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Australia's journal of free enterprise opinion

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How the Law is being Politicised

Athol Moffitt

Political parties are seeking to control the major institutions of justice by appointing individuals sympathetic to their interests. In this way and other ways the independence of the Judiciary, the crown law offices, the police and other institutions of justice is being undermined. This, one of the most disturbing developments of our times, amounts to an attack on the concept of democratic government.

We in Australia are rapidly undermining one of the most effective protections for individual liberty—the independence of the Judiciary. It took the 17th century sacking and imprisonment in the Tower of a chief justice (Sir Edward Coke), the head of a King (that of King Charles), a bloody civil war and the temporary sacking of the monarchy to give us an independent Parliament and to make the administration of justice independent of the control and influence of the Executive (the King). It was from these events that we derive the constitutional doctrine known as the separation and division of power—the separation, namely the independence, each from the other, of the three organs of government, the Legislature (i.e. Parliament), the Executive and the Judiciary and the internal division of the powers of each of these organs of government.

This constitutional doctrine has been recognized or enjoyed in some form or another in other democratic societies. It is based on the view that concentration of the powers of the State in the end is bound to lead to tyranny and loss of individual freedom made possible by the breaking down of the legal system, and by the absence or loss of its independence.

However, on its own, the separation of the judicial power, and hence the independence of judges, magistrates and juries, who are the ones who exercise the judicial power, is not sufficient to ensure liberty. The administration of justice, and hence its independence, integrity and efficiency, depend also, and heavily so, on there being such qualities in those officers and institutions which I call the institutions of justice. They include the police, the prosecution authorities and the legal profession. The prosecution authorities include the Attorney-General, the Solicitor-General and any Director of Public Prosecutions, lawyer or police prosecutors and law officers of the Crown. Justice will fail in a particular case if the office of any one of these is bent to political ends or is otherwise corrupt or inefficient, no matter the integrity of the judge or jury.

Supremacy of the Party

In recent times, particularly in Australia, the political party and its leaders have become all-
powerful and, aided by ever-increasing party regimentation and weakened or absent State Upper Houses, Parliaments are now largely the puppet of the party. The major function of Parliament is to give legal effect to what the party has decided elsewhere.

The power to appoint to judicial and other independent offices and the power by legislation to alter judicial organisation and independence now lies in fact in the same hands—the party. Thus, although legislative and executive powers are legally separate, in reality the separation is almost non-existent. The merging of executive and legislative power has removed the original foundation on which the separation of the judicial power depended so as to render the independence of the Judiciary vulnerable.

The political attitude now firmly held is that the party in government, being all-powerful, with a mandate to implement the will of the public which elected it, its sovereign-like will should be done and that all institutions, including those participating in the administration of justice, should not stand in its way and should further its interests, or at least do nothing to frustrate them. The reactions of some party leaders to independent action, considered to harm party interests, often provide eloquent evidence of these attitudes. Time and again, there is a personal attack upon the independent deviant made by a party member, often a leader, and sometimes orchestrated across the party. The response is more passionate, even vitriolic, where the deviant is considered to owe some allegiance or obligation to the party, or has been appointed by it.

Earlier examples are Sir John Kerr and Mr Costigan, Q.C. The most recent is that made on Mr Temby, Q.C., the Director of Public Prosecutions, following his decision to charge Mr Wran with contempt of court. An orchestrated attack was made by party members and extended to resolutions being passed by a powerful NSW committee of the party. The validity of Mr Temby's action was put beyond doubt by the later unanimous finding of contempt by five senior Supreme Court judges. The vilification of Mr Temby (a former active member of the Labor Party) and the suggestions that he be removed from office could not be a more stark example of expectation that the holder of an "independent" office appointed by the party, and having some past loyalty to it, will not be so independent as to let the party down on a critical matter.

These personal attacks (or "side-swipes") are now all too often used against anyone who acts or speaks in a way seen to harm the party. It is intimidating both of the person concerned, and of others against their doing likewise in future. It is the product of power centralised in the party in government, which views itself as sovereign-like. Attacks on the person or what he has said or done have been made on or condoned in respect of Royal and other commissioners, persons or bodies that administer justice, including magistrates and juries. Such attacks are nearly always detrimental to judicial institutions.

Vulnerability of Law Offices

The forces which have rendered judicial power vulnerable and are undermining its independence operate in the same way in relation to the institutions of justice. The office-bearers of these institutions, such as the law officers of the Crown and police officers, have, in relation to any action which touches the administration of justice, a constitutional duty which is similar to that of judges and juries. An Attorney-General, although a senior member of a political party and a Cabinet Minister, has an identical duty. His long-accepted constitutional duty was acknowledged at a meeting of law officers of the Commonwealth in Canada in 1977 in a statement, to which Australia was a party, that any decision of an Attorney-General relating to law enforcement “should always be exercised in accordance with wide considerations of public interest and without regard to considerations of a party political nature and . . . free from any direction or control whatever . . .”. A like duty rests on a Solicitor-General or Director of Public Prosecutions, on the large body of law officers who do duty under them and on police officers, including their commissioner. Thus this is the duty of all who are called on to collect and collate material and advise on it and to provide the basis for ultimate decisions: whether to lay or not lay charges, not to file a bill or indictment after a magistrate decides there is a case for trial, decisions as to the charges to be laid and the evidence to be presented, whether to appeal, and concerning the conduct of an inquiry which touches breaches of the law or law enforcement.

The institutions of justice occupy an anomalous place in the divisions of powers. The duty of office holders is to act "judicially" in the way just stated, yet they are necessarily separated from and beyond the control of those who exercise judicial power. This is because, in order that judges and juries may give decisions free from external influences, they must stand aloof from parties,
including prosecutors, and from witnesses, including the police. Further, to remain independent their function is only to decide cases put before them and then on the issues or charges and evidence presented by officers of the institutions of justice. In the absence of judicial control these institutions operate within public service departments of the Executive. In consequence the office holders of these institutions are so close to the Executive that their function is apt to be confused with that of the Executive and the independent aspect of their duty ignored.

In consequence the institutions of justice, which in a sense lie between the Judiciary and the Executive, are the weak point of the separation and hence of the independence of the judicial power. They are vulnerable to all manner of intrusions and influences whether from political power, mischievous intervention, personal favours or the corrupting infiltration of organized crime into police and political systems. Vulnerability in this respect has always existed, but has become an alarming reality by reason of the rise of political party power and the rapid escalation of organized crime in Australia.

Organized crime in Australia is now a billion dollar business extending beyond drug crimes into almost every field of crime. It cannot operate except by corruption of officials on a vast scale. It has hundreds of millions of dollars annually available to do so. It penetrates and paralyses police and political systems. Its intrusion into the political arena in recent times and its mishandling is discussed in my book *A Quarter to Midnight*. The administration of justice and the independence and integrity of the institutions of justice from the police upwards have suffered because the problems caused by organised crime have not been tackled head on. Mistakenly, we have tried to live with them and to smother the damaging corruption issue.

One consequence of the rise of party power is that the public service in Australia is being rapidly politicised. Most politicians in power will concede, at least privately, that they expect members of the public service to promote, or at least not harm, the interests of their party. Public interest is conveniently equated with the interests of the party. Appointments and transfers are made on these bases. All this is inapt and dangerous when it is extended, as undoubtedly it is, to independent institutions such as the institutions of justice. Both rank and file and more senior members of parties in power, by their utterances and their conduct, have shown a lack of understanding of the judicial duty of Crown law officers and seek to ignore that duty in favour of what is expedient for the party. A prime example of this attitude appears from the attack on Mr Temby earlier referred to.

It is usually not possible to establish whether the forces which intrude into judicial independence or that of the institutions of justice in fact cause justice to miscarry in a particular instance. What can be shown is that those who administer justice are too often unnecessarily exposed to improper forces, often with the expectation that those forces will prevail. There is often a strong suspicion, even inference, that a particular appointment is made because it is expected that the appointee in a critical case will not let the party down. If a decision is made in such a case which happens to coincide with the party interests, it will still not appear whether or not the decision in fact was independent. But most likely there will be lack of public confidence that it is. This lack of confidence is the greater, because invariably the basis of a decision of an A.G, D.P.P. or Solicitor-General is kept secret.

However, suspicion, inferences and lack of con-
confidence in the system often arise if accumulations of decisions are looked at. Thus, if all the decisions of Attorneys-General and others in the many politically sensitive cases since 1977 were put together, whether any such decision be to do nothing, enter a no bill, or postpone a decision, or send a matter off apparently to be buried in some further inquiry when some party member or connection is involved, or whether the decision be to charge or publicly inquire into the conduct of some opposition party member or connection, it will appear that almost invariably the decision is that which appears to conform with the interests of the party. On a broad view it is impossible to avoid the conclusion that the power is being exercised contrary to the way professed at the Canadian conference.

Secrecy

The open court system provides that some unfairness (such as damage to reputations) must give way to the greater public good, which recognizes that justice administered in secret offers a dangerous cloak for injustice and manipulation and engenders suspicion and lack of public confidence. Despite declarations of intent to have open government, the completely opposite attitude applies to the institutions of justice, particularly those engaged in prosecution or allied functions. There is blanket secrecy which admits of virtually no exception and often no discretion to disclose anything (e.g. National Crime Authority). It is claimed the secrecy is to protect reputations or prevent prejudice otherwise, but, in its absoluteness, it also serves to shield from parliamentary, judicial and public scrutiny and hence to deny all opportunity for challenge or criticism of decisions even when they appear to have been subject to political or other pressures, and to be given for dubious reasons.

Professor Vinson's investigation in 1986 discovered "statistical anomalies" warranting deeper investigation into the administration of drug criminal justice in NSW by courts and by institutions of justice, including the Attorney-General's Crown Law Office (in no bill decisions and concerning appeals against inadequacy of sentence). Vinson recommended a general remedial system of audit of all these functions. This was seized on by the Attorney-General to rush through Parliament the Judicial Officers Act, 1986 (NSW), which sets up a complaints and investigations system but only concerning judges. In the area where obviously the real problem lies, namely the institutions of justice and where the heads, whether Attorney-General, Director of Public Prosecutions or Solicitor-General or Police Commissioner, depend on a large army of officers, nothing was done or fore-shadowed. As the duty of all these public officers is to serve the public interest free from executive or party direction, there is a strong case to have some ombudsman-type audit with reports to Parliament. However, consistent with my earlier theme of the party view of its own sovereign power and wisdom, political control over these institutions protected by secrecy remains absolute.

The shortcomings and vulnerability in the police and prosecution fields make the independence of judges and juries doubly important, so any weakening of practices designed to ensure the Judiciary's independence becomes a more serious matter. In an independent, able, strong and professional Judiciary with its own internal organisation, free from political interference or influence, lies the power to protect the citizen from excesses of bureaucratic and political power and to expose any shortcomings of the institutions of justice.

