable for individual producers. More generally, macro-economic analysis has to focus much more on the supply-side, where changes occur gradually. To do that, we need better production, productivity, cost and competitiveness statistics.

**Shared Policy Objectives**

A third principal element of macro-economic political economy must be to stress a set of widely shared and understood policy objectives, namely

- price level stability
- external equilibrium
- demand expansion close to the supply potential (in other words, a high and reasonably stable rate of utilisation of the nation's productive capacities).

Government should commit itself to pursuing such a set of policy objectives, because this, in itself, would have a steadying influence on the economy. Once the macro-economy is managed by objectives, a policy of dangerous and normally destabilising expedients is less likely and we are less likely to get policies addressed to one single objective. Single-objective strategies always neglect the other key policy objectives and lead to costly reversals of strategy. It is also important that the wider public has a good understanding of a minimum set of macro-economic objectives which define the common economic good. Only then can economic arguments by particular interest groups, who are often the enemy of the common economic good, be countered and shown up as harmful to the common wealth.

**Automatic Stabilisers**

A fourth important element of a market-oriented macro policy would be to nurse and strengthen automatic stabilisers. A clear break is needed from the Keynesian philosophy of stabilising intervention, which occurs after the accident has happened. Long experience has shown that — because of diagnostic and political decision lags — stabilising stop-go interventions are more likely to amplify the cycle than to stabilise it. Instead, we need to develop “auto-pilots” that allow a hands-off, non-activist macro policy:

- We need authoritative, politically independent forecasts that help to stabilise the expectations of individual decision-makers, especially investors. And we need these forecasts in an easily accessible form, not in the secret language employed by the "econometrics priesthood".
- We have to educate the public and politicians to watch leading indicators. This contrasts with the Australian practice of measuring macro-economic performance first and foremost by unemployment, a lagging indicator showing that the accident has happened. As a consequence, we drive economic policy by looking into the rear vision mirror — a fairly accident-prone procedure.
- A very important automatic stabiliser could be put in place by imposing medium-term rules on the overall budget. After all, elected politicians...
are not well qualified to make quick economic decisions in response to changed macro-economic circumstances. But they are elected to choose long-term priorities, i.e. to shape the budget structure. For that reason, a strong case can be made for rules, such as the “trilogy” or the zero-growth of real spending rule. A more appropriate rule than those in the public arena would be a rule to stipulate a medium-term balance of the budget (no deficit for any moving five-year average of public-sector budget outcomes). A similar rule, which enhances stable private expectations, is the well-known money-supply rule, which would bind the Reserve Bank to expand money supply by a pre-announced margin, protecting monetary policy from politically induced irregularities and panicky knee-jerk reactions. It is then left to flexible interest rates to ration excessive demand (high interest rates curbing an evolving boom) and to stimulate deficient demand (dropping rates softening an incipient recession). 

- A similar medium-term guideline is needed for wages. The basic principle should be a stable wage-cost level, so that wage increases should be mainly determined by nation-wide productivity growth. It should be made clear that wage increases in excess of the guideline will lead to job destruction. The responsibility for high employment is not with the government but with employers and employees who determine wage levels within the framework of a macro-economic strategy that aims at price-level stability. Some guideline defining a stable wage-cost level and showing its employment implications must be in place when labour markets are deregulated. When the responsibility for high employment shifts to freely contracting employees and employer representatives, they will need some guidance as to what wage increases are in line with macro-economic stability and high rates of employment.

Control over State Government Spending

A fifth principle for a market-oriented macro-economic policy is that spending and borrowing by State governments and qangos must be controlled so as to conform with the medium-term guideline of budgetary balance. This will not be easy under the Australian Constitution, but seems essential, if all major actors in the economy — wage earners and consumers, investors, wage negotiators, foreign traders, Federal and State governments — are to be exposed to similar stability-oriented rules and if no group is to cause excess demand which would impose undue stabilisation burdens on other groups.

An Even Distribution of the Burden

A sixth and final principle to guide a minimal and market-oriented macro-economic policy will be the principle that stability can only be achieved if the burdens of stabilisation policy are evenly distributed. Stabilisation policy will never succeed for long if one sector, for example, public expenditure, surges ahead and wage earners and investors are held back by an “accord” and an excessive reliance on monetary policy. This only distorts relative prices and breeds instability later on. Good stabilisation policy has to rest evenly on all shoulders.

These principles, if implemented, would create a steadying framework for individual enterprise and for the functioning of individual markets. Such a macro-economic framework certainly differs greatly from the Keynesian approach, which was based on the assumption that markets failed to maintain stability and that governments had to intervene to counter private instabilities. It is now clear that there is a greater likelihood of “government failure” in stabilisation policy than of “market failure”. For that reason, government agents and other powerful groupings that are not controlled by competition should be obligated by steadying guidelines to desist from creating instabilities. Concurrently, markets must be made more flexible, open and responsive to enable them to react promptly and by appropriate margins to changes in the overall economic scene.

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2 The stipulation in the Reserve Bank Act, which commits monetary policy to full employment, has been badly and consistently violated over the past decade and should be scrapped.
The New Squattocracy  New York's housing laws penalise property owners who fail to provide trespassers with all the comforts of home.

"Elzie Robinson is an 85-year-old former janitor who owns four buildings in Harlem. A big, robust man, painfully slowed by age, he still spends all day every day tending his eighty-four apartments.

On March 3, 1986, New York City Housing Court Judge Lewis Friedman threw him in jail for twenty days for not providing adequate heat and hot water for the people in his buildings. The "tenants" were actually squatters who moved into one of his buildings last December after it was damaged by fire. Judge Friedman told Robinson, who is black, that it made no difference — as long as people were in his building he was obligated to provide them with services". (The American Spectator)

Think Big  A big government "solution" to big government is being tried in Brazil. The Government there has declared its intention to tackle the problem of bureaucratic centralism by appointing a "Minister of Debureaucratization and Decentralization" — based in Brazil's administrative capital and accompanied by a sizeable department of bureaucrats. (Reason)

Black Ban  "Black dustbin liners have been banned by London's left-wing Haringey Council because they are 'racially offensive'... Grey sacks were now being used to avoid offending West Indian workers in the cleaning department. The row followed the dismissal of a Haringey Council employee for using a banana-shaped pen that upset an Asian colleague". (The Australian)

Job Creation  The long-term unemployed may have many hidden talents and skills, but among them, one would think, is unlikely to be a talent for teaching others how to find work or establish profitable enterprises. The Federal Minister for Employment and Industrial Relations apparently thinks differently. A group called the Coalition on Employment is to "receive CEP grants totalling $262,406 to employ 26 people in Wollongong, Shellharbour and Kiam areas ... The CEP workers will... assist and advise unemployed people in the establishment of employment ventures and promote employment of mature-aged people". (News Release from Ralph Willis, MP).

New Wave  The Federated Clerks' Union notes that while the Federal Government's Office of the Status of Women had rejected the Union's request for $12,000 to study the superannuation needs of women members, it had decided to fund a project to develop women's surfing at a cost of $11,000. (The Clerk)

Re-education  Peace education means infusing all areas of school life, no matter how trivial, with the ideals of caring and sharing, according to Karen Maule reporting her own teaching experiences. It includes confronting (in a non-confrontationist manner) competitiveness in sport and "conflict situations such as lining up". Conditioning her pupils to care was a slow process however:

"The process of raising the children's consciousness to a level of caring for each other took almost a year. It paid off in little ways, such as when one child would relate a situation and others responded with "but that wasn't really caring for her, was it"... On Hiroshima Day the children wore headbands with messages of peace. We had an assembly in the yard where we had two interlinking circles with all the children and teachers holding hands. We played sections of "Give Peace a Chance" by John Lennon ... In the afternoon we all released helium peace balloons with peace messages inside. These were all released at the same time to symbolize unity and co-operation". (Victorian Teachers Union Journal).

Fellow-Travelers  Nicaragua which last year suspended its citizens' civil and political rights and recently closed down La Prensa, its only independent newspaper, has attracted numerous political pilgrims from the Left. Lynette Thorstensen, who heads the committee set up to organise the Victorian Government's Youth Peace Conference planned for December, fondly recalls her days touring this people's paradise.

"I remember Isobel and Fanny, two nineteen year olds who walked everywhere with their guns, dressed in army greens because they have no other clothes, and who taught me to sing Nicaragua Nicaraguita.

I remember Lourdes Aluirez, barely six years old, who gets up and makes speeches in a society that is more truly democratic than any I have known." (Judy's Punch)
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"peacewatch", in which children secretly scrutinise one another’s behaviour.

Where education is compulsory and publicly funded and teachers are not subjected to political tests, schools are obliged to remain strictly neutral on matters where the people divide. “Teachers who push ‘peace education’ in the classroom are manifestly violating the terms of this trust”.


**Tax Cuts Promote Economic Development**

The intellectual success of the “supply-side” doctrine linking low marginal tax rates with sustained economic growth has not yet affected the exponents of “development economics”, who still view high and progressive taxation as necessary for generating savings in poor countries. Yet there is growing evidence that the fastest-growing developing countries have successfully encouraged savings with low rates of tax. Hong Kong has a 17 per cent flat rate tax. India and Sri Lanka have recently been lowering their tax rates, and now experience growth in the 5 per cent range. This experience mirrors that of post-war Germany and Japan, whose recovery was preceded by a reversal of the high-tax regimes initially imposed by the victorious Allies.

“Although lower marginal tax rates may not be a sufficient condition for growth in the Third World, they may be a necessary condition. Given that the high rates presently in existence raise relatively little revenue — in some cases virtually none — the cost of at least experimenting with lower rates is small”.


**The Sandinistas’ Second Front**

The Nicaraguan Sandinistas have established a “second front” in their war with the American administration. This consists of the more than 100,000 American citizens who have visited Nicaragua since the Sandinistas seized power in 1979. Returning visitors typically write to their local newspapers and congressmen defending the 1979 revolution and deplored American attempts to undo it. The Sandinistas are skilled at playing on the isolationist strand in American public opinion; they also know all about American intellectuals’ eagerness to condemn their own society and to admire totalitarian regimes where intellectuals are accorded the prestige due to them.

Yet the Sandinistas are likely to gain a false impression of the American attitudes from their unrepresentative visitors, whose pro-Nicaraguan sentiments are being discredited by the regime’s increasingly repressive measures.


**Politicians Can Stand Up to the Special Interests**

It’s widely believed that the US Congress cannot conquer the budget deficit because congressmen who vote for the necessary spending cuts will lose their bids for re-election. But several studies have cast doubt on this assumption. In the 1984 election the 13 Democrats who lost their seats had similar spending records to the 223 who kept theirs, while the two Republicans who lost their seats were actually much bigger spenders than the 162 who were returned.

One explanation could be that voters have little knowledge of how their representatives behave, and make their choices on different grounds. Another possibility is that voters are not nearly as selfish as the special interest groups like to pretend they are. Whatever the case, it seems that politicians can afford to be more courageous than they have so far been in their budget deliberations.


**Education Policy: Government Against the People**

Public choice theory assumes that public policy is made in a “political market” which reflects the interests of all the relevant actors: not only the voters and the politicians but also the public service. As a result, public policy may not promote the public good but may be determined by the bureaucracy acting in its own interests. Public servants have every incentive to preserve existing bureaucratic empires, however costly and inefficient, and to resist innovations, however beneficial.

Providing welfare in cash rather than kind undermines the power and the discretion of public servants, and so is resisted by them. In 1983 the British government’s attempts to introduce the educational voucher, combining state finance with individual choice, was defeated by bureaucratic opposition. In this series of five essays, specialists examine the economics of bureaucracy, the politics of education and the bogus claim that the scheme is “administratively impossible”. Supporters of the recently renewed movement for the educational voucher will need to learn the appropriate lessons from the earlier defeat of the proposal.

FOCUS ON FIGURES

Jacob Abrahami

Not Working for the Dole

In June 1986 there were 569,800 Australians receiving the unemployment benefit. This was 7900 more than the number identified as unemployed in the Australian Bureau of Statistics survey. Thus, for each 100 unemployed Australians (a large number of whom would not be eligible for the unemployment benefit) there were 101 persons receiving the benefit.