Political Favouritism

There have been erosions of many of the practices of the past which were designed to ensure that a judge once appointed by the Executive would be independent of it, having nothing to hope for or to fear from it, by reason of the discharge of his duty, whether favourable or adverse to the interests of the government. This is critical in the case of Supreme Court judges because of their prerogative powers to protect the citizen against executive excesses. One such practice was that no judge, except the most senior, should be promoted by the government to higher judicial office or selected by it for some favoured treatment while remaining a judge. It is apparent to all that at times governments, contrary to this practice, select judges for promotion or for some favoured office and pass over others in doing so. Pressures are put and are seen to be put on judges to act favourably and not critically of the government. Governments now often select for promotion from a lower to a higher court, or to a higher office within a court, a judge not the most senior and seen by others as not the most able, so that keeping in favour with the party in government comes to be regarded by many as necessary for judicial advancement.

An example is in point. By legislative amendment, the NSW Government took from the Supreme Court Judiciary the power to promote
judges to head internal divisions of that court. This usurped the power of the Judiciary to arrange its internal affairs, including appointing judges who shall allocate cases, a matter which can become politically sensitive, e.g. in the criminal field. The acquired power permits the government to ignore seniority and make its own selection of judges for promotion in an important area. In one such promotion it passed over a judge, then the most senior of the division, who earlier in a judgment made findings adverse to the bona fides of a Minister in the discharge of his office. Whatever the true reasons for the appointment, it, and the acquired power, must now be seen to show that being out of favour with the party in government does not aid judicial careers.

Governments now often select for promotion from a lower to a higher court, or to a higher office within a court a judge not the most senior and seen by others as not the most able, so that keeping in favour with the party in government comes to be regarded by many as necessary for judicial advancement.

Other exercises of power may be seen as favours. Most judges regard commissions of inquiry as interesting and attractive, sometimes by reason of overseas excursions on favourable terms. In earlier times it was always regarded as the province of the organised Judiciary, through the Chief Justice, to determine whether it was appropriate for a judge to head a commission of inquiry, and if so to select the judge. In recent times, on occasions this practice has been disregarded both by the Australian and NSW Governments despite judicial protest. On these occasions a judge has been just selected for an appointment regarded as politically important and taken without consultation and without the consent of the Chief Justice or organised Judiciary. The Victorian judges by reason of earlier firm attitudes have so far been able to resist this happening.

The selection and appointment of a judge in this way involves several things. One is that the province of the Judiciary to run its own affairs and not release judges for duty to engage in activities considered incompatible with judicial office has been taken over by the Executive. Another is that because the office is not unattractive to individual judges, selection by the party in government can be regarded as a plum to be given to the favoured one. Further, the precedent is now set to allow a governing party to select a commissioner to act as judge in an enquiry where the conduct of the party itself or one of its members is under scrutiny.

Since publication of *A Quarter to Midnight* political intrusions into judicial power have continued, some in different ways. Several are important and should be referred to.

A recent example with potential for serious consequences for the integrity of judicial power is the Judicial Officers Act, 1986. Investigative bodies and procedures constituted by the Act can be set in motion by anybody. The wide and vague terms of the Act and the publicity given to the making of complaints against judges are apt to encourage all sorts of complaints from failed or vexatious litigants or persons with some collateral motive.

Whether or not complaints succeed is not in point. The rights given to individuals and the government, and the potential for this to compel judges to account for their exercise of judicial power to a body making an administrative inquiry or to cause indignity, worry and unfavourable publicity, can only serve to deter judges in the free, independent and fearless exercise of judicial power according to their individual consciences. The grounds for removal of a judge are expressed in somewhat ambiguous and general terms significantly more narrow than the constitutional guarantees which have endured for centuries.

Another significant matter is the finding of the NSW Supreme Court of contempt on the part of Mr. Wran. The finding was that, although the words of the party head found to constitute the contempt could not be found beyond reasonable doubt to be intended to influence potential jurors in a pending criminal trial, they were made with reckless indifference to whether they interfered with the administration of justice in order to help a friend. The friend had been a political ally. Political friendship thus took precedence over the independent exercise of judicial power.

Undermining of Juries

A final matter is that criminal trials of persons of party political or union standing have led to serious permanent damage to the jury system. The long-established and important practice of anonymity of jurors and the confidentiality of their deliberations, designed to facilitate independent decisions free from the fear of publication of deliberations and later censure of individuals, have been disregarded in these trials. These dangerous invasions have been condoned and seized on for
party political defence purposes. In these trials there have been attempts before, during and after the trial to have the trial regarded as politically motivated and so minimise the need to look at the facts.

Jurors in the past have been exhorted by judges to set aside external or political considerations and in the shelter of anonymity and confidentiality jurors appear to have succeeded in doing so. The criminal jury trial is based on twelve jurors acting as a group of individuals being entrusted with the exercise of the community's sense of fairness, responsibility and justice. Each brings an independent view individually expressed and hears what the others say, but each acts as a member of a group in an endeavour to come to a group decision. It is open in the end for jurors to withhold assent to the group view. A decision given is that of a group. Such a discussion of laymen will of course spawn some untenable or prejudiced views, but it is the group collision of minds which in the end produces the wise and community-accepted view. There is no other satisfactory alternative, or at least none which the community will accept. It is inconsistent with jury function for them to give reasons for decisions as do judges. To make public that which is said in confidence and which the law is astute not to require, destroys confidence for the future so as to inhibit all future jurors, particularly jurors in trials involving politicians.

What has occurred—and party political interests in exploiting and encouraging it are largely to blame—means that jurors in cases which have followed, or may occur in future, involving political identities will have had, or in the future will have, apprehensions that what they say as jurors may be made public, subjecting them to criticisms for what outside the jury room may appear to be disloyalty to a party to which they owe some allegiance. The easier course where they do have political sympathies will be to give effect to them and acquit.

If our Australian democracy is to be truly free with independence in the administration of justice and in its institutions and professions, first there must be awareness of what is occurring and then there must be an effective national will to stop and reverse the trends before they overwhelm us. For example, that part of the Judicial Officers Act which allows intrusions into judicial independence should be repealed and certainly not copied elsewhere. The lack of willingness of the modern political party when in power to defend the independence of the Judiciary and its supporting institutions must be judged a very short-sighted attitude. Political parties in power inevitably become political parties out of power. The institutions they have been able to manipulate in government become open to manipulation by their opponents. It is in the interests of the leaders of all parties to ensure that the institutions whose independence will protect their liberties when their party is out of power survive and prosper. No democratic party can have any long-term partisan interest in undermining the independent Judiciary and independence otherwise in the administration of justice.
Selling the Farm

When Australians import goods and services, and incur more (net) transfer payments to foreigners, such as interest payments on our external debts, than they can pay for by exports—that is, when our balance of payments current account is in deficit—that deficit must be financed, in one way or another, via a corresponding surplus (i.e., capital inflow) on the capital account. By definition, the balance of payments must balance. It is the cumulative, over the years, of the (net) inflows which produce that balance that gives rise to our total external balance sheet position.

I say “external balance sheet position” rather than “external debt” because capital inflow takes many forms, only one of which is the acquiring by foreigners of debt instruments issued by Australians. True, of recent years a high proportion of our total new capital inflow each year has involved the issue of new debt by Australian governments, corporations or individuals. At 30 September, 1986 such external indebtedness totalled $101.4 billion—some 41.7 per cent of Australia’s Gross Domestic Product (GDP) in the year to that date. This compares with only $35.6 billion (only 21.2 per cent of then GDP) as recently as end-June, 1983, just after the present Government came to office.

It is worth pausing a moment on those figures. In the nearly 200 years up till 1983 since Captain Phillip landed in Australia, we had acquired debts to foreigners which over that time had cumulated to some $35.6 billion. Just over three years later those debts had almost tripled in $A terms, or doubled (if you prefer) in relation to our national product.

Now that the Australian dollar has fallen so catastrophically, some signs are appearing that our capital inflow is altering in nature. Investors in countries whose Governments have managed their currencies more responsibly—Japan, the Federal Republic of Germany, Singapore and so on—are discovering that their yen, D-marks or Singapore dollars now go much further than they did two years ago in acquiring real assets in Australia (land, houses, buildings and the like) or proxies for real assets, such as shares in Australian companies. Teams of eager Australian property developers, real estate salesmen and stockbrokers are to be seen thronging the major hotel lobbies in Tokyo, Hong Kong and Singapore—not to mention London and New York—with a view to peddling their wares.

In short, there is emerging a kind of auction of Australian assets at bargain basement prices (in terms of the foreign currencies being used to purchase them). Within that framework, it is remarkable to observe the way in which our present government appears not to care that, largely because of its policies, the Australian “farm” is being flogged off to foreigners at such a discount.

Of course, when Mr. Whitlam, Mr. Hayden, Mr. Keating and others were so bitterly criticizing earlier coalition governments over foreign investment policy, they had some company. It was the late Sir John McEwen, then leader of the (then) Country Party, who gave currency to that very phrase about “selling the farm”. Equally it was Sir John Gorton who, during his period as Prime Minister, spoke of the Treasury’s alleged “tickle my tummy” approach to foreign investment policy.

To be fair to both gentlemen, however, neither of them had played any part in a Government which had succeeded (sic) in devaluing the Australian dollar by around 30 per cent in under two years. Mr. Keating may no longer qualify for the title of Finance Minister of the Year, but someone should surely be taking up a subscription for him, or for his Party, in Tokyo or other foreign parts. Certainly, nobody could have done more to present overseas...
investors with the bargain basement buying opportunities to which they can now look forward.

That having been said, there is a need—on foreign policy grounds as well as on grounds of economic policy—to be clear about what is wrong about this. It is not the foreign investment as such that is wrong. What has been wrong, rather, were the policies which gave rise to the need for it in such massive proportions.

Rather than blaming (say) Japanese investors, we should be asking our Government why it has allowed its subservience to the trade union movement to lead it into endorsing wage policies which we have clearly been unable to afford. It has been those policies, together with the big spending policies of governments generally, which have led Australians to go on living beyond their means and needing, as a result, to borrow from foreigners or sell them some more paddocks from the national farm. Thus, if we don't like those latter consequences, we had better insist on a change in the policies giving rise to them.

I think that there is little doubt that Australians won't like those consequences; at the moment however I suspect that most of them have only a very imperfect idea of what is happening in this area. The huge property sales, to Japanese buyers in particular, which have been occurring up and down the Queensland coast and elsewhere, have been accompanied by a minimum of publicity. So much so, indeed, that one might ask whether such unusual silence from an industry (real estate) not normally noted for its reticence, has been one of the conditions of sale imposed by buyers not wishing to draw undue attention to the massive sell-off that is going on.