The picture was not always like this. In 1975 there were 250,000 unemployed persons and only 161,000 recipients of unemployment benefits; that is, for each 100 unemployed in 1975 only 64 received the dole.

The change in the ratio of unemployed to benefit recipients has prompted the Prime Minister, and others, to call for a close look at some sort of work for the dole scheme.

The change in the ratio between 1975 and 1986 is charted in the graph below.

The unemployed and dole recipients
June 1975 to June 1986

The two sets of figures are collected in quite different ways. Each month, the Commonwealth Employment Office publishes the number of people who receive unemployment benefits. The Australian Bureau of Statistics conducts a monthly survey among all Australians, on the basis of a scientifically devised sample, to determine how many unemployed persons are seeking work.

The disproportionately rapid increase in the numbers receiving unemployment benefits compared with the numbers unemployed could be in part the result of the different methods used to collect information. However, differences in methodology are unlikely to explain more than a marginal change in the dole/unemployment ratio and, indeed, such differences could well work to decrease the number of unemployed relative to benefit recipients.

What these figures do suggest is a more serious problem; the virtual abandonment of the work test. For many years up to the 1970s the Commonwealth Employment Service carried out a work test on behalf of the Department of Social Security. But increasingly through the 1970s the CES placed less weight on its work-test obligations and concentrated on job placement for those genuinely seeking work. Nowadays the work test generally requires no more than the signing of a form indicating that the recipient has taken steps to find work.

Wealth Taxes — Highest in Victoria

Elsewhere in this Review, Terry McCrann analyses taxes on wealth in Australia and concludes that Australians pay more in such taxes than the taxpayers of all but a handful of industrialised economies.

Jacob Abrahami is the IPA's Senior Economist.
Taxes on wealth — land tax levied by the State governments and Local government rates — totalled $3,005 million in 1984/85, some 27 per cent of total State and Local government revenue. On average this is equivalent to $513 per household.

Victoria imposes the heaviest wealth tax — an equivalent of over $600 per household in 1984/85. The bulk of that tax — 83 per cent — was collected by Local government. In Tasmania the wealth tax was equivalent to $427, only two-thirds of the Victorian bill.

<table>
<thead>
<tr>
<th>Taxes on wealth</th>
<th>($ equivalent per household)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Govt.</td>
<td>Local Govt.</td>
</tr>
<tr>
<td>VIC</td>
<td>NSW</td>
</tr>
<tr>
<td>$600</td>
<td>500</td>
</tr>
<tr>
<td>Average for six States</td>
<td></td>
</tr>
</tbody>
</table>

Sharing the Burden

The Prime Minister has told the Australian people that if Australia is to pull itself out of the economic quagmire in which we find ourselves, “restraint with equity” must be the order of the day. The problem is that existing arrangements in the Australian economy are almost guaranteed to ensure that any belt-tightening will not be shared equally between all Australians. Many Australians are the beneficiaries of a system that guarantees a minimum level below which their income will not fall. For example, the indexation arrangement for pensioners guarantees a minimum income. Similarly, indexation arrangements operate to provide a considerable degree of protection for wage earners. At the same time there are many Australians whose incomes fluctuate with the fortunes of the Australian economy. This group includes the self-employed and retired persons without access to the public purse.

The table below classifies the 12.2 million adult (15 years and older) Australians into approximate groups by source of income in an attempt to identify those Australians whose income is protected by indexation procedure of one kind or another.

<table>
<thead>
<tr>
<th>Income Recipients</th>
<th>No of Persons (million)</th>
<th>Extent of Income Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage earners</td>
<td>5.6</td>
<td>Indexed (at least partly)</td>
</tr>
<tr>
<td>Unemployed</td>
<td>0.6</td>
<td>Indexed</td>
</tr>
<tr>
<td>Public sector superannuants</td>
<td>0.2</td>
<td>Indexed</td>
</tr>
<tr>
<td>Age pensioners</td>
<td>1.3</td>
<td>Indexed</td>
</tr>
<tr>
<td>Veteran disability pensioners</td>
<td>0.4</td>
<td>Indexed</td>
</tr>
<tr>
<td>Service pensioners</td>
<td>0.4</td>
<td>Indexed</td>
</tr>
<tr>
<td>Invalid pensioners</td>
<td>0.4</td>
<td>Indexed</td>
</tr>
<tr>
<td>Widows &amp; supporting parents</td>
<td>0.3</td>
<td>Indexed</td>
</tr>
<tr>
<td>Self-employed</td>
<td>1.4</td>
<td>No protection</td>
</tr>
<tr>
<td>Retired self-dependent</td>
<td>0.3</td>
<td>No protection</td>
</tr>
<tr>
<td>Home-makers</td>
<td>0.6</td>
<td>No protection</td>
</tr>
<tr>
<td>Full-time students</td>
<td>0.7</td>
<td>Largely dependent on others</td>
</tr>
</tbody>
</table>

Every time wage earners and those on government pensions and benefits enjoy an indexed increase in their income — even if it is only partial — they gain at the expense of others such as self-dependent retired people and home-makers. Thus, 75 per cent of Australians are largely protected from the consequences of the decline in Australia’s economic fortunes, with the cost of protection paid by the remaining 25 per cent.

Where More is Less

The more the Commonwealth Government charges for the services it provides the smaller is government. At least, that is the paradoxical picture which emerges from the way the Government calculates budget outlays.

For example, in 1986/87 the main Budget statement details outlays of $74,736.6 million — some 7 per cent more than in 1985/86. With a forecast inflation rate of 7 per cent, the Government is claiming a zero growth budget in 1986/87.

However, not included in the $74.7 billion of outlays is expenditure of $2.9 billion that is to be financed largely from fees and charges collected by government departments. These are offset against expenditure and the net expenditure figure only is recorded as outlays. For example, “air navigation charges paid by airlines are offset against expenditure on the provision of civil aviation services”. In total such procedures underestimate expenditure by almost 4 per cent in 1986/87.

Expenditure to be financed from revenue sources linked specifically to outlays, and therefore offset against outlays, is estimated to increase by 26 per cent in 1986/87, while outlays financed from

30
all other sources are expected to increase by only 7 per cent. The two combined, that is, total expenditure financed from all sources is expected to increase by 7.5 per cent — a real increase in outlays at a time when by the Government's own reckoning no growth in outlays is the appropriate policy, and on the reckoning of many commentators a negative growth is what is needed.

The distortions caused by this procedure have become increasingly important in recent years, as the Commonwealth Government, because of its inability to curb its expenditure growth, has resorted more and more to financing outlays through charges and fees. In the three years to 1986/87 expenditure other than that financed by fees and charges increased at an annual rate of 9.8 per cent a year. Expenditure financed through the "offset" process has increased by 29 per cent annually.

The significance of these adjustments to outlays is summarised in the following table.

There is no obvious reason why expenditure financed by a specific source of revenue should be excluded from a measure of the size and growth of Government. The exclusion of such expenditure can give a false picture of the success of the Government in reining back its expenditure.

In the past when "offset" financing of outlays was less important than it is today the distortion caused by the omission may have been relatively minor. In future, following the enormous growth in fees and charges of the last three years, the concentration on budget outlays rather than total expenditure may present a highly distorted picture of the overall role of the Commonwealth Government in the economy.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Outlays as per budget statement $M</th>
<th>% of GDP</th>
<th>Outlays Financed from revenue sources linked specifically to outlays* $M</th>
<th>Total expenditure $M</th>
<th>% GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980/81</td>
<td>35994</td>
<td>26.6</td>
<td>1036</td>
<td>37030</td>
<td>27.4</td>
</tr>
<tr>
<td>1981/82</td>
<td>41188</td>
<td>27.0</td>
<td>1191</td>
<td>42379</td>
<td>27.8</td>
</tr>
<tr>
<td>1982/83</td>
<td>48792</td>
<td>29.2</td>
<td>1299</td>
<td>50091</td>
<td>30.0</td>
</tr>
<tr>
<td>1983/84</td>
<td>56430</td>
<td>29.8</td>
<td>1381</td>
<td>57811</td>
<td>30.6</td>
</tr>
<tr>
<td>1984/85</td>
<td>63712</td>
<td>30.4</td>
<td>2113</td>
<td>65825</td>
<td>31.4</td>
</tr>
<tr>
<td>1985/86</td>
<td>69917</td>
<td>30.1</td>
<td>2365</td>
<td>72282</td>
<td>31.1</td>
</tr>
<tr>
<td>1986/87(e)</td>
<td>74764</td>
<td>29.4</td>
<td>2974</td>
<td>77738</td>
<td>30.6</td>
</tr>
</tbody>
</table>

*Since actual figures are not available budget estimates are used.

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None of it would happen without the hard work and sheer, gritty determination of the men and women on the Esso oil and gas platforms.

Really, they deserve the odd evening in front of the box without interference.
Why I Won't Be Giving To the Christmas Bowl This Year

Peter McGregor

Peter McGregor doesn't mind giving to charity if it goes to help the world's impoverished. But when it is used to support immoral regimes or helps pay for politicised education programmes in Australia, he has second thoughts.

My family and I, a number of our friends, and the Uniting Church congregation to which we belong have been very generous to the Christmas Bowl Appeal in past years. Our giving has totalled many thousands of dollars.

But this year I won't be giving anything to the Christmas Bowl.

Not that we wouldn't like to help the deserving poor around the world, or in some way assist nations to lift themselves out of their grinding poverty. We would. But how should we best accomplish it?

We once thought that the Christmas Bowl was the answer to our prayers. But lately, we have been taking an interest in its Annual Report, so that we might see how the money we gave was being used. And that has been a salutary experience.

Amongst the $7 million worth of "projects" in 1985 — some, no doubt, worthy; some downright shonky (such as support for Nicaragua, Tamil separatists, the African National Congress and a bevy of other highly suspect organisations listed as "coalitions" or "networks") — is a sum of over $275,000 for Development Education. That's enough to cause us to be extremely cautious about what the organisation is actually trying to do (with our money!).

"Development Education" is a euphemism for a set of principles which are a potpourri of poor economics, naivety, muddled thinking, misguided Christianity and, at worst, political propaganda of the Marxist variety. Blind acceptance of the principles of development education among some leaders of Third World countries, has kept those countries in penury; in some cases, increasingly dependent on handouts from the very West that so many of them despise.

Closer to home, the Christmas Bowl and its sponsor, the Australian Council of Churches, which in turn is an agency of the World Council of Churches, contribute to a flood of anti-Western political propaganda in the form of highly dubious publications to churches and schools throughout Australia. Four propositions purvey these sorts of publications:

1. There is massive inequality of reward in market economies and the present world order.
2. The greatest inequality is between the possessors (bosses, land-owners) and the dispossessed (the victims of oppression, the poor, the landless peasants everywhere).
3. The poverty of the lower class is produced and maintained by a system that benefits the upper class.
4. The system cannot be reformed and must be overthrown!

Disguised as educational source material, and in the form of crude posters, cartoons and seemingly benign and authoritative literature, development education has captured the minds of many children in schools and Sunday schools around the country, idealising the poor and the poor's destiny. But that is a dangerous thing to do. All children are curious and imaginative; and in the absence of economic, social and religious beliefs, they can create a new world of their own devising. That is dangerous for the present order.

The poor and disadvantaged are certainly worthy of Christian concern, but they have no monopoly on wisdom or truth. That they should unite (or be led) to overthrow an oppressive regime is no guarantee that they can set their country on the road to improvement or prosperity. Vietnam's "escape" from war — to terror and totalitarianism — is only one of many recent examples.

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WHY I WON'T BE GIVING TO THE CHRISTMAS BOWL THIS YEAR

attacking the successful and wealthy (the very people who, one way or another, contribute to the Christmas Bowl).

According to Roger Scruton, Professor of Aesthetics at Birbank College, London — in a recent book called *World Studies: Education or Indoctrination?* — the sympathies of children are being exploited by implanting in their minds the Marxist ideas of "oppression" and "structural violence". In the unrelenting search for a peculiar brand of "justice", the young are being nurtured towards the overthrow of market economies.

It is relatively easy to find these dubious principles ensconced in a plethora of Australian textbooks, but it is depressing that our churches are also part of this process of radicalisation of the vulnerable young.