"Japs go Home"?

Such a desire for unobtrusiveness (if that is what it is) would of course be sensible not only from a commercial viewpoint by buyers not wanting to drive up the price of further purchases against themselves. It would also be entirely sensible in Japanese foreign policy terms. The last thing that the Japanese Government—and hence the Japanese business community—wants to see is an outburst of anti-Japanese sentiment as Australians realise that, because of the failings of the Hawke Government, we are now in process of handing over large chunks of the country to new (foreign) owners.

Indeed, for our Japanese friends this is a much more general problem. It is not confined to Australia, but extends worldwide, and we can therefore be sure that much thought will have been given to it in places like the Gaimusho (the Japanese Foreign Office) and the Ministry of Finance. It is probably fair to say, however, that because of World War II the problem takes on an above-average sensitivity in the Australian case.

Back in the 1960s and early 1970s the rash of Australian xenophobia which was then breaking out all over against foreign investment was chiefly directed against United States investors. Mixed up as it was at that time with the posturings of the Left about the U.S. (and Australian) defence of the people of South Vietnam, it was accompanied by such graffiti as "Yanks go home" and other such, less polite, injunctions. Can we shortly expect to see "Japs go home" also?

If so, that threat to one of our most important foreign policy relationships will derive not merely from the indefensible trade policies of Japan, which are basic to its mounting balance of payments surpluses. It will also derive from the policies of our own government, which have rendered so cheap the Australian assets, to buying which those Japanese surpluses are now being partly directed.
Health Policy Hijack

Bob Browning

The excessive influence of unrepresentative, political interest groups—self-proclaimed as “community groups”—is undermining the public health system in Australia.

The quality of Australia’s public health system is under threat. The threat comes from a startling change in the way health policy is being made in this country.

Traditionally, health ministers have responded to public demand by making policy recommendations to government after consultation with expert public servants and advisory bodies comprising mainly medical professionals, scientists, and representatives of health-related industries.

Now a new model is emerging. A host of “community” organisations is springing up, clamouring successfully to participate in public health policy and its administration as representatives of “health consumers”.

Yet many of the “community” and “consumer” organisations are not, as they claim, broadly based in the community. Hardly any have more than 200 voting members. Some are tiny, tightly controlled oligarchies. For example, one of the leading organisations, the Australian Consumers’ Association, strictly vets its membership. As few as 59 votes have been cast in its general elections.

Many of these groups are politicised. Their reform agenda are often more ideological than pragmatic, seeking to advance minority rather than mainstream interests. Common to many of the leading groups is the belief that current Western society is the major cause of most modern sickness, and that the only cost-effective road to public health is through political action for social change.

Their attitude is summed up by the Health Issues Centre (HIC), another leading government-funded “community” organisation. It recommends (Health Issues, December 1986) a health system in which “one of the major roles of public health is active political advocacy…” This system’s “first principle of public health” is that “we can only be healthy in a healthy world.”

Generally these groups attack the old health system on the grounds that it failed to serve the public interest but predominantly served the special interests of the private professions and the pharmaceutical and other health-related industries. It appears, however, that the new model, even more so, will serve the special interests of organised social workers, social engineers, minority political activists and others drawing their salaries mainly from the public purse.

The new movement has more than a trace of social worker trade unionism. It is this aspect which has drawn the criticism of Finance Minister Peter Walsh. At the ALP’s Federal Conference in Hobart last year he argued unsuccessfully against the new social welfare strategy presented by Gerry Hand and adopted by the Conference. Walsh said that the new strategy “would provide sinecures for otherwise unemployed sociologists but do very little for the poor” (The Australian, 11.7.86).

Government Policy

Federal and State Governments are encouraging the creation and development of “community” groups by “seeding grants” and on-going financial subsidies. New mechanisms like the Consumers’ Health Forum facilitate their influence on health department policy and administration. Leading group activists are scoring over medical professionals in appointments to key policy posts in health departments and agencies.

The stated aim of government policy is to make public health responsive to “health consumers” rather than “producers”, and to direct public health resources to “preventative” rather than “curative” action. It is not, however, the consumers to whom the new policy approach gives power, but the small groups of political activists. Underlying this approach is a refusal to recognise that “health consumers” are empowered far more by their ability to exercise choice in the market place, than

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Bob Browning is a public affairs consultant and a Director of R.W. Browning and Associates Pty. Ltd.
by political mechanisms which, in practice, are being hijacked by well-organised, subsidised, ideological activists.

The new rhetoric stresses the moral superiority of the “public interest-oriented” public sector and the associated, new “community sector” over the “profit-motivated” private sector.

The result is an increasingly politicised public health system. The official road to public health now is primarily through socio-political change rather than traditional health services emphasising medical professionalism, science and technology.

Who is Running Our Health System Now?

What are the groups now influencing our public health system? Who controls them? And what are they really after? What are the new mechanisms government has created to increase their influence?

The main “community” organisations currently helping to redirect our public health resources to socio-political action are those which prevailed on a sympathetic Dr. Blewett to establish the new Consumers’ Health Forum.

This mechanism gives several networking groups significant influence over Australian public health policy including the Federal Health Department’s multi-billion dollar budget.

Underlying this approach is a refusal to recognise that “health consumers” are empowered far more by their ability to exercise choice in the market place, than by political mechanisms which, in practice, are being hijacked by well-organised, subsidised, ideological activists.

The Consumers’ Health Forum resulted from the Review of Community Participation in the Commonwealth Department of Health. Dr. Blewett set up this Review and “welcomed” its subsequent recommendations. He said (Press Release, 6.2.86) that the Government had taken many health initiatives to promote “the rights of the public rather than the demands of those with vested interests”, but the new recommendations would “take this process forward by a giant leap”.

The recommendations involved in this “giant leap” included that the Health Department should “adopt appropriate personnel policies, including more flexible employment arrangements, and selection criteria which include appreciation of issues and experience in community participation”.

The Review recommended that the Health Forum should help “develop appropriate programs to train departmental staff”, and that there should be “staff interchange” between the department and Forum groups. The Health Forum claims (Circular, October 1986) that interchange secondments are already underway.

Another controversial recommendation is that the Forum should assist the Department to review all its existing advisory bodies: “The Department, with a view to discarding those without an important role, should review the relevance of all committees and working parties and consider how re-allocation of freed-up resources might best be used to facilitate community participation”.

The nine organisations which originally petitioned Dr. Blewett for the Consumers’ Health Forum were:

Australian Consumers’ Association (ACA)
Australian Federation of Consumer Organisations (AFCO)
Australian Council of Social Service (ACOSS)
NSW Council of Social Service (NCOSS)
Health Issues Centre (HIC)
Doctors’ Reform Society (DRS)
Australian Community Health Association (ACHA)
Rupert Public Interest Movement (RPIM)
Australian Pensioners’ Federation (APF)

Dr. Blewett responded quickly in setting up the Forum. The new mechanism’s self-appointed Steering Committee has selected the Forum’s “Core Group”—16 organisations including six of the petitioning organisations:

Australian Consumers’ Association (ACA)
Australian Council of Social Service (ACOSS)
Australian Federation of Consumers’ Union (AFC)
Health Issues Centre (HIC)
Australian Community Health Association (ACHA)
Rupert Public Interest Movement (RPIM)
Australian Pensioners’ Federation (APF)

And adds:
Australian Conservation Foundation (ACF)
Federation of Ethnic Communities’ Councils of Aust (FECCA)
National Women’s Health Association (NWHA)
National Aboriginal and Islanders’ Health Organisation (NAIHO)
Collective of Self Help Groups (COSHG)

Australian Council on Rehabilitation of the Disabled (ACORD)
Australian Council of the Aging (ACOA)
Disabled Persons' International (DPI)
Youth Affairs Council of Australia (YACA)
plus an organisation to represent "consumers" regarding mental health services.

The four organisations comprising the Consumers' Health Forum's all-powerful Steering Committee are the ACA, ACOSS, HIC and AFCO. These groups not only network, but also are key members of each other's organisations. For example the ACA is a leading member of AFCO, HIC and ACOSS; ACOSS/VCOSS founded the HIC; AFCO's Director is on the ACF Governing Council; a former ACOSS policy official is now ACA Public Affairs Manager.

Politicising the Health System

The new "community" approach to public health is typified by the policies of the Doctors' Reform Society (DRS), one of the nine "community" groups which successfully petitioned the Federal Health Minister, Dr. Blewett, to set up the Consumers' Health Forum.

The DRS New Doctor editorial (September 1985) says of the traditional health system that it:
"fundamentally reflects the 19th Century paternalism of the 'ruling classes', and openly permits profiteering from a monopoly market.

"Such a system...will persist as long as the economic and industrial power of the medical profession remains effectively unchanged.

"Radical prevention involves a health analysis which encompasses such things as affirmative action, bureaucratic reform, workplace trade union structures, community development programmes, and fundamental changes to economic and power relationships in society.

"Radical prevention assumes that the major determinants of ill-health are social and economic and are therefore largely external to the individual".

A former Victorian DRS President, Dr. Nick Crofts, of the Collingwood Community Health Centre, says that (New Doctor, September 1985): 
"we must move forward by beginning to regard whole communities as our patients".

In order to make society healthy, Crofts says: 
"Perhaps the community health centre of the future should be staffed by those with the expertise to change such structures—sociologists, lawyers, public relations experts, economists, professional lobbyists, town planners, ecologists, and so on..."

The Health Issues Centre (HIC), a founding and Core group member of the new Health Consumers' Forum, said (Health Issues, May 1985): an "essential aspect" of the health system should be advocating change regarding "such issues as poverty and housing". In its submission to the Better Health Commission, HIC stated: "Health is a complex concept. Equal consideration should be given to social, emotional, and environmental factors (such as income security and housing) along with physiological and biological disease factors" (emphasis added).

An indication of HIC's politicised approach to health issues is given, for example, by its recommending a system (Health Issues, December 1986) that: "Instead of attributing malnutrition in children to inadequate meal preparation by parents, it should be linked to inflationary food prices and exploitative business practices".

In February this year, HIC widely distributed a glossy 46 page booklet, Medicare, as part of its continuing support of the Defend and Extend Medicare Campaign (DEMC). DEMC is an organisation as well as a campaign, which says it was formed "to respond to the very real threat, made by doctors and their conservative allies, to the Health Insurance System. The Campaign is union-based together with health and community groups."

HIC, itself taxpayer-funded, acknowledged in the booklet that financial assistance for the Campaign had come from the Consumers' Health Forum and the Australian Community Health Association. The ACHA is another "community organisation" recently established through Department of Health funding.