In a letter to the Uniting Church journal, *Church and Nation* (23/7/86), a representative of the Christmas Bowl asserted that development education principles were "consistent with the Gospel". This is denied by a great many eminent Christians, not least the distinguished American Christian, economist Michael Novak, and our own Rev. Dr. John Williams, a theologian of international reputation. They see no attractive morality in principles which foster stagnation; poverty and death.

Not only is development education inconsistent with any but a Marxist "liberation theology" interpretation of the Bible, but it is also inconsistent with the evidence of economics and history.

Eminent economist Peter Bauer has demolished the myths that proponents of development education cling to, demonstrating clearly that their claims are not only articles of radical political faith, but that they cannot be supported by any reliable data. They belong to the realms of fantasy, not fact.

In Australia, the development education cause is championed by academics such as Dr. Ted Trainer at the University of NSW, whose extreme views may be found in *Radical Education Dossier* (*RED*) — these days known as *Education Links*. (Interestingly, the typesetting for *RED* is by an organisation called Propaganda, but *RED* describes itself as "part of a broad political movement towards a socialist revolution in Australia" (*RED*, March 1981). Dr. Trainer writes:

"The essential campaign has to be for fundamental change to social structures that no longer generate problems of scarcity, poverty, waste, inequality and international conflict. Unfortunately, this will require much more than the abandonment of capitalism. Most Marxists do not seem to realise that a post-capitalist society that remains determined to have affluent lifestyles will face almost as many potential sources of conflict as we do".

In a number of other radical educational journals, Trainer unashamedly peddles the discredited pseudo-science of *Limits to Growth*, and his sources include the "education unit" of the AMWU.

When you ask the people at the Christmas Bowl (or, World Christian Action) to substantiate the position they hold, they send you copies of Ted Trainer's articles. They will also send you, or try to sell your congregation, publications reflecting the sordid views of leftist organisations such as the Institute for Food Policy in San Francisco, and the work of Crypto-Marxists such as Frances Moore Lappe, author of *Through the New Nicaragua, Mozambique and Tanzania*, and other illuminating contributions to world literature.

When concerned church members dare to point out the damage such views have done to economies and the people of Third World countries, church bureaucrats and defenders of the "development education" faith often cite Julius Nyerere and Tanzania. (Indeed, the Secretary for World Christian Action, the Rev. Alan Hardie, upset recently by a reported disavowal of socialism by Nyerere, wrote to him personally to elicit a denial — which Nyerere was happy to supply).

Tanzania: Or, Why Africa is Hungry

In matters of giving, Christians have a special responsibility. Firstly to give "that others might live"; but also to give responsibly, which means seeking after the truth, wherever it may be found. The truth of the matter is that Tanzania has been an extraordinarily bad example to the rest of the Third World, as well as a warning to those who give generously, but uncritically, to overseas aid agencies; and, in particular, to those who accept the development education mythology. (In reality, the whole story of overseas aid is a depressing one: since 1960, the West has lavished more than $210 billion in aid on Third World countries, to little or no effect. In many cases, governments are their people's worst enemies, damaging their economies and

3 *RED*, Spring 1983
## What Development Education Teaches

1. The West (market economies) is responsible for all the evils and injustice in the world today; especially in the Third World. “The world is ruled by evil and injustice.”

2. We live in an intolerable (“structurally violent” or “unjust”) society.

3. The present world (market) economy, predicated upon dishonesty and greed, has slaughtered uncounted millions in the world through the exploitation and mis-use of global resources.

4. The Third World is poor largely because of the inheritance of colonialism.

5. The world’s resources are fast being depleted: there will be none for the next generation; the future is bleak.

6. The West is parasitic and lives on the resources it plunders from the Third World.

7. If the Western democracies (particularly the US) could be overthrown, the rest of the World would automatically have access to, and a fairer share of, the world’s resources and wealth.

8. Life on Earth is getting worse, not better.

9. A radical overthrow of the present system will end poverty and Third World dependence; the New International Economic Order is favoured.

10. The current affluence of the West has been achieved at the expense of under-developed countries; comparisons of food and energy consumption in the US with (eg) India illustrate the greed and immorality of capitalism.

(These are only some of the claims that supporters of development education make, and there are infinite varieties of each theme. Although they derive from Marx not everyone who holds these views is a Marxist; many people who earnestly believe such nonsense are not aware of the origins of their ideas).

## What the Evidence Suggests

1. Many of the countries in the Third World — particularly in Africa — have, under Marxism and in a few short years, gone from thriving agricultural economies to destitution with increasing dependence on foreign aid.

2. We live in a democratic, pluralist and free society with an outstanding record on human rights.

3. More people have been killed by Marxism in the 20th century than by capitalism since the beginnings of recorded history (Stalin: 70 million; Mao: 25 million; Pol Pot: 3 million).

4. British colonialism, for all its evils, was of nett benefit to those countries which experienced it; today, many of the poorest countries are those which were never colonised.

5. The world’s resources are becoming more available, not more scarce.

6. If supplies of Third World resources were stopped, it would have very little impact on Western economies.

7. If the US sank into the sea overnight, the Third World would be poorer; certainly, billions would starve.

8. In health, education and disease control, longevity, famine-related deaths, and general world standards of living, life on Earth is improving for most people.

9. The New International Economic Order would not be international, is more political than economic, and would lead to severe economic disruption and disorder. It is a recipe for the creation of international commodity cartels, and disaster.

10. Resources and wealth are not “zero-sum” in which, as one economy grows, the other is diminished. Affluence is created, not extracted from someone else. Consumption of food and energy in the US compared with people in Third World countries fails to acknowledge the even greater disparity in per capita production; that is to say, American initiative produces much of the world’s resources — certainly far more than the US people consume.)
depriving their citizens of civil liberties and human rights).

Tanzania is a major recipient of Christmas Bowl money (the oppressed in Afghanistan get nothing!) and, indeed, has been one of the greatest recipients of foreign aid in the entire Third World.

Yet the facts are indisputable. Julius Nyerere chose socialism as the path to Tanzania's "recovery" from its colonial heritage. Comparing the pre-Nyerere economy of Tanzania with the results under his leadership, we find a story of appalling stagnation and ever-increasing poverty. From an exporter of food, Tanzania under Nyerere soon became utterly dependent on foreign aid for the most basic of foodstuffs — hence its government's enthusiasm, indeed increasing need, for organisations such as the Christmas Bowl. As Nyerere allowed no trans-nationals to establish themselves in "his" country, the usual alibi of international agri-business cannot be yoked into service. He introduced large-scale collectivisation of farming, forcibly moved people into communes far from their homes, and devastated the thriving food and sisal production throughout the country. (It is interesting to note that many of Australia's school text-books still comment glowingly on Tanzania as an African success story).

In just under a decade, productive output declined some 50 per cent per worker, while the bureaucracy grew by an average of 15 per cent per annum. Nyerere nationalised more than 300 industries (by 1975, more than half were bankrupt and most of those remaining were operating at a loss) and presided over a disaster from which Tanzania today shows no signs of recovering.

World Bank figures (1983) reveal that, despite the collapse of productivity and standards of living, the Tanzanian leadership is persisting with punishing disincentives to initiative. Of more than 50 developing countries studied, Tanzania's marginal tax rates (85 per cent and 65 per cent on incomes equivalent to the US poverty level for a family of four) remain the highest in the world.

A hero of the Third World, Western leftists and even amongst his own unfortunate people Nyerere is supported and admired by misguided church people — such as those who dispense the largesse of Christmas Bowl funds — proclaiming the principles underlying his disastrous policies, and cultivating and disseminating the "development education" mythology which has impoverished many of the nations they continue to fund.

When we remember that Tanzania is blessed with rich agricultural land and flowing water, we must wonder how anyone could have done the Tanzanians more harm — and yet been able to convince so many that it was the fault of war, drought and the rest of the world. It is particularly sad that Australian Christian organisations and their followers are so gullible, oblivious of the pathways to prosperity on the one hand, and poverty and famine on the other.

Until retiring as President of Tanzania last year, Mr. Nyerere remained captive to the development education ideology, seemingly unrepentant in the face of abject failure: "Tanzania now has an aware people, consciously involved in the present economic struggle and increasingly exerting their social and political power for their own ends..." (Harvard Education Review, February 1985.)

In the meantime, the country is ruined. Tanzanians line up for hours in Dar-es-Salaam for essentials such as soap, and Nyerere is regarded by the world community as an "aid junkie".

Running through the list of other recipients of Christmas Bowl aid, the story is similarly depressing: in a majority of cases, naive utopianism (under the banner of "development") has taken preference over economic liberty, democracy and food production. Contrary to the rhetoric of the Christmas Bowl organisers (and both the World and Australian Council of Churches), the lives of millions of families around the world have been disrupted and destroyed with the complicity of our churches.

We may never know how many have died in Africa because of development education.

For the Christian, the hope of the world is Christ, not Marx. God's will is clear: "Choose life, that you and your children might live". Yet, as human beings, we are free to defy God's will and opt for death and destruction. Afflicted by a failed ideology, influential people behind the Christmas Bowl have chosen death; not for themselves, but for others.

I, for one, will not be funding their negligence and propaganda this Christmas.
This year we’ll employ the entire population of Townsville.

The truth of it is, that by the end of the year we will have employed more than 115,000 people ... full-time, part-time and casual.

Which is equivalent to a city the size of Townsville. And makes us bigger than the big Australian.

Last year we opened new stores in every state except South Australia. That’s some 25 supermarkets, 6 Big W, one Food Store, 13 Rockmans and 13 Dick Smith stores.

And this year will see the opening of another 54 stores, 13 of which will each be the size of two football fields.

These 70,000 square feet stores will set the pattern for retailing in Australia for the next generation.

Every year since inception we’ve grown.

Every year we’ve employed more people. Who knows, by the turn of the century we could even employ half the population of Brisbane.

Woolworths Ltd.

And you probably thought we were just a chain of supermarkets.
THE CULTURAL BATTLE

Ken Baker

The last *IPA Review* included a special section, "The Great Cultural Battle", which looked at important areas of symbolic conflict over the institutions, customs, history and identity of Australian society — a conflict, the outcome of which will have considerable ramifications for Australia's capacity to face the future with confidence. This is the first of a regular column which will examine various dimensions of this critical conflict over culture.

**The Churches’ Loss of Direction**

There seems little doubt that, throughout the English-speaking world at least, the established Christian churches are in decline. Seven out of ten Australians attend church rarely, if at all. And in England, the London *Times* has gone as far as to predict that in the space of 20 years, if the present rate of decrease in membership continues, the Church of England will face extinction in the English countryside. By 1980, Anglican Church membership in English rural dioceses had fallen to a mere 7.4 per cent on average of the local population. If the Church of England cannot maintain its flock in the conservative countryside what chance has it among the more rootless metropolitan populations. The established churches, then, are faced with the prospect of, if not redundancy, at least increasing marginality.

The causes of decline lie largely outside the control of the churches, in the many complex factors which have contributed to secularisation in the West. Yet ironically, some of the courses of action adopted by the churches to counter their waning authority — their decreasing capacity to command allegiance — may well have hastened their decline.

Two related developments particularly interest me. One is the churches’ absorption of secular intellectual and moral fashions in the name of “social relevance”. The other is the emergence of displaced and distorted religious yearnings in the realm of politics.

The churches cannot isolate themselves against social change, nor, if they are to survive, can they afford to be seen as irrelevant to the problems of modern life. But the modern churches’ slavish pursuit of a superficial notion of social relevance suggests a basic loss of confidence in their traditional mission — like a ship which having lost its reference point in the heavens above now drifts in whatever direction the prevailing winds take it. Nothing so well illustrates the shift in centres of cultural authority in our own society as the extent to which even clergymen now are silent in the assertion of traditional moral interdicts (“Thou Shalt Nots”) and instead espouse the secular pieties of the New Class — from unilateral nuclear disarmament to development economics (discussed by Peter McGregor in this *Review*).

Examples abound. In the United States a non-sexist edition of the New Testament has been published and that old favourite, “Onward Christian Soliders”, is to be excluded from a forthcoming Methodist hymn book because of its militaristic overtones. The editors, moreover, are making every effort to ensure that the hymns selected stress involvement in this world (social activism) over concern for the next world.

We live in a time in which many of the moral
certainties of an earlier age have come into question. Regardless of whatever benefits this re-evaluation has brought or might bring in the future, it has also left deep uncertainties and anxieties in its train.

It is during precisely such times that the need for spiritual guidance and clear moral imperatives becomes acute, particularly among the young. The romanticisation by idealistic youth over the last two decades of authoritarian regimes, cults and leaders — from Nicaragua to the Moonies to Mao-Tse-Tung — is symptomatic of the failure of institutions in our own society, such as the established Christian Churches, to offer clear spiritual and moral guidance. If a path to genuine social relevance exists for the churches, surely it lies here in offering intelligent but firm resistance to the erosion of traditional morality and security against the accompanying uncertainties and anxieties, rather than, as seems increasingly the case, reflecting them.

As long as the churches continue to embrace fashionable, ephemeral causes they risk being seen as standing for nothing — a sure path to irrelevance.

**Moral Equivalence**

The recent social justice statement on families by the Anglican Church of Australia is illustrative of the contradictions to which the churches' self-defeating pursuit of social relevance has led. The document asserts repeatedly that all family types — including single parent families — are morally and functionally equivalent.

Sociologically and psychologically the claim that single parent families function as well as two parent families is dubious. But more remarkable is that a church should take the view — popular in the culture of alternative lifestyles but antagonistic to traditional Christian teaching — that all family varieties are morally equal and thus morally permissible.

Ironically, the Anglican document points to the "increasing feminisation of poverty" as a major problem facing families, without apparently drawing the connection that the major cause of this problem is the massive expansion of single mother families; and that, in turn, the major cause of the growth of single mother families has been the emergence of a more permissive view of family obligations and sexual conduct. The document could have achieved real social relevance if it had made this connection and moralised accordingly.

The recommendations at the conclusion of the Anglican statement focus on matters such as wealth distribution, taxation reform and job sharing rather than moral conduct. In the end, the document's advice is barely distinguishable from reports better researched and better argued by welfare professionals and other secular experts and lobbyists in the field.

The entry of the churches into politically controversial areas, while sometimes justified, holds dangers. The similarity between social justice statements by churches and statements by selected secular authorities can leave the impression that the churches are misusing their religious authority to back politically partisan causes. There is the risk of dividing church members who, while they share the Christian faith, differ in all good conscience on political affiliation. This danger is accentuated in the modern churches where most pronouncements on politically sensitive issues are radical while most church-goers tend to be conservative. (This tension is conveniently overlooked in the recent Christian Television Association advertisement which portrays a middle-aged woman attracted back to her church by its involvement in peace marches, feminism and other "socially relevant" issues. How many more middle-aged people, I wonder, have been alienated from their church by its involvement in such issues than have been attracted back to it?).

**Redemption through Politics**

I touched above on one particularly disturbing consequence of the decline of the churches' authority in the attachment of religious yearnings to other quite inappropriate areas of life, particularly politics. It is the danger, as one critic has described it, "of confusing religious faith with its idolatrous rival, doctrinaire political ideology". The investment of salvational or redemptive hopes in politics has spurred on revolutionary political movements this century of the extreme Right and the extreme Left, almost always with tragic results.

The development in recent years of liberation theology — with its confusion of Marxist and Christian pieties — has legitimated this investment of delusional hopes in revolutionary politics. The result is usually a profound distortion of both Christian teaching and political judgement, as instanced by the recent statement by the Presbyterian General Assembly in the US on left-

wing revolutions in Central America: “A new reformation has begun in Central America”, the statement runs, “This new vision of liberation as seen through the eyes of the poor and oppressed, calls for nothing less than a conversion experience”. To speak of a spiritual “reformation” and call for a “conversion experience” in relation to any affairs of State is misplaced, but doubly so in the context of the establishment of Marxist States which historically have shown themselves to be deeply hostile to religious freedom.

Paradoxically, liberation theology has provided an intellectual rationale for Christians to give enthusiastic support to their enemies. Pastor Bruce Kenrick in his book describing his visit to Castro's Cuba even went as far as to favourably compare Jesus Christ with Che Guevara, founding hero of a regime whose persecution of Christians is well-documented. It is one thing for a Christian to forgive his enemies; it is quite another to provide intellectual and moral ammunition for his enemies' exercise of power. It is hard to resist the conclusion that those sections of the churches which have embraced liberation theology are expressing some unconscious impulse towards self-destruction.

The peace movement has also attracted displaced religious yearnings, not least from the clergy. And again, the impression is left that beneath the opposition to the Western strategy of deterrence some kind of self-destructive urge is at work. Take for example Archbishop Raymond Hunthausen's advocacy of Western unilateral nuclear disarmament, with its misapplication of religious notions of redemptive sacrifice to the political sphere. The result is a disturbing, if confused, admission of the lethal consequences of the very policy of which the Archbishop is an advocate: “My friends”, the Archbishop says, “there is no denying that unilateral disarmament like any nonviolent process brings its own kind of suffering and even death. It is different from the suffering and death brought on by war in that it is a suffering and death which comes from saying no to the killing of others. Refusing to kill, disarming for peace, creates a transforming, nonviolent power — but it comes at the price of suffering, a suffering out of love. At its root, the power of nonviolence is that sacrificial love — so clearly evident in the life of Jesus — that same love sustained and deepened in the truth-force and love-force of which Gandhi spoke”.

The defection of spiritual longings to politics can hardly serve the churches' interests. Politics and religion are competing realms which, while they interact, both suffer when the boundaries between the two dissolve. By their increasing politicisation, their willing absorption of secular moral fashions and pursuit of social relevance at the expense of moral authority, the churches may well be contributing to their own demise.

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2 “Peace: A Witness of Faith”, *Peace Dossier* No. 6, VAPS.
The “Impartiality” of Four Corners

H.W. Arndt

Heinz Arndt objects to the self-congratulatory self-righteousness served up to celebrate the 25th anniversary of the ABC’s Four Corners.

On 25 August, someone in the ABC decided to spend a good deal of taxpayers’ money to celebrate the 25th birthday of the Four Corners programme by near-full page advertisements in national newspapers reproducing a long extract from a specially commissioned report by Robert Pullan (e.g. The Australian, 25/8/86, pp 6-7). The extract chosen for the occasion was a spirited defence of Four Corners against charges of political bias and lack of balance.

Mr. Pullan does not attach much weight to balance. Measuring balance by numbers is necessarily subjective. What matters is “fairmindedness”. “A union secretary with a belligerent manner, coarse and ungrammatical language and a perfect case might get equal time with a smooth, articulate employer talking empty banalities — but would equal time mean equal fairness to the two points of view?”

The charge of “a pattern of bias”, Mr Pullan states, of a systematic attempt by Four Corners “to push a hidden political agenda, is more serious”. But the charge has to be assessed in the light of the fact that “Australia has been sharply divided between haves and have-nots, the city and the bush, capital and labour, the British-Australians and the Nationalists”. It may be that Four Corners has merely been “biased in favour of truth”.

Take the Vietnam War, Mr Pullan continues: “For supporters of Australian participation, images of napalm, burning Buddhists and the routine horrors of jungle war were inherently subversive because they weakened the public will to continue the killing”. Yet, without programmes such as Four Corners, “the political truths of the civil war” would have “remained largely unreported”. It was the courage of journalists like Allan Hogan of Four Corners that exposed “the futilities of the policies engineered in Washington D.C. and subscribed to by three successive conservative Governments in Canberra’.

Or take the Four Corners programme “Uranium — Handle with Care”. Mr. Hawke accused it of pushing a particular line. But can “raising the question of the possible death of the world be seen as bias?”

Like the makers of Four Corners, Mr Pullan is so convinced of the righteousness of his progressive causes and the wickedness of his conservative enemies that what may seem bias to others presents itself in his mind as no more than truth or elementary decency.

How can Aboriginal land rights be regarded as an issue on the radical-left agenda, considering that it “has helped the racists of the Right in Western Australia, Queensland and the Northern Territory”?

The role of a programme such as Four Corners, Mr Pullan believes, is to “widen the agenda of public debate”. By helping to make “major political issues” of “injustice to Aborigines, the rape of the environment ... secret service lawlessness”, Four Corners has for twenty-five years been “on the cutting edge of these major changes”.

While conceding that “journalists’ values, including their social and political views,

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necessarily influence their work”, Mr. Pullan claims that *Four Corners* has consistently tackled any subject “intelligently, fairly and in depth”.

The astonishing fact is that he clearly believes this. Like the makers of *Four Corners*, he is so convinced of the righteousness of his progressive causes and the wickedness of his conservative enemies that what may seem bias to others presents itself in his mind as no more than truth or elementary decency. He does not even notice how readily the key words of the radical-left agenda flow from his pen — “killing” for the Vietnam War, “death of the world” for uranium mining, “racism” for Aboriginal land rights, “the perfect case” for trade unionism, Australia divided into “haves and have-nots”.

Here, very largely, lies the explanation of the problem of the ABC as a political force. The radical idealists whom Allan Ashbolt brought into the public affairs programme, and whose dominance has been sustained by some selective recruitment and protected by the principle of “freedom from political interference”, earnestly and honestly believe in their mission to help transform Australian society, to stir the lethargic Australian public into action, against racism, capitalism and conservatism, for justice and progress.

Mr. Pullan quotes Peter Reid, *Four Corners’* Executive Producer for 7 years, as saying “impartiality can sometimes be morally wrong”. It is an appropriate motto for *Four Corners*.

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**Four Corners and the Question of Bias**

There is more than a little irony in the judgement handed down on September 11 by the Full Court of the Federal Court in Canberra on an appeal by the ABC against Comalco Limited — coming as it does on the heels of ABC press advertisements designed to refute allegations of bias in *Four Corners*.

Comalco had successfully sued the ABC for defamation in the ACT Supreme Court in 1984 and been awarded a corporate record figure of $295,000 damages (plus costs) arising from a *Four Corners* programme about the impact of Comalco’s bauxite mining at Weipa in Northern Queensland on the Weipa Aboriginal community.

While varying the original finding in respect of some of Comalco’s claims, the three judges of the Federal Court unanimously agreed that the ABC’s original defence of qualified privilege had been defeated by the ABC’s “malice”. In its legal meaning, “malice” involves continuing to make allegations despite knowing that they are untrue.

Comalco had told the ABC that the programme, which originally had been shown in Britain, was false and defamatory. The mining company offered to assist the ABC make a more balanced programme.

Four days before the telecast, the Weipa South Community Council, the elected body representing the Aboriginal and Islander community at Weipa, sent a protest telegram to the Chairman of the ABC. The telegram said: “We have seen this film and strongly object to it being used on television as it does not show the true position at Weipa. This film insults the Aboriginal people at Weipa and we wonder why the ABC wants to blacken our name”. The ABC ignored the warnings.

Presumably the very large legal bill now facing the ABC (over $1 million in costs of the original action plus damages) will have to be met from the ABC’s recently reduced Budget allocation.
The Man Who Could Put the CES Out of a Job

Ken Baker

Ken Baker speaks with Fred Phillips, the National Director of “Bridging the Gap”, an organisation which is making practical inroads into the problem of unemployment.

Fred Phillips claims that his Perth offices are so successful that the CES and the unions complained to the West Australian Government that he was taking away their unemployed. That may sound hard to believe, but a good case could be made that if Australia had more people with the initiative and spirit of Fred Phillips, the Commonwealth Employment Service might well be facing retrenchment. Mr. Phillips runs a small but expanding non-profit organisation called Bridging the Gap which has found jobs for well over 6,000 people, particularly young people, around Australia. In 1983, he was awarded the H.R.H. Prince of Wales Trophy for Service to Young People.

Bridging the Gap began five years ago almost by chance. Forced to retire after a heart attack, Fred Phillips found that each day while out walking he came across the same group of lethargic youths outside the local pinball shop: “When I asked what they were doing there, they said there was no work and that they had given up looking for it. I said ‘If I find work would you be willing to take it’. They said they would”. Fred Phillips then canvassed local businesses: “I approached 52 companies in the Noble Park area and asked an executive from each to become a coach to help a young person get a job”. He also approached local teachers and asked them to nominate the slow learners and low achievers in their senior class. These young people were sent to the coaches who gave them direction and encouragement, and either found them a job with their own company or found a job among friends and associates.

By Christmas, three months later, he had filled 58 jobs.