The HIC booklet lists 59 DEMC members. 25 are leftwing unions ranging from the AMWU, Seamen's Union, Builders Labourers and Watersiders Federations, to the Administrative and Clerical Officers' Association and ABC Staff Union; 10 are Community Health Centres; 14 are "Community Organisations", including HIC; the other 10 comprise ALP branches, the Union of Australian Women, the Doctors' Reform Society and the Communist Party of Australia. Political approaches to health are evident also in policies of the Australian Council of Social Service (ACOSS). Its Victorian State branch, VCOSS, founded HIC and helped found DEMC. VCOSS's 1985 annual report expressed alarm at the State Government's intention, at that time, to
increase funding to "critical care hospitals" rather than community health centres. It stated: "... publicity of emotional medical cases placed pressure on the state government to increase funding to critical care hospitals at the expense of other health services. In the lead-up to the state budget, VCOSS urged the government to resist these pressures and to adhere to ALP health policy".

Social Welfare Trade Unionism

One characteristic of the networking "community" groups that apparently worries some ALP Ministers is the amount of time and resources those like ACOSS devote to social service trade unionism. The Prime Minister, Bob Hawke, has told ACOSS (The Age, 28.8.84), for example, to "remove the mote from its own eye" before attacking others for inaction over social welfare. He advised the public to note what ACOSS was "asking for themselves".

In its 1984-5 Review of Public Policy, for example, ACOSS' Victorian State body, VCOSS, listed one of its top priorities as the Permanent Jobs in Human Services Project. This project aimed to convince Government that it should create 100,000 additional, permanent jobs in the "Human Services Sector" through local government, community health centres, etc.

In its response to the Victorian Government's Review of Funding of Non-Government Organisations, VCOSS noted that: "The recent rapid growth of this ('community') sector has resulted in a significant increase in employment opportunities. It has been projected that this growth rate will continue over the next decade".

VCOSS also demanded that: "Appropriate award wages and conditions, comparable with other sectors of the workforce, need to be established for all workers within the non-government sector".

Continuing in trade union mode, VCOSS went on: "Superannuation and portability of long service leave entitlements are but two conditions of employment which need to be universally established within the non-government sector if parity with other sectors and industries is to be achieved. Maternity and paternity leave entitlements also need to be recognised".

VCOSS includes amongst its members the Australian Association of Social Workers, the Australian Institute of Welfare Officers, and several other trade unions and associations with vested interests in expanding both the welfare bureaucracy and the associated publicly-financed "community sector".

A former member of one of ACOSS' Full Member organisations, the Doctors' Reform Society, told the National Times (12.1.80) that DRS members were mainly publicly-salaried medical officers who stood to "gain handsomely by having money poured into the public sector". This criticism seems to have relevance to ACOSS and the "community sector" generally.

Results of Policy

The results of the new "community" health policies already are becoming apparent. Even some DRS members are having second thoughts now that social workers and activists increasingly challenge medical professionals, scientists, and expert public servants for influence in the public health system.

An ex-President of the DRS, Dr. John Powles, for example, complained to The Age (24.11.86) that "a sweeping anti-professionalism" throughout the Victorian public health system has resulted in low morale, uncertainty and a high staff turnover among senior administrators of the Victorian State Health Department. Powles gave as an example the transfer of maternal and child health services in Victoria to the Community Services Department (now being overseen by an urban planner). He drew attention also to the fact that there are now no doctors at all in the senior management of the Office of the Intellectual Disability Services. Powles said: "I wouldn't want to defend the old system of having the whole thing run by doctor-dominated hierarchies. But we have gone from that indefensible extreme to the opposite".

Numerous other examples exist. VCOSS social-worker activist, Shane Solomon, who helped found and set up the HIC, has now been appointed Manager of the Victorian Health Commission's key State Health Plan, a complete review of the State's health services. In South Australia another activist, Simon Chapman, has been appointed a Director of the South Australian Health Commission. Chapman was a Governing Councillor of the Australian Consumers' Association (ACA) and founder of MOP-UP.

Others to criticise the effect on health policy of special interest lobby groups include Dr. Julian Gold of Sydney's Albion St. Clinic (The Age 24.11.86) and Professor David Penington (The Bulletin, 17.3.87) who recently resigned as
Chairman of the National Advisory Committee on AIDS (NACAIDS). Both claim that NACAIDS was taking more notice of "gay" lobby groups than professional medical and administrative opinion. Consequently, public health action is emphasising "education", including expensive advertising campaigns, but neglecting measures many consider vital to protect all the public, rather than vocal, special interest minorities. These measures include the testing of high risk groups and making AIDS notifiable like other communicable, serious diseases.

The Australian Medical Association (AMA) also has spoken out. Its Federal President told the Adelaide Advertiser (14.11.86) that in closing seven major health centres, the Commonwealth Government was displaying its policy of abandoning conventional rehabilitation and setting up "a string of small local centres manned chiefly by counsellors".

Overall Strategy

The aims of the social welfare lobby's drive for increasing "community participation" should be seen as part of its overall political strategy. This strategy was best described from the Socialist Left viewpoint by the Minister for Social Service, Brian Howe (Melbourne Herald 28.6.86): "... it's about the distribution of resources in the community—not just income, but power, authority, a whole range of things. We're trying to achieve a redistribution of those resources... Somehow, we've got to empower people, try to create a situation in which people with limited power achieve greater power. To have a class perspective is quite crucial to any theory of change".

"Community sector" strategy, as Howe correctly points out, is basically concerned with the transfer of power. ACROSS says (1984-85 Annual Report) that it decided some time ago that: "having the 'right' policies was nowhere near as important as developing a network of organisations that could have the combined strength to achieve real change".

For ACROSS, "real change" involves increased taxation, including wealth, capital gains, and probate taxes, a socialised health system, more regulation of the private sector, and more "community" say in government generally to achieve a "massive redistribution" of power as well as wealth.

The key question is, of course, to whom is power really being transferred? Is it to the people, or the people? Is it a genuinely democratic process, or merely another variety of corporate state elitism?

ACROSS says it has been "mobilising the community sector" by "strengthening the network of community welfare and other groups which share our commitment".

It says that the Tax Debate in particular "saw ACROSS developing new and productive links with yet further networks of organisations. Among these were the women's movement, and the consumer movement. Tentative links were established with the environmental and aboriginal groups".

ACROSS is as much concerned with bureaucratic centralism as it is with decentralised participatory democracy. It admits its ambition is to "co-ordinate" all "community sector responses to the policies of all three political parties" both during and between elections.

It displays strong corporate state propensities. An illustration is the importance ACROSS attaches to its seat on the Government's Economic Planning and Advisory Council (EPAC), as the country's "community group representative". It says its EPAC status is a tacit sign that the "community sector" is now "accepted as the fourth estate to the triumvirate of Government, business and unions".

What should be done?

While taxpayer-funded, political advocacy groups misuse public health resources to "treat whole communities" and engineer a brave new "healthy society", increasing numbers of sick individuals are being left to join longer queues seeking admission to our public hospitals.

Genuine participatory democracy and real consumer protection should be supported. But PAGUTS are doing little to help the more pragmatic of government ministers to solve the exploding public health system crisis. Such ministers should urge governments to resort to old-fashioned surgery. Part of the solution is to cut the umbilical cord of taxpayer finance and other government patronage to political advocacy groups, especially those utilising health issues to advance types of social change ranging from the self-serving to socialist.

Can Aborigines Escape the Dependency Trap?

Ken Baker

“A welfare-dependent society, such as we have become, has no future. It cripples people”. So says Margaret Valadian, advocate of Aboriginal self-sufficiency and development and trenchant critic of the sprawling Aboriginal Affairs bureaucracy. Ken Baker spoke to her recently at the Aboriginal Training and Cultural Institute in Sydney.

Margaret Valadian points with dismay to the “staggering 71 per cent of total national Aboriginal income derived from government, mainly from income that can be described as transfers for social welfare purposes”. The figure comes from the Miller Report into Aboriginal employment published in August 1985. Few statistics so strikingly illustrate the depressed state of Aborigines or the failure of policies of successive governments in this area. Solutions will not be easy to find, but at least the Miller Report, says Ms. Valadian, makes a step forward in recognising dependence on government as a problem rather than envisaging it as the solution, as has often implicitly been the case over the last two decades. Dependence on welfare, she believes, has contributed significantly to the destabilisation of Aboriginal communities. “From the late 1930s through to the early 1960s”, she says, “the Aboriginal community was a much more dynamic community; it relied more on its own resources. The policies of the ’70s and ’80s killed that initiative and self-reliance”.

Margaret Valadian is co-director with Natascha McNamara of the Aboriginal Training and Cultural Institute (ATCI) located in the inner Sydney suburb of Balmain. The building which houses the Institute is old, yet not without grandeur. A crucifix hangs above the doorway leading out of the reception area reminding the visitor that this was formerly the Convent of the Immaculate Conception. The lease, arranged with the Sisters of the Good Samaritans, allows the Institute to occupy the building in return for the undertaking of renovations. ATCI employs five staff apart from the two directors; all but one are Aborigines. There is continuity in the tradition of service practised in the former convent. In place of the Good Samaritan Nuns now there are classes designed to help Aborigines from all regions of Australia to manage their affairs more competently and more responsibly.

“We established the Institute in 1978”, explains Ms. Valadian, “largely as a response to the situation we saw emerging at that time. Aboriginal people were being encouraged to set up community councils without the benefit of management training”. ATCI was established with the aim of providing Aborigines with the management skills they lacked. A wide range of training programmes is provided. Ms. Valadian highlights three which she claims the Institute has pioneered: management training for community councils in remote areas, youth worker training—developed in response to the problems created by teenagers leaving school with nothing to occupy them—and a community programme in early childhood development. Around 2,500 Aboriginal people have passed through ATCI since its inception—including teachers, child care workers, community counsellors, state and federal public servants.

The Institute competes for government contracts and receives fee-for-service payments, but since June 1984 has received no direct government assistance, despite repeated submissions of management training proposals. Margaret Valadian finds the attitude of the Department of Aboriginal Affairs (DAA) difficult to understand. She points out that because the sort of programmes undertaken by ATCI are designed to produce a more efficient use of resources in the Aboriginal community they should, in the long run, save the Government money. Ironically, the former advisory body, the

Dr. Ken Baker is Research Fellow at the IPA and Associate Editor of the IPA Review.
National Aboriginal Conference, was terminated because of alleged mismanagement of funds, exemplifying the very lack of management competency which ATCI was established to rectify.

So why does the DAA refuse to support the Institute?