Since then, Bridging the Gap has never looked back. Based in Noble Park, Mr. Phillips has now opened 11 other offices around Australia — 5 in Perth, 2 in Adelaide, one in Brisbane, one in Sydney, one in Geelong and one just opened in Doncaster- Templestowe, Melbourne. Most have been running less than 14 months; each is staffed by only 2 people.

Nationally, Bridging the Gap now has 2,500 honorary coaches and over 2,000 companies on its books — most of them employing less than 20 people. Neither the businesses nor the people for whom jobs are found are charged a fee. However, some of the companies have been so pleased with the service they received that they have donated money.

Notably, Bridging the Gap gets nothing from the Commonwealth Government. “Everyone thinks the Government has an endless deep purse”, Mr. Phillips says. “We could use the money, but we won’t go in that direction”. Fred Phillips believes that accepting money from government would even be counter-productive: “Businessmen don’t trust government programmes. I tell a businessman that I have an idea to help young people. I don’t want money but I want some help. ‘Tell me Mr. Phillips’, they ask, ‘is this another government programme?’ ‘No’, I say. ‘Are you sure? — Right, go on’”.

Government employment programmes, Mr. Phillips argues, simply have a bad reputation. “It doesn’t matter what it is: CEP, CES, NEAT, RED Scheme, Youth training, if it’s run by government it doesn’t work”.

Compared with Fred Phillips’ organisation the Government’s CES appears embarrassingly inefficient. “In Noble Park our budget of five years is $80,000”, Mr. Phillips explains. “The CES budget
this year alone is $654 million. The answer to what's wrong with the CES lies in that: too cumbersome, too big and not enough people with experience in the business world”. In terms of efficiency — of cost per successful job placement — a comparison between Bridging the Gap and the CES produces staggering results. Fred Phillips estimates that it costs Bridging the Gap a mere $48 per job placement. “Whereas, if you look at the cost of $654 million to run the CES, you are looking at $900 a job placement. And that's not permanent work. If you go through three jobs in three months they count that as three placements”. It is estimated, based on surveys by the Department of Employment and Industrial Relations, that for the Commonwealth Employment Programme each permanent job costs the taxpayer over $23,000.

What of success rate in terms of people placed staying at their jobs? “The ones we rate as failures”, Fred Phillips says, “are the ones who won't work. One went to sleep under a bush at a nursery — and I laughed and said ‘Well, he might have a future as a mattress tester somewhere’. I could reel off on two hands the ones who have been sacked. We did a survey of the first 58 placements. One got the sack, one left in the first three months. The rest stayed”.

Can the CES be restructured to become more efficient? “I've had a couple of people ask me if I would train the CES”, Mr. Phillips says, “But it would be a waste of time — I would be 110 before I got anywhere. It's got to start somewhere else. CES has 480 offices. Take my area. Within 4 miles (two miles that way and two that way) there's Dandenong CES office and Springvale office. Now, in the middle of Noble Park they have opened up another CES office. It's a complete waste. At Bridging the Gap we reduced Noble Park's unemployment rate dramatically, while in Dandenong and Springvale, where the CES was, unemployment remained very high. So now the CES has opened an office in Noble Park with 12 people on its staff!”

Is it possible that the people Bridging the Gap has found jobs for consist of the most highly motivated of the unemployed while the CES have to deal with those who are less willing to work? Fred Phillips thinks not: “I would go along with that except that 90 per cent of people on our books come from the CES. Some of them have been with the CES for four months. Some had never been sent for an interview. I had one girl on Tuesday who had been on the books at Dandenong CES for 12 months and had never been sent for a job”.

Part of the problem with the CES is that it’s in the wrong sector. Fred Phillips believes that government should never have taken on a service that could be provided more efficiently and without cost to the taxpayer by private employment agencies.

Mr. Phillips also thinks the attitudes of the young unemployed are a major problem — and again the CES here provides little help: “When a boy or girl comes in to see us, if we think they need advice on being neat, tidy, pleasant, punctual we put them in a class. It runs for 2½ hours. Many young unemployed have job ambitions based on unreal views of what the work actually involves. If someone comes to us and wants to be a salesman we send him to talk to a local car trader, if he wants to go into travel, we send him to someone in the travel industry.

“The CES doesn't do any of this. When you go to the CES all the jobs are on the wall. You just walk up and take one. That's why there's such a high failure rate. We know that by our own books. 90 per cent change their job aspiration when they've listened to someone talking about what's really involved in a particular occupation. They realise their aspirations were unrealistic".

Fred Phillips with his secretary, Tracey Woodward (left), and Vietnamese interpreter, Minh Nguyet Dang, part of Bridging the Gap's new programme to help local Vietnamese find jobs.
Mr. Phillips believes that the CES should take on more people who have experience in industry and business — people like himself. “I had 30 businessmen in a room in Perth. I said to them, ‘Looking at the lot of you — I don’t know how old you are — but I would guess I have 1,000 years of experience in this room. The kids I’m talking about, some don’t even have a single year of work experience!’ To try to convert the CES as it sits now would be a waste of time. Years ago I offered in writing to the Minister to run the Springvale CES for nothing with 4 people instead of 17. It took him 4 months to answer. He offered me a desk job. I didn’t take up the offer.”

Mr. Phillips is also critical of the attitudes indirectly conveyed to young people by some welfare professionals and teachers: “The social workers think kids are problems. But the real problem they have when they come to me is that they are out of work. If they get a job then their main problem is solved. But if you keep telling them they’re a problem they come to believe it. ... I would like to see all social workers forced — when they’re called into a family break-up — to get the reluctant youngster and bring him or her back to the family environment. But what do they do? Open up another refuge house. It’s completely wrong.”

Mr. Phillips thinks that teachers sometimes raise the expectations of pupils leaving school to unrealistic levels: “So that in the end the school-leaver wants to be a general manager before Thursday. School-leavers have their heads in the clouds before they have their feet on the ground... Now a kid should be told when he comes out of school that the world doesn’t owe him a living. And he also has to be told that he has to start in a low position. No matter what comes he starts at a low level, irrespective of his choice of profession. You’ve got to start low. That needs to be pushed into them. Still pick the job you want; still look around. But I say take a job, get work experience, meet people, make contacts.”

Virtually any job — even if it is low status and low paid — is better than no job. The best form of welfare and the best morale booster, Mr. Phillips believes, is work. This ethic should be taught in schools. “The schools should be stressing the value of the work ethic. And how to get along with older people. Sometimes these kids have been too nurtured. I had 18 boys in a class the other day. Some had never shaken hands with an adult. I never thought I’d have to go that far back to basics... So I got them out the front practising handshakes: not too hard, not too soft. I wouldn’t have dreamed I would need to tell kids that”.

The Federal Government, Fred Phillips believes, is pouring money into the problem of unemployment without making any serious attempt to measure the efficacy of its programmes: “People living on the dole are costing us millions. If money was the answer America would have solved it. England and Canada would have solved it. 92 per cent of Australians work. We are spending $3 billion on the dole, let alone the training programmes, for 8 per cent of people. Any programme that doesn’t finish with a job at the end is useless. At present they take a kid off the dole for 16 weeks. He gets a salary, but at the end of 16 weeks — it doesn’t matter if he drinks all day, turns up late and doesn’t work at all, or if he is diligent, punctual and works hard — all get the sack the same day. And then what happens? Chances are he goes straight back on the dole. It is the biggest thing to kill initiative that I know of.”

Is life on the dole too attractive? “There’s no doubt it’s got appeal, particularly if you can find some others to share the rent. You each get $95 on the dole and put say $30 into a common pool giving you $180 a week to rent a house if there are six of you. Now you can rent for $120-150 per week. They supplement their incomes by two afternoons a week cash-in-hand work so they’ve got $115 a week multiplied by six. In addition they pay no tax, no medicare, free transport and often free entertainment”.

“I lined up a job for a fellow at a place that makes motor lights. On Monday the owner rang me and said the fellow never turned up. So I rang him up — ‘Mrs. H. is your husband there?’ ‘No he’s just taken the children to school’. I said, ‘It’s Fred Phillips, Bridging the Gap. Your husband came to see me Friday, I got him a job. He was supposed to be there this morning at 8 sharp and he hasn’t turned up. It’s quarter past nine’. ‘Well’, she said, ‘we talked it over. We get $248 welfare now and by the time we paid his petrol and lunch we’d only be about $4 better off!’ I said, ‘Mrs. H. you might tell your husband that if he had taken the job he might have retained some self-respect.’ ”

Fred Phillips would put a limit on the length of time a person can receive unemployment benefits, as they do in the United States. He would make continued payment of the dole conditional on a recipient’s willingness to accept training. If after three months they refused to enter a training programme he would tell them, “It’s nice to meet someone with such an independent spirit”, and finish their unemployment benefits forthwith.
Business confidence in Fred Phillips and Bridging the Gap is reflected in the numbers listed at the Noble Park office as "participating companies".

Government is not fully to blame for unemployment, but its scorecard, in Fred Phillips' view, looks bad: despite all the government schemes and services that have been tried unemployment is rising; and disillusionment with these schemes and services — on the part of both employers and the unemployed — is increasing. While the unemployed claim they can't find jobs, employers complain that they can't fill job vacancies.

Bridging the Gap works, in part, because it draws effectively on the experience and goodwill of employers disgruntled and disillusioned with government programmes. His scheme concentrates on the importance of fostering enthusiasm and self-confidence in the unemployed and ensuring that they are well-presented and equipped with the right information and realistic expectations.

Fred Phillips may not have all the answers, but in the field of practical achievement, as distinct from armchair theorising, his organisation's impressive record speaks for itself.
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TIMING: The sessions will run from 1.45 pm to 5.45 pm on Monday 17 November and from 8.45 am to 5.30 pm on Tuesday 18 November.

VENUE: The Holiday Inn Menzies Hotel, Sydney

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Protection, Work Practices and Superannuation

John Gough

A leading business spokesman, John Gough, looks at some of the key issues facing Australian manufacturing. The following are extracts from a speech given at the IPA Annual General Meeting held on Thursday 23 October.

The core of Australia's problem is the huge level of overseas debt, this debt has now reached dangerous proportions. With the accompanying enormous interest payments, this surely will drain our national vitality unless it is put into reverse in the very near future. The manufacturing and service industries are logically the areas to which we must look for, firstly, import replacement, and then export earnings.

Companies like my own have already equipped themselves to meet the challenge. At Pacific Dunlop almost one quarter of our sales, or over half a billion dollars, is now derived outside Australia, and we have 51 manufacturing operations in 11 other countries. One of the first things we had to do when we began our thrust into markets outside Australia was to shake off the entrenched business thinking of the day.

By this I do not mean that we had to overcome an 'it cannot be done' attitude. What I have in mind are the limited, almost blinkered management perspectives which sprang from decades of dependence on high protectionism in a small market. These people thought why should they worry too much when all that the government of the day really wanted from manufacturing was self-sufficiency? There was no need to plunge into the deep waters of international commerce from Australia's isolated position close to the bottom of the world when the domestic market was assured, and economic stability was of the sort we would all like to have today!

It is good to see an increasing number of manufacturers now responding to the challenge, adapting their operations to the new conditions and actively looking for market niches overseas. But as the protective tariff walls are lowered and more manufacturers feel the stiff winds of import competition, we are finding just how inefficient many methods and practices are. These had been sheltered before. Now they are being seen for what they are — inefficient, anachronistic, outmoded.

Work Practices

Robe River this year brought the whole issue of work practices into public consciousness in a most dramatic way. Yet the problem is not new. What was new was the way the frustration of one company came to boiling point.

To people in manufacturing, the number of work practices needing review is almost overwhelming. At Robe River, a total of 284 were mentioned.

Pacific Dunlop has not escaped, either. Recently we experienced a series of plant shutdowns in a number of our operations brought about by the union push for a 3 per cent superannuation increase into union-controlled funds.

When we called for a list from our people during the ensuing negotiations of the work practices which could and should be changed in those plants — it was nothing to be proud of. I might add that we can add some management practices of our own. None of us are blameless.

As our company was one of those singled out by the particular unions for the super claim, and as others will undoubtedly (and unfortunately) go through a similar experience, it may be useful to share what happened with you.

At Pacific Dunlop, we have always taken pride in our relationship with our people. Ours is the
simple view that employers and employees are totally dependent on each other for the creation of wealth and for each other’s continued well-being. We have therefore made a great effort with the best of goodwill to foster good relationships at all levels, the workplace where we spend so much of our life should be an enjoyable and fulfilling experience for all people.

As one step in this direction, we introduced a concept four years ago called TEAM, which stands for Team Effort Achieves Most. I am pleased to say that the concept was in fact taken up, and throughout our group many of our people are now involved in the programme. Those of you who know something about the tyre industry will appreciate that some years ago our tyre operations were under threat and running at a loss and not pleasant places to work in. Generally they were black, dirty and hot. Today they are clean, efficient and people-orientated establishments featuring brightly painted factories with indoor gardens tended voluntarily by the people. Today they are profitable, and increasingly so.

Basically, TEAM is about people participation and development. Small teams have been voluntarily formed in various shop floor work areas. They meet regularly to discuss a broad range of topics, with an emphasis on factory floor activities. Complex, sensitive problems beyond the skills of the teams to resolve are discussed with management. This is done with a detailed presentation on a cost/benefit basis. Management is then obliged to come back with an explanation.

The bottom line results have been improved skills, motivation and a better working relationship at all levels. It is working so well that some of these teams are now making presentations to consumers.

Similarly, we sought to secure the future of our people through superannuation arrangements which we believe compare with the best available. They are based on looking after the best interests of the individual, and the benefits are generous.

Our people obviously think so, too, because in the operations affected by the recent superannuation strikes 91 per cent of employees had already joined our scheme. If you look across all our operations in Australia, the number of employees who have joined is over 80 per cent. We are naturally proud of these figures and the kind of response they signify.

We could therefore not have been more disappointed when leaders of three unions behind the 3 per cent super increase tackled our people and our company with the demand that our people join a new union fund, with the company paying the extra 3 per cent, of course. The fact that the company had borne more than this cost for sometime was ignored. We thought the purpose of such a push would have been for members of the community not already superannuated. Not so. It was companies with excellent superannuation that were tackled first. It would be interesting to know what the reaction of the people concerned would have been if a secret ballot had been held.

Reason finally prevailed, but only after needless and expensive strike action which penalised the company and penalised our people in lost wages on an issue where the extra benefits would not be felt in their pockets for possibly 20 years or more, and where the Arbitration Commission had stated it could not be implemented before next January, some four months away.

During the negotiations we made it clear that freedom of choice of fund by the employee was essential and not negotiable. It is agreed that our people must have the right and the unfettered freedom to choose between the company fund and the union fund. The unions have meanwhile undertaken to co-operate in improving work practices and achieving greater productivity, as an offset to the additional superannuation cost.

On this basis, we would be prepared to make a 3 per cent super contribution from July 1st next year. No improvement, no 3 per cent. The proof will be in the eating. Hopefully, we can view it as a step, painful though it was, towards a more co-operative basis on which to improve everybody’s future.

Investment

There is no doubt in my mind that we suffer from too many rigidities and too much regulation in our society. Those of us in the private sector are only too painfully aware of this. It is starkly evident in our wages system and labour market, with the ripples going into our interest rates and high inflation. One of the most important priorities in turning Australia’s economy around must be greater flexibility.

This in turn will encourage new investment. We have been recently hearing a great deal about the lack of investment by industry, particularly manufacturing, in new plants or projects in Australia. We have also been hearing complaints, usually of a political nature, about how Australian investors are spending their money outside Australia rather than inside it.
Unfortunately, many of the comments betray a lack of realism and lack of understanding of the circumstances in which businesses must take investment decisions. There are too many responsibilities at stake to commit huge capital outlays for risky returns. There is job security at stake for those concerned; the expectation of shareholders for a reasonable return on their investment (generally involving the savings of a lot of people through the financial institutions); the dependence of suppliers and customers on the success or otherwise of the project; and finally, of course, the demands of governments through taxation and other regulatory imposts.

To gauge the necessary 'comfort level' for investment here requires years of economic stability. Current economic conditions in Australia do not provide this environment. We face a critical current account problem which is immediately reflected in our currency exchange rates. Our inflation rate and interest rates are two to three times more than those of competitor or trading partner countries. Taxation is oppressively high, and our industrial relations behaviour is recognised worldwide as poor.

Industry or enterprise-based unions ... would reflect the great changes which have taken place in virtually every area of Australian industry.

These are the fundamentals we must come to grips with. We cannot escape them, no matter what fancy schemes or formulas are advanced. Our problems are too basic and too important to be the subject of trade-offs.

For this reason, I am incredulous at the suggestions being made by some leaders that investment in this country should be made a condition for a new wage-fixing system, and that investment levels can be forced through the way superannuation funds are controlled, even at the expense of reduced final payouts to the individuals.

Business confidence to invest will come once the basic problems I have mentioned are corrected. It cannot be imposed.

Trade Union Reform

Finally, on the subject of putting our industrial relations house in order, I would like to suggest that the time has surely come for the union movement itself to do some rationalising of its own to meet current conditions.

Industry has undergone and is still undergoing massive changes and rationalisation, either at the behest of government or because they themselves recognised that change is needed.

The labour market has meanwhile continued to be structured in the same way it has been for generations. There has been no change this century to the craft basis which gave birth to the overwhelming multiplicity of unions in Australia today, and the way in which industrial relations are conducted. The shape and needs of modern Australia are for industry or enterprise-based unions which would reflect the great changes which have taken place in virtually every area of Australian industry.

Industry or enterprise-based unions would permit a move into direct arrangements between the particular union and the industry concerned. This is possibly the only way the flexible working conditions can be achieved and be the basis for new investment decisions. Wages and conditions could then directly reflect on the success of individual industries. These arrangements could then be made in the form of legal contracts in much the same way as is already done in other countries, notably the United States where the benefits are readily apparent to everyone in the community. Negotiating with a multiplicity of craft unions which have differing aims, history and ambitions for a new project makes the task virtually impossible.

The result would be a more effective mechanism governing matters such as pay and conditions, a better basis on which to improve communication, a virtually guaranteed way of gaining the stability so essential for investment decisions, an end to demarcation problems, and a strong weapon against inflation. Adapting our industrial relations system in this way would be one of the most positive contributions which could be made to Australia's future. It is one which I am sure nearly all sections of the Australian community would welcome.
The Politics of Deregulation

a Case Study of the Victorian Liquor Trades

John Nieuwenhuysen

An encouraging feature of the economic scene in Australia today is the growing awareness of the need for flexibility, and the importance of removing regulatory burdens. But there can be strong resistance to deregulation from special interest groups as shown in this case study involving the Victorian liquor industry.

There are obviously many pieces of legislation that down the years accrete illogical and unnecessary rules. Constant revisions of these rules is necessary to make them clear, logical, consistent and simple, or to eradicate them. No dispute arises about the need for this modernising reform.

But problems emerge with laws originally designed to regulate an industry for the public good, which become instead vehicles for industry protection in a way unrelated to any reasonable concept of general public benefit. The institutional barriers to change based on conservatism and a vested economic interest in the existing laws are formidable.

Professor Stigler's view that "as a rule, regulation is acquired by the industry and is designed and operated primarily for its benefits" finds much empirical support in Australian economic life. A particularly good example of an industry's capture of legislation, and its use for the industry's benefit, is the Victorian liquor industry. Profits of protection originally designed to provide scope for industry improvement of hotels have instead been used to defend vested interests.

The background to my appointment in October 1984 to review the Victorian Liquor Act (1968) was the Government's desire to have (in the Minister's words) "recommendation on ways of deregulating the industry, while serving and protecting the interests of the community". The Minister added that he "believed the new inquiry would result in further reforms to the licensing system in line with the Government's commitment to de-regulation". (This commitment is made inter alia in the Victorian Government's Economic Strategy (p.44): "There is a need to ensure that regulation in Victoria does not unnecessarily inhibit the economic and social development of the State").

The Liquor Control Act and Industry Protection

The Liquor Control Act of Victoria bestows great benefits on industry groups. The objects of the Act were formulated in the sixties when restrictive business agreements to attain order and stability were commonplace. Sir Garfield Barwick was then pioneering a catalogue of anti-competitive practices, and proposing legislation to deal with them.

The Liquor Control Act not only countenances restrictive practices — it embodies them in the law by a series of complicated protective devices. The Act has created a maze of licence and permit types. It is so complicated that it is hard for even the police to understand, let alone enforce it. In an industry survey, the majority of hoteliers responding said it was sometimes necessary to break the law in order to run an efficient business.

The two central economic objects of the Act are sub sections 3(1) (c) and 3 (1) (d). These provide that (1) "there be an orderly and continuous improvement in the development of facilities and arrangements for the supply of accommodation, meals and liquor to the public"; and (2) this

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improvement “should also promote a stable and ordered industry”. This object has been interpreted to mean that “the security and stability of existing licences is a concomitant of a stable and ordered industry”. Little wonder that the industry groups protected by these objects should so favour the Act.

The idea of these objects was to provide protection — in particular to hotels — in the aftermath of the end of six o'clock closing, so that improvement through regulation could occur. In my Review I concluded that the overall thrust of the Act was to promote a costly, complicated and even myth-laden regulation of the liquor industry in accordance with the Act’s view of desirable standards and protection of commercial interests of existing traders. I did not consider that this countering of the forces of supply and demand was logically related to any definable overriding public good, such as minimising social problems of alcohol abuse. I argued that there was waste and arbitrary control if a regulatory apparatus such as Victoria's produced results so largely irrelevant to solving the social problems of liquor.

To create a better policy, I proposed three basic changes: (a) greater use of instruments outside and within a licensing Act, specially tailored to counter problems of alcohol misuse; (b) a less economically and otherwise intrusive and overlapping licensing Act, with greater flexibility for the business of licence holders; and (c) administrative reform of liquor licensing, and a clear separation of judicial and administrative functions.

Reaction — The Unholy Alliance

In a study of liquor licensing policy in Victoria, 1906-1968, Dr. David Merrett concluded that:

“(The adverse consequences) arising from alcohol consumption have not been effectively reduced by the licensing laws. Indeed none of the various interest groups actively involved in amending the licensing laws has had the equalisation of private and social costs of drinks as their objective”.

Merrett noted that:

“while the benefits of regulation were concentrated on a small number of individuals and organisations, the costs were widely spread .... the vested interests of the few, the widespread costs among a very large number of drinkers and general ignorance about the working of the licensing laws, combined to enable this costly and ineffectual regulation to operate for over sixty years”.

Merrett’s telling analysis of the period to 1968 is reflected in the events succeeding the publication of the 1986 Review. Those well-organised groups which have captured the Act came out in sometimes angry protest that their protector was being challenged. The alliance came from different vantage points, each looking to the legislation for a different form of protection. Union and some business groups alike opposed deregulation. It is in this combination that governments can face concerted opposition to change necessary in the interest of public freedom of choice and economic efficiency.

The relevant trade union supports the Act since it protects that segment of the industry in which the union is best able to organise labour — the hotels. The union describes the restaurateurs of Victoria as “fanatically anti-union”, and resists virtually every change. (A spokesperson for the union unwittingly injected at least some hilarity into the debate by accusing the Review of the heinous crime of wishing to make Melbourne too much like Paris; whereas Melbourne's charms were said to be so great as to deserve protection from such desecration).

Naturally, the Australian Hotels Association (AHA) and the Retail Liquor Merchants Association (RLMAV) wish to have continued an Act which procures for their members some 90 per cent of Victoria's liquor business. (The other 27 licence categories — or about 50 per cent of licences — are left to share the remaining 10 per cent). Equally naturally, the AHA and RLMAV were pleased that the union too was on their side.

An expensive campaign was mounted, particularly by the AHA. After what the AHA itself described as a “dream run” for the Report in the metropolitan media, the Association took time to organise its lobbying and publicity. Public relations firms were apparently given a blank cheque, and 20,000 copies of a crude pamphlet distributed. The rough and tumble tactics of the Association seem to stem from an assumption that it would always be listened to by politicians. Links with political parties in the past seem to have been very strong, though less so today. Nonetheless, when the Report was published, the National Party issued a condemnation which resembled the AHA view.

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down to mistakes about the number of licensed premises and the very phraseology of criticism.