One reason is that the Institute’s directors are known to be critics of the lack of professional standards operating in Aboriginal Affairs. “We have consistently focussed on the need for accountability in government expenditure, the need for professional performance—and this has been anathema to some people in Aboriginal Affairs”, Ms. Valadian says.

Viewing the operations of Aboriginal Affairs’ agencies for over a decade has brought Ms. Valadian to a radical conclusion. “The needs of the Aboriginal community and the needs of the country”, she believes, “would be better served by rationalising the functions of the Aboriginal Affairs portfolio”. The functions of the DAA could be devolved to other federal departments: health to the Health Department, sports to the Sport & Recreation Department.

Her argument that the DAA has a detrimental effect on the long-term well-being of Aborigines has three prongs. She believes, firstly, that the interests of the Department in maintaining and expanding its influence have been in opposition to the interests of Aborigines. “If you want to maintain a national department, built on the principle of separate servicing because of disadvantage you must keep Aborigines in a state of dependency to justify that department’s continued existence”, she says. “Despite the acceptance of the new Aboriginal Employment Development Policy it is going to be difficult for such a department to implement programmes aimed at diminishing dependency. Yet that state of dependency is highly corrosive to Aboriginal families and communities.”

Secondly, she believes, the inhibiting of the development of Aborigines by continued dependency also lessens their opportunities in mainstream Australian society, especially in relation to employment. The consequences of this ought to be objectionable to all Australians. “If Aborigines are prevented from joining the mainstream in general and the labour market in particular”, she argues, “then you’re looking at apartheid in this country. The Miller Report shows clearly that Aborigines want to work.”

Thirdly, Ms. Valadian is critical of Aboriginal Affairs’ agencies for fostering the politicisation of Aboriginal issues without fostering the development necessary to the achievement of change. The whole area of Aboriginal Affairs, she believes, has tended to degenerate into a hotbed of political slogans—such as those surrounding land rights—
with too little thought being given to practical policies such as how land can be used to aid self-sufficiency. Her own Institute's unfashionable stress on professionalism, not politicisation, has not helped relations with the DAA or other agencies within that portfolio.

ATCI relations with Aboriginal communities, however, are apparently good. "We have not had to do any advertising", Ms. Valadian says, "but get constant requests for our programmes—many from remote areas".

She points out that from the early 1940s to the 1960s working for government was frowned on in Aboriginal communities. In the 1970s this changed, with government becoming an acceptable, even desirable place to work. But the environment created for Aborigines in the bureaucracy has been too permissive, with no importance placed on accountability and performance. This has resulted not only in an inefficient use of resources but has provided a poor training environment for Aboriginal workers. "There is a widely held view", she says, "that as Aborigines we should be above accountability, but this is an insult to our intelligence". She rejects the practice of giving easy advancement in the public service to a favoured group of Aborigines. Rationalisation of the functions of the Aboriginal portfolio agencies and concentration on the training of Aboriginal personnel to enable them to perform roles and compete for positions across the public service would help remedy the present situation. At the same time Margaret Valadian would like to see more opportunities for Aborigines opened up in the private sector, "where there is expectation to perform".

One way to aid the opening of such opportunities in the private sector, she believes, would be to channel the finance currently used for Aboriginal housing and enterprise development through the private sector and have it administered by banks which would in turn offer training and employment to Aborigines.

In 1984 Margaret Valadian won the BHP Award for the Pursuit of Excellence in the area of community services. But it is the motto of another big Australian, "the quiet achiever", that best suits her. She made history in 1966 as Australia's first Aboriginal graduate when she received a Bachelor of Social Studies degree from the University of Queensland. In 1960 she obtained a Master's degree in educational communication and in 1973 a Master of Social Welfare degree from the State University of New York. Public debate on Aboriginal Affairs has for some years been dominated by the angry rhetoric of political activists, the self-appointed spokesmen for Aboriginal Australians. Such voices have tended to drown out the calmer, more constructive advice of Aborigines such as Margaret Valadian and her colleagues at ATCI.

Ms. Valadian in her office: "There is a widely held view that as Aborigines we should be above accountability, but this is an insult to our intelligence."
Brides of the State
Peter L. Swan and Mikhail S. Bernstam

Easy access to Commonwealth benefits for single parents has encouraged a massive rise in welfare dependency. Each taxpayer is contributing on average $200 a year towards the Supporting Parent's Benefit.

The Supporting Parent's Benefit (SPB) is one of the fastest growing items in the Commonwealth Budget. In 1974, Commonwealth outlays on SPB totalled $140 million (in 1987 dollars); this year expenditure is estimated at $1,360 million. Some 167,000 women with over a quarter of a million children are currently dependent on these benefits.

The Minister for Social Security, Mr. Howe, has recently proposed that steps be taken to ensure that the non-supporting parent pays some maintenance. This is a step in the right direction and will produce some limited savings. Nevertheless, the scheme is unlikely to be sufficient to provide the necessary stimulus to keep couples together and will do little to support the principle that both parents should be totally responsible for supporting their offspring.

The ACTU and its peak welfare body, ACOSS, have put forward a package to the Federal Government which calls for greatly increased welfare spending on single parents.

Mr. Howe appears sympathetic to this proposal, arguing that it is a myth that girls have babies to get the pension (Sydney Morning Herald, 4.2.87). This denunciation follows widespread reports that teenagers have a baby so as to qualify for the much higher level of Supporting Parent's Benefit compared with the single unemployment benefit.

Not only is the benefit level much higher, but qualification is both virtually automatic and immediate. Benefits cannot be denied because of the failure to look for work and there is no qualification period unless the nine month pregnancy counts. Often the choice is unconscious and made after an unplanned pregnancy has occurred.

Mr. Howe debunks this "myth" by the selective quotation of facts: "The proportion of teenage single mothers has actually decreased in the last ten years; only four per cent of all supporting parents are teenagers".

More to the point the number of teenagers receiving SPB rose from 4,420 in 1975 to 9,948 today, a doubling in about ten years. Some of these are separated wives or de facto wives. At the beginning of the SPB Programme (then Supporting Mother's Programme) in 1973, 36 per cent of teenage confinements were ex nuptial. By 1985 the proportion had almost doubled to 68 per cent. This rise in the proportion of children born to teenagers who are unmarried is also indicative of rising welfare dependency.

Over this period the rise in the proportion of ex nuptial births was accomplished with little change in the actual number of (ex nuptial) offspring. The rise was a result of a major reduction in the number of nuptial births. Teenage nuptial confinements declined from 17,611 in 1973 to only 4,576 in 1985. If this decline in nuptial confinements was due to improved methods of contraception and the greater availability of abortions, why have not ex nuptial confinements declined in a similar fashion?

Rise in Number of Teenage Parents

Although the absolute number of ex nuptial births by teenagers did not rise, the doubling of teenagers on SPB shows that welfare dependency increased greatly. The actual number of ex nuptial

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births is a deceptive guide to welfare dependency, since the availability of SPB pensions to teenage mothers combined with changing community attitudes has meant a virtual drying up of the number of babies put up for adoption. In 1973, about 8,500 babies were adopted but by 1985 the number had fallen almost 75 per cent. It is not surprising that frustrated couples wishing to adopt are forced to look overseas for babies, since the natural mother is now paid to raise children that were formerly put out for adoption due to limited income of the mother.

It is doubtless true that this dramatic change is associated with changing community attitudes. There is a chicken-and-the-egg problem here, as the hundreds of thousands of single mothers taking up the pension have helped to make it socially acceptable.

How did the Minister and the Social Security Review get it so wrong? They have reduced an alarming and rapidly growing social problem of welfare dependency from puberty to the grave to the status of a myth. The claim is based on the misuse of proportions: “Of all unmarried mothers in receipt of supporting parent’s benefit, the proportion aged under 20 has declined from 21 per cent in 1976 to 14 per cent in 1986”.

Left unsaid is that the number of unmarried mothers receiving SPB rose by 125 per cent over this period. “Unmarried mothers” excludes separated wives and separated de facto wives. Including these other categories the number of female solo parents receiving SPB rose over five-fold between 1974 and 1986 and rose over two and a half times between 1976 and 1986. Teenagers make up a falling share of a rapidly rising number of recipients. The fact that their numbers have not risen as rapidly as some other groups is little consolation for a doubling in welfare dependency in a little over a decade.

Table 2 illustrates how the combined disposable income of a couple with a male breadwinner and two children rises by $139 per week or 77 per cent on separating. The breadwinner moves into a smaller flat while his wife/de facto raises children in a housing commission flat which she now qualifies for. She may also go back and live with his parents. If the male is unemployed and the couple decide to separate, then their combined disposable income may go up by as much as $96 per week or once again 77 per cent. Each becomes a supporting parent with one child and both qualify for government housing (but in separate flats). Unlike the pregnant teenage girl the separating parents do not have to care for any additional children.

Table 1: Income of a Single Teenager can Increase By Becoming a Mother

<table>
<thead>
<tr>
<th>Age: under 18</th>
<th>Before Child $ a week</th>
<th>After Child $ a week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Her Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment Benefit</td>
<td>52.00</td>
<td>-</td>
</tr>
<tr>
<td>SPB Pension</td>
<td>-</td>
<td>135.20</td>
</tr>
<tr>
<td>Family Allowance</td>
<td>-</td>
<td>5.25</td>
</tr>
<tr>
<td>Rent (less if living at home)</td>
<td>60.00</td>
<td>30.45</td>
</tr>
<tr>
<td>Disposable Income</td>
<td>-8.00</td>
<td>110.00</td>
</tr>
<tr>
<td>Age: 18-20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Her Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment Benefit</td>
<td>91.75</td>
<td>-</td>
</tr>
<tr>
<td>SPB Pension</td>
<td>-</td>
<td>135.20</td>
</tr>
<tr>
<td>Family Allowance</td>
<td>-</td>
<td>5.25</td>
</tr>
<tr>
<td>Rent (less if living at home)</td>
<td>60.00</td>
<td>30.45</td>
</tr>
<tr>
<td>Disposable Income</td>
<td>31.75</td>
<td>110.00</td>
</tr>
</tbody>
</table>

Table 2: Income can Increase When Couples Separate

<table>
<thead>
<tr>
<th>Current Position</th>
<th>On Separating</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ a week</td>
<td>$ a week</td>
</tr>
<tr>
<td>His Income:</td>
<td></td>
</tr>
<tr>
<td>Earnings</td>
<td>300.00</td>
</tr>
<tr>
<td>Medicare</td>
<td>-</td>
</tr>
<tr>
<td>Tax</td>
<td>31.55</td>
</tr>
<tr>
<td>Rent</td>
<td>100.00</td>
</tr>
<tr>
<td>Disposable Income</td>
<td>168.45</td>
</tr>
<tr>
<td>Her Income:</td>
<td></td>
</tr>
<tr>
<td>SPB Pension</td>
<td>-</td>
</tr>
<tr>
<td>Family Allowance</td>
<td>12.75</td>
</tr>
<tr>
<td>Rent</td>
<td>-</td>
</tr>
<tr>
<td>Disposable Income</td>
<td>12.75</td>
</tr>
<tr>
<td>Total Disposable Income</td>
<td>181.20</td>
</tr>
</tbody>
</table>

The husband has a job (two children)

| His income:      |               |
| Unemployment benefit | 211.15      | -             |
| SPB Pension      | -             | 135.20        |
| Family Allowance | -             | 5.25          |
| Rent             | 100.00        | 30.45         |
| Disposable Income | 111.15   | 110.00        |
| Her Income:      |               |
| SPB Pension      | -             | 135.20        |
| Family allowance | 12.75        | 5.25          |
| Rent             | -             | 30.45         |
| Disposable Income | 12.75    | 110.00        |
| Total Disposable Income | 123.90 | 220.00 |

On the basis of examples such as these, it is hard to understand why an even higher proportion of low-income families do not separate and why, after relationships are terminated, new partners are found so frequently. The Social Security Review (Issues Paper No.3, pp.105-7) constructs similar examples and also expresses puzzlement especially when, as the Review points out, "it is becoming increasingly difficult to determine whether a man and woman are living together as husband and wife" and thus whether eligibility for benefits has been compromised by cohabiting.