Also of interest was the reaction (or lack of it) from the philosophical proponents of freedom of consumer choice and competition — the Liberal Party. Mr. Claude Forrell in The Age (March 19, 1983) commented that, faced with the Liberal principles of competition, deregulation, administrative simplicity, social responsibility and consumer freedom, the best the Liberals could do was to refer the Report to a committee. The Party will apparently not comment on the Report, but will await any ensuing legislation.

Altruistic Opposition

The vested interests opposing greater competition for the industry have been joined, in the past and today, by those with an altruistic objection to any added availability of alcohol. As Merrett noted of the past, “this form of regulation did provide benefit, pecuniary and non-pecuniary, to several powerful groups. The temperance movement preferred any form of restriction to none ... (and) the trade was provided with an opportunity to earn monopoly rents....”

An alliance between sellers of liquor and the temperance groups may seem unlikely. But the AHA has found no difficulty in warning of grave consequences of extra availability. Ironically, at the same time in Western Australia, the AHA was pressing for extended trading.

As to the issue of availability-consumption relationships, the 1986 Review Act merely confirmed what Sir Phillip Phillips, the architect of the 1968 Act, had himself found in the Report of the Royal Commission in 1965. As an editorial in The Age (titled “An End to the Swill”) noted on February 1, 1966:

“Mr. Phillips was able to show, from experience elsewhere, from expert evidence and from reasonable deductions, that the amount of liquor consumed and the ill-effects of alcohol in the community are not directly related to trading hours.”

Whatever the merits of the argument, the Review was unable to convince the temperance agencies, even though its proposals include a range of anti-alcohol abuse measures and certain key limits on availability. My point, however, is that the groups with a vested economic interest have sought to play up the public's fear of alcohol abuse as an excuse for monopoly rents for their members. Opposition to deregulation is often a fertile field for inventive argument.

As expected, those standing to benefit from greater licence flexibility supported the Review. The major example is the Restaurant and Caterers Association (RCAV).

A feature of the Victorian industry is that — despite comparable populations — Victoria has only 25 per cent of the number of licensed restaurants in New South Wales. The “Bring Your Own” (BYO) concept in Victoria serves the basic purpose of protecting the hotels and retail bottle shops from which customers must make purchases of liquor before going to the BYO restaurant.

The restaurants now employ greater numbers of people than hotels. Nonetheless, as a newer group, the RCAV does not have the history of tough lobbying activity which characterises the AHA and union.

It is however not only the RCAV which has campaigned for the Report. Some hoteliers have done so as individuals, as have other smaller licence categories. Important community groups such as the Law Institute of Victoria, the Municipal Association of Victoria and the Chamber of Commerce (even though it has hotel members), have also given support to the Review.

“Fair Dinkum” about Deregulation?

The Victorian Government will soon announce its decision on the Review of the Liquor Control Act, from which it requested proposals to deregulate the industry. The campaign against reform has been backed by large financial resources and intensive lobbying. This is what any government in Australia must expect when it tries to promote economic rationality in an industry where vested interests have captured the legislation. The extent to which governments can stand up to sectional self-seeking groups on behalf of the broader public interest will help determine the country's future living standards.

The role of government in securing change may be as difficult as it is crucial. But also of great importance is the part which business is to play in promoting deregulation or greater competition. It is easy enough for all, including business, to preach deregulation. It is quite another matter to accept its implementation.

But if business stands aside and leaves the hard battles of necessary deregulation to governments, its calls for this policy will have a hollow ring. I noted above that — even though it has hotels as its members — the Melbourne Chamber of Commerce stood up and was counted as being in favour of deregulation of the Victorian liquor industry. This example of practising what one preaches will, however, need wide imitation before it can be said that business in general is “fair dinkum” about deregulation.
Hayek:
A Supreme Intellect

C.D. Kemp

F.A. Hayek is one of the greatest minds in the Western World. He is not only an eminent economist — he was awarded the Nobel Prize for Economics in 1974 — he is possibly an even more eminent political philosopher and scientist. His works, The Road to Serfdom, The Constitution of Liberty, and Law, Legislation and Liberty rank among the greatest books on liberty ever written.

When F.A. Hayek (now in his late eighties) addressed (without notes) the IPA Annual Meeting in 1976 he was paid the tribute of a standing ovation — the only guest speaker to have received this honour. Everyone present that day recognised that they were in the presence of a unique and great man. I consider him the greatest economist I have had the privilege of knowing.

Hayek, then in his mid-seventies, came to Australia in 1976 to undertake a programme of lectures and public addresses which would have sorely taxed the physical resources of a man half his age. I had the good fortune to have his company and that of his wife for three or four days at my home at Mt. Macedon, where he was able to rest from his exacting labours.

Hayek, an Austrian by birth, is a member of a family of great academic distinction — on his father's side in the natural sciences, on his mother's side in law and statistics. This no doubt helps to explain the incredible range of his scholarly interests and thus the breadth of knowledge he has brought to bear on specifically economic problems. The staggering volume of his writings, all of the highest erudition, not only on economics but on law, philosophy, psychology, among other subjects, is a source of wonder to ordinary mortals. He has held professorships in universities in the United Kingdom, the United States, Germany and Austria and has lectured in many countries throughout the world.

My first contact with Hayek, intellectually, came through his book, The Road to Serfdom, published in 1944. The Road to Serfdom demonstrated, with irresistible logic, that centralised economic planning and the pursuit of socialist-type policies, at that time very popular with probably a majority of economists, were incompatible with democracy and would lead inexorably to the destruction of individual freedoms. His book immediately became the Bible of those of us who clung to a belief in a liberal philosophy and a market economy in the face of mounting assaults from academic economists and socialist politicians throughout the English-speaking world. It was a great beam of light on an otherwise dark and threatening horizon.

When in Australia, Hayek told me that soon after the publication of The Road to Serfdom he had encountered Winston Churchill at a luncheon. Churchill told him that he had just read his book. He went on to say, "You need have no fear, the British people will never travel down that road".

Hayek was one of the tiny minority of economists who, in the 1930 Depression years, never accepted Keynes' diagnosis and prescription for unemployment. (Sir Rupert Henderson, the eminent Oxford economist, was another). This led Keynes...
to refer to Hayek, for whom he had a high regard, as "the most distinguished muddle-head in Europe". But with the argument of *The Road to Serfdom*, Keynes was in complete agreement. When the work appeared, he wrote, "In my opinion, it is a grand book ... Morally and philosophically, I find myself in agreement with virtually the whole of it, and not only in agreement with it, but in deeply moved agreement". One wonders whether the neo-Keynesians of the postwar world ever read that.

Hayek's difference of opinion with Keynes on depression policy was rooted in his rejection of macro or aggregative analysis as a satisfactory explanation of economic phenomena. The Keynesian diagnosis, developed in *The General Theory*, that unemployment was due to an inadequacy of total demand was, Hayek maintained, fallacious. But Keynes' viewpoint received overwhelming acceptance by economists and later by governments throughout the democratic world and Hayek was almost alone in opposing it. Hayek argued that the cause of unemployment was not a shortfall of total demand but a deviation from the levels of prices and wages which would establish themselves in different sections of the economy under conditions of market freedom.

Keynes' ideas, however, had an irresistible appeal for politicians and most economists because they offered an almost instant remedy for unemployment and human suffering, and thus a passport to political popularity. Government spending and budget deficits which only a few short years before were regarded as fiscally irresponsible, suddenly assumed the mantle of virtue. Whilst conceding that Keynes' policies would give short-term relief to unemployment, Hayek argued that the inevitable consequence would be inflation and that inflation would eventually give rise to an almost chronic state of unemployment.

In light of the events of recent years, the association of continued inflation with persistent unemployment in the democratic economies, it can now hardly be doubted that there is a great deal of substance in the position which Hayek has maintained for over forty years. On the other hand, does this prove that Keynes was wrong? It cannot be gainsaid that for a long period after World War II, the advanced economies, under the influence of Keynes' doctrines, experienced the greatest era of sustained growth and development in modern economic history. Living standards advanced at a rate never before equalled and year-by-year progress began to be taken for granted.

There was one fly in the ointment and that was inflation, at first gradual, but later quickening and by the 1970s assuming break-neck rapidity. Hayek would no doubt say, "I told you what would happen in the long run", but Keynes might have replied, in his own famous phrase, "In the long run we are all dead". Moreover, many of the difficulties the advanced economies are now encountering might be laid at the door not of Keynes, but of his disciples. The truth seems to be that Keynes' ideas continued to be applied long after they had ceased to be relevant. Indeed, with uncanny prescience, Keynes had predicted that this would happen, and he had once rebuked one of his followers by saying, "The difference between you and me is that you're a Keynesian and I'm not".

Hayek repeatedly asserted that belief in the free market and competition, far from absolving us from having to think of legal arrangements, obliges us to do so more carefully.

In the essentials, Hayek and Keynes were very much alike. They were both fervent believers in the doctrines of traditional, classical economics, even though many of Keynes' followers wrongly assumed that his ideas had superseded those of the classical school. Keynes himself never thought so for a moment. Once full employment had been secured, the classical rules, he said, came into full play. Moreover, there can be little doubt that Keynes was just as unrelenting an opponent of inflation as is Hayek. Indeed, Hayek himself has written, "If he had not died so soon he would have become one of the leaders in the fight against inflation".

Keynes and Hayek were identical in another respect. Both understood completely, something very few economists do, the essential nature of economics, that it is not a science such as the physical sciences and that it does not provide ready-made answers to practical problems. Rather it is a method of thinking which, when properly used, assists its practitioners to reach correct conclusions and wise judgements.

What has been Hayek's central contribution to economic understanding? Perhaps it lies in his concept of the "spontaneous order" that derives from "the market". But he was at pains to distinguish this concept from popular notions about "laissez-faire" and "the invisible hand". While the activities of the market can produce desirable consequences this is not necessarily so. Whether
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they do or not depends on the procedures governing the market. Hayek repeatedly asserted that belief in the free market and competition, far from absolving us of having to think of legal arrangements, obliges us to do so more carefully. Hayek also had a deep admiration for a statement of Edmund Burke:

"Men are qualified for civil liberty in exact proportion to their disposition to put moral chains upon their appetites; in proportion as their love of justice is above their rapacity; in proportion as their own soundness and sobriety of understanding is above their vanity and presumption, in proportion as they are more disposed to listen to the councils of the wise and good, in preference to the flattery of knaves".

Hayek, like all truly great minds, is a man of intellectual humility. The truly educated man is aware of his limitations, of how little he really knows. It is only the half-educated who arrogantly assume they have all or most of the answers. Indeed, higher education has certainly failed in its purpose unless the recipient becomes aware of the depths of his own ignorance. In a brief speech in 1974 at the banquet given to the Nobel Laureates in Stockholm after the presentation of the prizes, Hayek expressed himself as profoundly grateful for the honour conferred on him. He went on to say, "Yet I must confess that if I had been consulted whether to establish a Nobel Prize in economics, I should have decidedly advised against it ... I am not sure that it is desirable to strengthen the influence of a few individual economists by such a ceremonial and eye-catching recognition of achievements, perhaps of the distant past. I am therefore almost inclined to suggest that you require from your laureates an oath of humility, a sort of hippocratic oath, never to exceed in public pronouncement the limits of their competence". All economists please take note!

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The Power of Interest Groups


Reviewed by Denis M. White

Olson is after a simple but compelling analysis of economic success and failure. He claims to provide a new perspective on this sixty-four dollar question. According to Olson, the key factor ignored by existing economics is the way interest groups organise and operate. His essential thesis can be summarised in two central contentions:

• economic growth is stunted by disproportionately powerful interest groups, and
• long periods of political and social stability breed disproportionately powerful interest groups.

Two complementary conclusions follow from this. The first is that rapid economic growth will occur in societies where a free and stable legal order has been newly established and where there has been no time or opportunity for sectional interest groups to organise and entrench themselves. The second conclusion is that economic growth will decline over time in such societies because sustained stability will allow sectional interest groups to stake out special claims and thus reduce overall economic efficiency.

As examples of the first conclusion, Olson cites the rapid growth of postwar Japan and West Germany, of the founding nations of the Common Market, and of Korea, Taiwan, Hong Kong and Singapore. As examples of the second conclusion, he cites the recent slow growth of Britain, the decline of per capita incomes in Australia and New Zealand relative to Western Europe, and the stagnation of China and India prior to European intervention.