**US Experience**

There can be no doubt that Australians have taken to welfare benefits like junkies to a fix. The doubling of the number of female teenage recipients and quintupling of overall SPB recipients in just over ten years is an almost unparalleled "accomplishment". By contrast, in the United States the number of recipients of Aid to Families with Dependent Children (AFDC) rose only five-fold over the much longer period 1950-1980. For Australia, in just over ten years the proportion of families with children dependent on sole parent benefits has increased from about 5 to 12 per cent. This includes 83 per cent of all sole parents, including males.

The US Programme which grew out of widows' pensions introduced in the late 1930s has, by contrast, only about 8 per cent of white families dependent on welfare and 37 per cent of black families with 12 per cent overall by 1980. This is one Australian challenge to US supremacy that Australia looks like winning! Australia has achieved in 12 years something which took the US 50 years.

Is growing welfare dependency something peculiar to Australians or is the ability to capitalise on the availability of benefits something for which a universal explanation based on incentives and rewards is possible?

We have put forward an explanation for the US experience spanning 20 years and 50 States, based on changes in labour market regulation. Increases in the coverage and level of the minimum wage relative to the market clearing wage at which most teenagers would be employed, combined with a minimum wage which applies to all potential workers regardless of age, ability or work-related skills, have helped to push the younger generation out of work. These measures have destroyed the marriageability of many young unskilled workers, particularly blacks, since they lack the income from a job to support a family.

In the US, unemployment benefits are generally not available to the young lacking work experience. The price of the entry ticket into a source of permanent income is the production of a baby by the teenager who cannot gain a worthwhile job or find a husband who is capable of supporting a family. In effect, she becomes married to the state, the marriage partner of last resort. Some might say: "spouse of first resort".

Until our study, it was always a mystery as to why more ex nuptial births occurred in the poor Southern states, relative to the number of females or the total number of births, than in the rich Northern states, where pension benefit levels could be up to four times higher. Researchers generally found that the response to higher welfare benefits was apparently perverse, with more teenagers responding to the very low benefits paid in the South.

Our explanation is relatively simple. The teenage population in these States is generally unskilled with a high preponderance of blacks lacking market skills and thus most likely to be displaced by the minimum wage. A low probability of obtaining a job, combined with limited earnings if a job is obtained, make even the low welfare benefits obtained in the South relatively attractive if the alternative is destitution. Of course, once the baby is born to the single parent there is no need to subsist in poverty in the South when the four-fold increase in benefits beckons in the North. The migratory flow of single mothers to high welfare states is as predictable as the regular migratory patterns of the wild geese. Statistically these predictions hold up exceedingly well in the US.

Can a similar scenario be applied in Australia? Unfortunately it can with only a few modifications. The availability of generous unemployment benefits to teenagers in Australia will have a mitigating effect on the incentive for qualifying for SPB by producing a child. By contrast, in the US an incredible 89 per cent of all babies to black teenagers are born out of wedlock. The proportion in Australia to all teenagers is lower at 69 per cent. Moreover, 100 babies are produced per 1000 black teenagers in the US and 45 per 1000 white teenagers (1980) compared with only 28 per 1000 in Australia.

The well-spring of US welfare dependency is teenager motherhood. Including separated *de facto* wives there was a two-fold increase in the number of unmarried mothers in Australia receiving SPB between 1975 and 1985 with nearly a six-fold increase in the number of separated wives receiv-
ing SPB. Thus unlike the US, in Australia the breaking of marriage bonds has proved more responsive to the lure of the pension than has activity in the labour ward.

The preliminary results from a statistical study we have carried out for Australia shows that exactly the same factors are at work. Rising teenage unemployment—and particularly its manifestation as a greatly increased duration of unemployment—has contributed to the rise in welfare dependency. The availability of the SPB from 1974 and its level relative to the dole has been a factor. Our US evidence shows that teenagers are responsive to relative benefit levels. The abolition of the six months’ qualifying period for benefits in 1980 has also been important.

![Graph: Women in receipt of Supporting Parent’s Benefit 1974-86]

### Some Necessary Reforms

The explanation for the massive rise in welfare dependency in Australia can be sheeted home to policies which have produced enormously higher unemployment, reduced prospective earning possibilities, and the easy and almost instantaneous access to generous single-parent benefits.

Knowledge of the underlying causes enables measures to be adopted which will lessen—although not eliminate—the problem:

- Improve the operation of the labour market; particularly abolition of high minimum wages and restrictions, which hinder the youth job market.
- Instead of looking for ways to raise single parent pensions from the present $1.7 billion per annum by another $10 billion per annum the Minister, Mr. Howe, must look at ways of reducing benefit levels and restricting benefits so that they are received only by those in genuine need. Fortunately, cases of SPB recipients using their pension along with undeclared sources of income to buy $400 dresses and pairs of $300 shoes in Double Bay are doubtless rare, but such abuse does go on (Sallie-Ann Huckstepp, Sydney Morning Herald, 17.1.87).
- The six-month qualifying period for benefits, which was abolished in 1980, could be reintroduced as a way of encouraging both single girls and couples to take a more responsible attitude to having children and to separating. This responsibility affects the children as much as if not more than it does other families and taxpayers generally. In cases where the marriage breakup is related to financial strain rather than (say) child abuse, the long term future of the children may be better served by preserving the family unit.
- One problem is that young babies are relatively cheap to rear, although not all parents would agree. The expenses really start to mount up once the child is going to school. A graduated pension could be paid according to the age of the child with lower benefits initially.
- The participation of sole parents in the workforce could be greatly improved. In some US States, Workfare rather than welfare is now the rule with the supporting parent required to work a minimum number of hours per week in return for the pension.

Without reform along these lines, the rapidly shrinking number of families not yet on welfare are put under further strain as they are required to support more and more families dependent on welfare. The more successful is Mr. Howe in his drive to raise outlays in time for the showdown with the conservative forces at the forthcoming election, the quicker will the remaining “complete” families collapse under the strain of higher tax payments and the lure of welfare. The welfare carrot and the tax stick are a powerful and almost unbeatable combination.

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Regulatory Burden If a proposed new code from the National Occupational Health and Safety Council is adopted, a weight handling limit of 16 kg would be imposed in the workplace, The Sydney Mirror reports. The Council has attempted to justify the new code on the grounds that the existing weight handling limits are different for females and males, and thus discriminatory. Were the new code to be introduced, four ambulance officers would be required to carry a stretcher, two persons would be needed to operate a chain saw and milkmen would have to work in pairs.

In Need of a Spell A questionnaire circulated by the newly formed Victorian Student Union to find out the needs of students has made one need in particular apparent: the need to raise standards of basic literacy. Question 19 asks “what form of support do you recieve (sic), and how much is the amount of support your recieve (sic) for each category (sic) of support applicable to you?” The question lists six items including “books/stationary (sic) and other educational expenses”. Other questions ask for responses on “gender” (sic) and “work commitments” (sic).

Greene is Well Red Soviet newsagency Tass reports that novelist, Graham Greene, in a recent lecture at the Moscow Faculty of Journalism describes himself as “in full accord with the position of the Soviet Union, striving for international detente ...” During his tour of Russia, Greene stressed his enthusiasm for KGB Colonel Kim Philby, the century’s most infamous Soviet spy. Greene, according to Encounter, referred to Philby as: “one of the most remarkable people whom fate permitted me to meet and whose figure later inspired my novel The Human Factor. Kim Philby, my colleague and comatriot, turned out to be a Soviet intelligence agent. I personally feel a great admiration for him, for the consistency with which he came to his new convictions and defended them in the struggle against fascism”.

So Popular, It Must be Right Catholic nun and former ABC Board Member, Sister Veronica Brady, has denounced Mick Dundee of the film Crocodile Dundee as a “bully” and an “epitome of the free enterprise system”, with an approach to life like that of the “New Right”. Sister Brady said she objected to the film’s treatment of Aboriginal problems and the nuclear debate. Dundee’s crimes include not being interested in politics. She quotes a recent study which showed that under Hitler, politics was considered uninteresting and was left to politicians. News Weekly notes the irony that since 1975, Australia has endured a flood of hard-core pornographic films—many of them degrading and violent in the extreme—but it is only with the success of a popular family movie such as Crocodile Dundee that Sister Brady has ventured prominently into the realm of film criticism.

Homo Australis Craig McGregor in a feature on former South Australian Premier, Don Dunstan, in Good Weekend reflects on the civilising of Australia: “Sexuality is largely socially constructed; Dunstan and others like him belong to a vital alternative tradition in Australian public life, a non-macho/arts/gay subculture which stands in absolute contradiction to the supermasculine Aussie stereotype and has been responsible for much of the ‘civilising’ of Australian life. To resort to the vernacular: better a nation of poofters than of poof-bashers”.

Black Comedy A careless remark by Archbishop Tutu has put his Australian supporters in a quandary. The anti-racist credentials of Tutu may be above reproach, but in a public lecture at La Trobe University he let slip a sexist joke which did not go unnoticed by Ruth Abbey of Clayton who wrote to The Age “... Although the joke ended up being on the archbishop its general tone was sexist and offensive to women, trading as it did on the traditional image of ugly women causing ‘suffering’ to men ... it is little wonder that feminists despair of the supposed progress made against sexism in recent decades when public figures such as Tutu perpetuate the ideas and attitudes typical of a sexist culture”.

Silent Night “Due to some queries regarding copyright laws, we make the following clarification. You can be fined for singing a hymn from the Australian Hymn Book. . . . Hymns which are marked copyright are just that. Purchase of the AHB does not give you the right to sing the hymn. Permission must still be sought from the author or publisher” (Church and Nation, magazine of the Uniting Church).

State of the Union NSW Labor Minister for Education, Rodney Cavalier’s call for a move back to basics in the classroom has been condemned by the NSW Teachers’ Federation as “middle class, white, Anglo-Saxon and male in outlook”.

IPA Review, May–July 1987
Meanwhile the Manly-Warringah branch of the same union has produced a booklet claiming that "most non-State high schools" do not provide an environment that is "conducive to the effective workings of a democratic society". On the other hand, the booklet omits to note that nations in which all schools are State run are rarely democratic at all.

**The Road to Liquidation** Employers in New South Wales are liable to fines of up to $50,000 if the health of their employees is endangered by alcohol, the National Safety Council of Australia has been told. Employees who become alcoholics through pressure of work or because they had to drink as part of their job were eligible for workers' compensation, according to Sydney Solicitor Mr. Frank Marks. Mr. Marks says that no employer has been prosecuted under the legislation, but there have been several successful workers' compensation claims for alcoholism (*The Australian*).

**Negus in Neutral** All social systems involve trade-offs; in the case of communism you give up freedom in order to gain poverty. Yet George Negus in the *Bulletin* finds he cannot choose between the liberal-democratic system of America and the Soviet-style police state: "one wonders, in this world of glasnost and Tower Inquiries, whether or not we ought to be looking at the premises for assessing our relationship with both purveyors of international propaganda aimed at proving that their particular system is the answer to the human race's political, economic and social problems? Anyone but the most close-minded zealot knows that neither of the Superpowers has the answer.

"But that sort of talk smacks of neutralism or neutrality, which many Australians would see as out of the question, wimpish, even gutless fence-sitting. Others, however, might see neutrality as something courageous, independent and making a useful point to both the Soviet Union and the United States".

**Apply with Infinite Patience** In June 1985 Mario Benci applied for a position advertised by the payroll tax section of the Victorian Public Service Department of Management and Budget. Within a week he had an interview and a few days later was offered the job. Only one formality remained. As he was not already a state public servant, his appointment had to be approved by the Public Service Board. He was told this would take about two weeks. Six months later Mr. Benci was still waiting and according to the rules of the public service the job had to be re-advertised. Mr. Benci re-applied and was once again offered the position. All that remained was for the appointment to be approved by the Public Service Board. This, he was told, shouldn't take more than two weeks. Two months later he was still waiting. Finally he received a letter of appointment. It was now more than 14 months since he had first successfully applied for the job. Mr. Benci's patience having worn out he telephoned the department to tell them he was no longer interested in the position. He was asked to confirm this in writing to allow the position to be offered to someone else because, he was told, "we don't like to see these things drag on for too long" (*The Age*).

**Promiscuity Before Patriotism** The love of which we dare not speak its name, according to the canons of left-liberalism, is love of country or of God. Phillip Adams in the *Weekend Australian* continues to brandish his scourge against all who deviate from 1970s orthodoxy. If promiscuity spreads AIDS, he argues, this nevertheless "poses far less a threat to our social well-being than, for example, the greed that Sir Joh sanctifies or the aggression we characterise as patriotism":

"I don't believe", he writes, "homosexual communities would have been so wildly promiscuous had we not branded gays as perverts..."—a theory which would predict least promiscuity where homosexuality is most tolerated, such as in San Francisco. If the theory is correct, Adams should be recommending intolerance. After all, he argues, "we need more love-making, not less".

**More Complaints Needed** "Aborigines in Western Australia are being taught to identify discrimination so that they can lodge complaints with the Equal Opportunity Commission", reports *The Australian*.

"The Commission has produced a 15-minute video depicting four typical examples of discrimination which will be shown extensively to Aboriginal communities. "The State Commissioner for Equal Opportunity, Ms. June Williams, said yesterday she hoped the commission would receive an increase on the 50 complaints it recorded last year.

"If we don't get more complaints from Aboriginal people then we have failed to get our message across in the video", she said."
Restoring Control over Unions to the Members

Trade unions, being non-proprietary organisations, have a “principal-agent” problem not found in corporate enterprises, where the members (shareholders) can discipline the officials (management) by threatening to sell their shares to more competent organisations. Since the costs of leaving a union are so high, members can capitalise on their status only by “rent-seeking” (trying to secure higher wages than they could obtain elsewhere).

In Britain, the power of union officials vis-a-vis their members was progressively strengthened during the current century by legal protection (e.g. immunity from lawsuits following industrial action and legal backing for closed shop agreements) and by increasing union influence within the Labour Party. The members eventually sought redress through the ballot box: only a minority of them voted Labour in 1979 and 1983. Thatcher’s union law reforms have curtailed immunities and imposed some internal democracy. The subsequent industrial peace may not survive a return to fuller employment, but there is little demand for repealing the reforms.


The Moral Vacuum in Public Schools

America’s schools are pervaded by moral anarchy and confusion, manifested in widespread violence, promiscuity and drug abuse. Yet the educational establishment rejects moral education as no better than indoctrination. The constitutional prohibition on teaching religious beliefs in public schools is interpreted as banning all mention of religion. A Harvard professor recently found that most of his students believed in “no-fault” history: they refused to ascribe moral responsibility for the Holocaust either to the Nazis or to anyone else.

The young need moral education, and it is not indoctrination to teach them that individuals are morally responsible for their own actions or to introduce them to the norms and concepts that sustain a free and democratic society. This does not rule out encouraging them, at appropriate stages of development, to consider alternative moral systems and to judge between them. A useful aid to moral education is juvenile and adult literature that dramatises moral dilemmas and the conflict between good and evil. “The literary device of showing instead of telling is a very effective way to convey truths to young minds”.

Australia's Drift from the Western Alliance

Although Australians generally support the ANZUS alliance, various domestic forces are gradually neutralising the significant contribution Australia makes towards Western defence. The Hawke Government stresses Australia's "independence" from America rather than the unity of the ANZUS partners. While new Soviet SS-25 missiles are being targeted on Australia, and US bases in the Philippines could start becoming untenable, the stationing here of nuclear-capable forces is ruled out by the Australian-supported South Pacific Nuclear Free Zone Treaty. Anti-Americanism is promoted by leftist parties, they are slightly less favourable than the average. Yet very often support for self-help amounts only to lip service, and does not extend to its underlying philosophy. This philosophy involves recognising (i) that America is a free society in which racism has abated sufficiently to make equal opportunity a reality; (ii) that individuals are responsible for their own actions and cannot forever blame "society" for their misfortunes; and (iii) that "mediating structures" of private, voluntary associations are uniquely suited to helping individuals meet their responsibilities.

Conservative Conservationists?

The European Community's designation of 1987 as the "Year of the Environment" signifies the coming-of-age of Europe's environmentalist movement. Yet the political colour of the Greens is disputed: some see them as red, others think they are as brown as a Nazi shirt.

A systematic survey of the opinions of environmentalist leaders reveals more interesting paradoxes. While most of them identify with the political left, and almost half support leftist parties, they are slightly less favourable than the general public towards state ownership and government intervention in economic matters. Not surprisingly, they are much more favourable than the average citizen towards "post-material" values like affirmative action for racial minorities, and are more disillusioned with political parties, government, trade unions and business. And yet they are more satisfied with the performance of democratic institutions. "Environmentalists exemplify... a belief that Western democracies should live up to their democratic rhetoric. These political orientations represent a challenge to the status quo, but it is a challenge that evolves from the past accomplishments of Western democracies".


Self-Help Spreads Among America's Blacks

For some years, black American conservatives have been arguing that much urban poverty stems from certain values that are unaffected by government programmes but that may be changed for the better by other means. Now more and more black Democrats are promoting self-help schemes such as turning over the management of public housing estates to groups of residents. Yet very often support for self-help amounts only to lip service, and does not extend to its underlying philosophy. This philosophy involves recognising (i) that America is a free society in which racism has abated sufficiently to make equal opportunity a reality; (ii) that individuals are responsible for their own actions and cannot forever blame "society" for their misfortunes; and (iii) that "mediating structures" of private, voluntary associations are uniquely suited to helping individuals meet their responsibilities.

Many black politicians resist these principles and insist that the blacks are America's victims. But blacks will complete their emancipation only when they overcome the mentality of dependence and, like Martin Luther King, espouse the vision of America enshrined in the Declaration of Independence.


Australia and Latin America: a trans-Pacific Contrast

Australasia and Spanish-speaking Latin America are the dominant cultural presences in the Southern hemisphere. If we assume that "national character" has some reality, each culture may be said to embody traditions that dominated its mother country at the time of its settlement. Eighteenth century England was aristocratic, jealous of local allegiances, enamoured of horseracing and outdoor life, and ruled by the common law. Imperial Castile was monarchical, highly centralised, resentful of partial, divided allegiances, and ruled by the Roman tradition of civil law.

The contrast sustains an architectural metaphor. The Baroque style of Spain and the Mediterranean is above all symmetrical, concentric, rationalistic, serious, and pitted against the barbarism of nature. England's style is Gothic: asymmetrical, chaotic, participatory, eccentric. Australia's Gothic cultural inheritance is most faithfully reflected in its Constitution, which successfully shares sovereignty and responsibility between
centre and periphery, and provides for the world’s strongest sub-national governments.


A Swiss Solution to South Africa

A current bestseller in South Africa is South Africa: The Solution by Frances Kendall and Leon Louw. The authors propose a system of devolved, cantonal government similar to Switzerland’s. The central government would undertake only the necessary minimum of functions. One of these would be to enact a bill of rights guaranteeing basic civil, political and property rights. All citizens would be free to live in the canton of their choice. Whites who objected to living with other races would be free to try to buy all the land in one or more cantons and then exercise their property rights over it. The scheme promises to meet black needs while allaying the fears of other groups. It also caters for the ethnic diversity within the black community.

The cantonal proposal will be resisted by those politicians of all races who want to exercise wide powers currently reserved to the central government. But it is receiving serious attention from Indaba, a multi-racial group of leaders in Natal-KwaZulu. However, real progress towards a post-apartheid constitution will be impossible unless the government releases Nelson Mandela and legalises the African National Congress and the Pan-African Congress.


The Separation of Powers as a Source of Good Government

In the United States, the Committee on the Constitutional System (CCS) is pushing for reforms reducing the separation of powers and increasing the powers of the President, claiming this would make for more “efficient” and “rational” government. But there is no evidence that democracies with parliamentary systems provide more enlightened economic policies: most of them have relatively larger budget deficits than the US. The reformers’ real aim is to promote the expansion of the American public sector: the CCS proposals stop conspicuously short of reforming the Supreme Court, whose judicial activism of recent decades has done much to extend the reach of government.