Stability is both an enemy and a friend of economic growth. The high costs of stability do not constitute an argument for revolution, because the costs of instability are even higher. Without stability, resources are diverted away from long-term investment, and capital may fly to more stable environments.

Olson makes a number of wider claims. On the economic front, he claims to offer an effective analysis not only of involuntary unemployment, depressions and stagflation, but also of “the pattern of the development of the macro-economic problem over time”. On the social and political front, he claims his approach does far better than any other theory “in explaining the British class structure, the Indian caste system, and the timing and character of the stronger forms of racial discrimination in South Africa”.

Olson argues his case with a real sense of mission. He presents it not as a new point of departure, but an extension of existing economics. The implicit foundation on which the whole case...
rests is that genuinely open and competitive markets are the necessary and sufficient condition of rapid economic growth. The real problem is how to create such markets — and more important, how to keep them open and competitive over time.

Olson regards the laissez-faire solution to this problem as inadequate ideology. On that view, “markets will solve the problem if the government only leaves them alone”. Olson’s rebuttal is that “there often will not be competitive markets even if the government does not intervene”, because “the government is by no means the only source of coercion or social pressure in society”. This is of course the point at which organised interest groups enter the picture.

He argues that existing macro-economic theory is “like Hamlet without the Prince of Denmark”. It overlooks the effects of special interest groups, which are, as Olson seeks to demonstrate, the very factors that give rise to unemployment and fluctuations in the level of real output.

Accordingly, Olson would like to see the focus of economic research move beyond the debate about Keynes. He believes the new focus should be concerned with how maximum levels of employment and output can be achieved, and open and competitive economies preserved in societies that are politically and socially stable.

The Logic

Olson himself regards the logical basis of his theory as the most important part of the book. Chapter Two, entitled “The Logic”, shows how and why some interest groups are able to achieve disproportionate amounts of power and influence.

The lynchpin of Olson’s thesis is that different interest groups have unequal capacities to pursue their interests.

This inequality is reflected in the paradoxical fact that many interest groups fail to act in support of their interests. Olson cites the frequently supine behaviour of “consumers who agree that they pay higher prices for a product because of some objectionable monopoly or tariff”.

Why don’t group members act to further their group’s interest? The short answer is that it does not pay any of the individuals concerned to take the trouble. As Olson puts it, “Since any gain goes to everyone in the group, those who contribute nothing to the effort will get just as much as those who make a contribution. It pays to let George do it, but George has little or no incentive to do anything in the group interest either”.

The upshot is twofold. First, groups which can provide “selective incentives” to members who act in the group interest gain a comparative advantage over other groups. Selective incentives restrict the benefit of a collective good to those group members who have contributed to it, give extra benefits to contributors, or penalise non-contributors. Examples are closed shop arrangements, group air fares, and sending unco-operative colleagues to Coventry.

The second upshot is that other things being equal, small groups have a comparative advantage over large groups. This is because a benefit gained for a small group is shared among fewer individuals. The effort involved in doing something for the group is therefore more worthwhile for an individual member.

Olson considers the policy implications of his theory only briefly. The obvious remedy for the problems he has identified would be to “repeal all special-interest legislation or regulation and at the same time apply rigorous anti-trust laws to every type of cartel or collusion that used its power to obtain prices or wages above competitive levels”. But he does not see this happening.

He emphasises three policy implications. The first is that “the best macro-economic policy is a good micro-economic policy” — by which he means that nothing can put an economy right if it is not open and competitive.

The second is that anti-inflationary policies must be applied in a steady and gradual way over time. A sharp contraction may work if the key interest groups are able to adjust their responses quickly. But one implication of Olson’s logic is that these groups are slow decision-makers.

The third implication is that tax and subsidy schemes would make an important contribution to reducing unemployment if combined with good monetary and fiscal policies.

Olson would agree that a great deal more research and evidence is needed before his thesis can be fully assessed. The major question in evaluating this book, however, is not so much whether Olson has a point. The question is rather how much weight should be attached to it. Olson’s central contribution is to highlight a factor which must be addressed in the policy prescriptions of those who advocate free and competitive markets.
Review Article Provokes Row Over School Texts

The strong criticism of English books used in school classrooms made by Professor Dame Leonie Kramer and Dr. Susan Moore in the Autumn IPA Review gave rise to a vigorous exchange of views in the press in September. This occurred after a report of the article appeared on the front page of the Sydney Morning Herald and the following day in the Melbourne Herald.

Professor Kramer and Dr. Moore argued in their article, "Betraying the Young", that texts used in English classes, particularly in years 7 to 10 are often inferior, haphazardly chosen and reflect "profound confusion" about the meaning and purpose of literary study. The prose of these texts is often crude, the subjects sensational and the values they communicate dubious, they argued. Many of the texts portray parents as uniformly unreasonable, unreliable or absent and adults in positions of power as brutal or weak.

The article drew indignant protests from some educationalists. Michael Kindler, head English teacher at a Sydney school, defended one of the series of books, Choose Your Own Adventure, criticized by Professor Kramer and Dr. Moore. "It absorbs students", Mr. Kindler argued, "it's non-sexist, it promotes decision-making and living with the consequences of those decisions". He accused Kramer and Moore of being "totally out of touch" with adolescents.

But one adolescent, Allison Kingscote, a 17 year old student, found herself in agreement with the views of Professor Kramer and Dr. Moore. In a letter to the Sydney Morning Herald she said: "I too feel that some of the literature taught in high schools is too sensational, advocating and even encouraging the extreme toleration of almost any behaviour, regardless of its irrational or immoral nature".

In replying to her and Professor Kramer's critics (Sydney Morning Herald, September 19), Susan Moore pointed out that none of the defenders of the children's books under scrutiny had argued that the books were good. Rather they defended their use in the classroom because such books were popular; that is, children liked them. "But children's likes", she writes, "are not identical with their needs. Kids like all kinds of junk, yet sensible parents don't for that reason allow them a diet of chips, ice cream and chocolate". Dr. Moore concluded by supporting demands from concerned parents groups "that a properly constituted government-appointed committee be set up to produce a responsible literature syllabus listing books for years 7-10".

Professor Kramer and Dr. Moore will have a further article in the next Review on education.

See also "Letters" on page 63

What the press say about the IPA

"The biggest and most important of these (think tanks) is the Institute of Public Affairs. Perhaps its most important activity is the publication of its journal, the IPA Review. This policy oriented quarterly is often quite polemical".

(The Weekend Australian, September 6)

"With the Budget a week old, experts have time to study its full implications. One such expert is a former WA Under-Treasurer in the Court, O'Connor and Burke governments, Les McCarrey. Today he is the Director of the new States' Policy unit of the Institute of Public Affairs, a private-sector watchdog body on Federal and State affairs and finances. He paints a bleak picture".

(The West Australian, 26/8/86)

"In a penetrating article to be published this week in the IPA Review, the quarterly journal of the Institute of Public Affairs, Bob Browning, a former intelligence analyst, presents a depressing survey of such expenditures and outlines a self-serving link between PAGUTS (Political Advocacy Groups Utilising Taxes) and Government".

(The Age, 19/8/86)

"The IPA, a business-based research and policy development group, believes such measures (to review government activity) are needed .... real progress in reducing government employment and expenditure will not be made until all governments are prepared ... to cut some of them (activities)"

(The Sunday Telegraph, 10/8/86)

"The Bicentennial Authority is still concerned about the occasional flack flying its way from vocal academics such as Professor Geoffrey Blainey and Dr. Ken Baker (IPA Research Fellow)".

(The Sydney Morning Herald, 9/8/86)

Companies Join IPA In WA

There are now over 120 corporate members of the IPA in Western Australia.

The Director of the IPA States' Policy Unit in Perth, Les McCarrey said that there had been a rapid increase in the number of corporate members in Western Australia following the opening of the IPA office in Perth.

He said that the IPA would be holding a number of functions in Perth in the next twelve months. Enquiries on the work of the IPA in Western Australia can be made by contacting Les McCarrey on (09) 221 1976.
Multiculturalism

Dear Sir,

Is there a prize for guessing that Tim Duncan's "Conflicting Visions of Australia" (Review Winter 1986) is a spoof? The clue I spotted was his description of multiculturalism as the "leftist interpretation" of Australian society. Anyone who knows anything about the area knows that the Coalition Government established the Australian Institute of Multicultural Affairs, the Multicultural Education Program, and the SBS as multicultural television broadcaster — and that the present Labor Government has just abolished the Multicultural Education Program, replaced the Institute by an Office in the Department of Immigration and Ethnic Affairs and merged the SBS with the ABC.

They would also know that the "real meaning" of multiculturalism has not been hidden because it is "too controversial". All members of all parties in the Commonwealth Parliament agreed on a definition in the Act establishing the Institute of Multicultural Affairs, which would have been readily available to Duncan if he had wanted to read it. Far from denigrating Australia's British heritage, as Duncan asserts, the Act gives it unique status, by defining as an object of the legislation —

"to promote a cohesive Australian society by assisting members of the Australian community to share with one their diverse cultures within the legal and political structures of that society". (emphasis added)

The legal and political structures are two of the three aspects of British heritage whose "traditional authority" Duncan is keen to protect. The third is Australia's "social mores", but it is unclear which of these he sees multiculturalism threatening.

Duncan's belief that "social mores" should be authoritatively imposed is itself at odds with a major stream of traditional British thought — liberalism, which asserts the right of people to think and act (within the law) according to their personal values and preferences. Multiculturalism is an expression of that very ideal.

Peter Sheldrake
Director
Aust. Institute of Multicultural Affairs
Melbourne, Victoria.

PAGUTS

Dear Sir,

Should not the PAGUTS (Political Advocacy Groups Utilising Taxes) (Review, Winter 1986) more correctly be called MAAny Groups Getting our Taxes — MAGGOTS?

R. Long, Brisbane, Qld.

Literature in Schools

Dear Sir,

I don't really have the time to write this letter. (I should be marking Year 10 Macbeth essays), however Professor Kramer and Ms. Moore's misrepresentation of the teaching of literature in Australian Secondary Schools so irritated me that I have to!

Ms. Moore and Professor Kramer are a long way from the chalk face — that's not necessarily a bad thing if you want to look objectively at a problem; however in this case distance seems to have induced myopia. The problem with their article is that they have failed to see the purpose of indifferent fiction in schools. In English bookrooms you will find novels by Le Guin, Cooper, Paterson and Park; they are much loved by English teachers and are taught with appreciation and care. You will also find Blume, Cormier and Hinton; they would never be presented as great literature but they provide a way in to literature for relevant readers. I wish the authors of your article could have read the reviews of Blume's Tigers Eyes by Year 9 students last year. Some exposed the crassness and superficiality of the novel while other, poorer readers enjoyed the book because they could finish it and felt confident to tackle something a little more demanding next time — perhaps Bridge To Terebithia or The Dark is Rising.

English teaching, often all is about progression, in skills and appreciation — we have to start somewhere with non and reluctant readers and Hinton et al are good starters. Your authors seem to think that the study of literature ends here with modern popular fiction. If that was the case they should be worried. However, a look at any English Department's book lists and borrowing cards would allay their fears of a morally weak youth of the future, fed only on pulp!

Finally, as an emotional one liner Judy Blume could hardly have done better than the title of your article, "Betraying the Young", that really sets the heartstrings jangling — doesn't it!

Deb. McPherson, Head Teacher (English)
Gosford High School, NSW

New Right

Dear Sir,

I am a little concerned at the use of the term "New Right" to describe a vocal, articulate and, I hope, increasingly aggressive neo-conservatism.

The term "Right" connotes rigid societies with centrally controlled economies and coercive social policies — all opposed by conservatives. The political spectrum that is analysed in terms of "left" and "right" is misleading and upon examination is found to be not a spectrum, but a circle with "left" and "right" being joined at the back in cumbersome and brittle bureaucratic states.

It would be more useful for terms to place a point of view somewhere on the spectrum between zero government (dream of the wildest anarchist) and total government (dream of the wildest centralist — socialist or fascist). Thus would neo-conservatives be not seen to be perilously edging along between soft left and hard right, but as espousing a minimum of government to maintain a society as open, free and fair as human minds can achieve.

David A.M. Green, Randwick, NSW
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