The separation of powers is as valuable today as it ever has been in preserving liberty and slowing down political change. Reformers should concentrate on improving the unwritten aspects of the Constitution.

Especially helpful would be a restoration of strong Congressional leadership, which would greatly enhance the President’s ability to negotiate effectively with Congress as a whole.


Progressive Backwardness in Education

Western educational “progressives” fall into four overlapping groups. Child-centred progressives want education to enable children spontaneously to realise their interests and potentialities. Radical progressives see education as a major tool in the radical restructuring of society. Instrumental progressives want to make education increasingly efficient in serving the economic, political and cultural needs of the wider society. Liberal Progressives want to introduce increasing proportions of the young to liberal knowledge, i.e. knowledge held to be valuable in itself, without regard to children’s felt interests or to the technical requirements of the economy. The first three varieties of progressivism are especially predominant in Scandinavia and the English-speaking countries, while liberal progressivism remains the norm in France and Italy.

Liberal progressivism offers the best hope for the future. It is always in danger of being hijacked by educators afraid to make serious educational demands on their pupils, but one of its abiding strengths is that it suffers from far fewer tensions and contradictions than the other kinds of progressivism.


Some Effects of Teacher Unions

The effect of teacher unions on the costs of public education in the USA has been the focus of much controversy. Two recent national samples of school districts have produced evidence of a strong link between teacher unions and expenditure increases per student of between 7 and 15 per cent, with a mid-range of about 11 per cent. The link was found to exist equally in large and small school districts and in large and small cities. The primary cause of the cost differential was the higher salaries paid to unionised teachers. Unionised districts did achieve slightly higher levels of productivity than non-unionised ones, but this again was offset by the cost of their higher teacher-student ratios.

The analysis thus supports the claim that the net effect of teacher unions is to benefit teachers at the expense of taxpayers. But it fails to support the claim that unions have reduced the average level of student achievement.

The Moral Revolution in Education

Geoffrey Partington

All values, beliefs and forms of behaviour are of equal worth. It sounds absurd, but this is the assumption of Values Clarification, the latest influence on syllabus designs in Australian schools.

Since 1970 there has been a virtual revolution in the treatment of moral questions in the schools of the English-speaking world. In Australia before 1970 state schools were secular both in their exclusion of the teaching of religious doctrines (apart from very limited provision for bible reading on a voluntary basis outside school hours) and their avoidance of contentious questions about which adults significantly disagreed. On the other hand, such schools acknowledged, perhaps in an unreflecting way, a moral dimension to education: they sought to inculcate virtues and moral habits such as respect for the persons and property of classmates and the schools also believed for the most part that such habituation into moral beliefs was not only instrumentally good for learning or for some other external purposes of society, but was to be valued and prized in itself as part of the formation of moral character.

These schools did not exist in a moral vacuum, but were powerfully influenced by a Christian tradition of ethics, which Romans, Anglicans and Dissenters broadly shared, despite significant disagreements between Catholics and the rest. Some Christian Churches had their own schools, of course, in which specific religious doctrines were taught and devotional practices imbued at varying atmospheric pressures, but it is doubtful whether the moral structure of the denominational or confessional schools were deeply at variance with that of the state schools. In both systems the range of prima facie moral goods was perceived to be largely self-evident, although in non-government schools additional religious reasons (Ten Commandments, Sermon on the Mount, etc) might be advanced as an underpinning of moral attachment. The child in a government school who spoke slightingly of his parents in the classroom would be just as likely to be chided for failing to honour his father and his mother as would the child who had learnt by heart the fifth commandment in a church school.

The two systems were also similar in that very little inquiry took place in the classroom into the thought and action of the child as a fantasizing individual, as a member of a peer group or as a member of a family.

The new orthodoxy which has established itself in the last fifteen years in Australia has two main features which contrast with traditional practices. The first radical breach with the past has been to insist that the whole realm of personal pronouncements on public matters is “value-free” without being valueless, “morality-free” without being immoral, and “non-judgemental” without being injudicious. The main form this new orthodoxy takes in our schools is that devised by the Values Clarification movement. The second feature has been to bring into the school curriculum and the activity of the classroom a wide range of personal experiences and relationships of students, as well as matters of public controversy.

Values Clarification

The authors of most syllabuses recommended1 for use in social education, health education, transition education, social studies, social sciences etc. in recent years rely heavily on Values Clarification

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1 Examples in South Australia, for example, include: Learning and Living: Social Studies R-7 Curriculum, 1981; Learning and Living: Social Studies 8-12 Curriculum, 1982; Religious Education R-12 Syllabus, 1978; Transition Education: Myself, 1981; Health Education Syllabuses, 1976 and subsequently; Laws for Living: Ethics and Religion, 1979; Social Control (produced on behalf of Social Education Materials Project, 1977).

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Values Clarification was first developed in the 1960s by Louis Raths in the United States. Its attraction was two-fold. First of all it gave the promise of being immensely "relevant" to children and young people, since students' own experience within their families and their peer groups and their very own opinions were made the centre of the curriculum. Secondly it allayed fears of indoctrination or moral censorship among emancipated young American teachers, who were assured that they could and should be entirely non-judgemental in their approach. The teacher's task was to enable students to clarify or to understand their own values better, not to seek to change these values at all. In Values Clarification, Raths tells us, the teacher "avoids moralising, criticism, giving values or evaluating". He excludes all hints of "good" or "right" or "acceptable" or their opposites.

Values Clarification requires that the neutral and non-judgemental teacher should ensure that all children have a fair chance to speak and are listened to with equal respect by other members of the group. Yet those procedural principles imply a commitment to values which are, alas, far from universal. It is only by being judgemental that the conditions can be established in which Values Clarification can be carried out. Howard Kirschenbaum answers2 the questions, "What about discipline? Suppose a fight breaks out, is that free choice too?", by stating "not in my classroom. Nor is cheating, ridiculing others, or several other behaviours that are going to cause physical or emotional hurt and/or that can damage the climate of trust in our group. I put a stop to those right away. But I do not pretend that this is Values Clarification". The original opposition to being judgemental is thus entirely withdrawn in so far as procedural questions are concerned, but it is morally obnoxious to suggest that behaviour which is prohibited in classrooms because it is destructive of good learning should not be condemned outside classrooms too.

Has Values Clarification simply over-extended the area in which values are merely a matter of opinion. None would quarrel with the proposition that a preference for strawberry flavour over vanilla was purely subjective; few would dispute that for a teenager to prefer to become a doctor rather than a truck driver, or vice versa, is a legitimate individual choice; most would concede to each individual a wide scope of personal values in aesthetics, although any person who judged that I sang better than Joan Sutherland might well be considered eccentric. Yet a willingness to accept some values as simply matters of taste and personal preference ought not to be extended automatically or as a matter of course to the whole of our moral life.

Sydney B. Simon and his wife Marianne were fairly frank. At the conclusion of a severe criticism of the limited treatment the traditional American schools gave to sexuality they wrote:3

"Some changes are desperately needed. Schools can no longer be permitted to carry out such a horrendously effective programme for drying up students' sense of their own sexual identity. The schools must not be allowed to continue fostering the immorality of morality. An entirely different set of values must be nourished".

A two-stage operation seems to be at work. In the first stage moral relativism is advanced under liberal or libertarian colours, and an attempt is made to convince children and young people that all opinions, values and behaviour are of equal worth, since there can in principle be no "right" answers to questions about what we ought to do. Parents are gently assured at this stage that schools ought to reflect outside society and that if a lifestyle exists it has every right to equal expression in the classroom.

Self-revelation and Values Clarification

One of the most effective methods employed by Values Clarifiers has been the technique of self-revelation derived from encounter groups and sensitivity training. In order to overthrow "the immorality of morality" Simon and Clark recommend4 "probing deeply into individuals who have private thoughts. It is hoped they will all want to share their thinking". Success in this enterprise requires that the Values Clarifiers gain far more knowledge of a student's thinking than any teachers ever sought in the past.

In many Values Clarification classrooms a wide range of information is also sought about the activities and opinions of other students or about their parental backgrounds. Such probing is surely a prima facie violation of rights of privacy. A possibly more defensible procedure is to seek a much more detailed knowledge about the personal beliefs and emotions of the students alike except that a

THE MORAL REVOLUTION IN EDUCATION

student will be asked questions about physical phenomena, about the intentions and achievements of real or fictitious persons in history and literature, and indeed, in a suitable context, about aesthetic, political and moral questions of a general character. When students are quizzed about their personal emotions, beliefs and behaviour there is not the issue of violating the privacy rights of others that arises with parents and peer groups, but students may well find themselves in a position where considerable pressure is placed on them to reveal aspects of their thoughts and activities which they have no wish to share with 30 others. Indeed, teachers, generally totally untrained as they are in diagnostic assessment, play with fire when they employ these techniques, however well-intended. They do not understand the implications of unleashing such highly charged emotions, or the results which can follow outside the classroom.

The enormous pressure on children to expose for public scrutiny their most intimate thoughts and experiences is exerted under the claim that students' values will thereby be clarified, but an indirect if not an intended result of such activities is to open children to radical reorientation in their values and loyalties. Despite their many disclaimers the Values Clarifiers offer a substantive set of moral judgements: they reject as regressive and repressive all values related to "my station and its duties" or to "persons and their interests". Moral egoism or, in Christopher Lasch's phrase, "the culture of narcissism"; or in their own terms "me and my feelings" is the core of the moral life proposed by Values Clarification and fostered by our schools. We ought not to be deceived when the fostering of moral egoism is advanced as simply a method of clarifying values in a context to which moral judgements do not apply.

Sex Education

There is little difference between most of the Australian State education departments in their approaches to sex education. Typical is the advice given to South Australian teachers by Dr. Malcolm McArthur, the South Australian Education Department's Superintendent of Curriculum, to move away from earlier modes of sex education, associated with institutions such as the Family Life Movement. McArthur writes dismissively:

"Some early attempts at health education were heavily moralistic in tone and apparently designed to scare people. We were to be panicked into driving slowly or out of sexual promiscuity or perhaps away from experimentation with drugs".

Since those bad old days an age of enlightenment has dawned, so that McArthur can advise government teachers to adopt "comprehensive health education" which "avoids moralisms. It does not categorise drugs and sex as evil and exercise as good. It helps students to explore their experience of issues."

The major work currently recommended by Australian Education Departments is Teaching About Sex: The Australian Experience, edited by Wendy McCarthy. Space only permits a very brief examination of one of the ten papers in McCarthy's collection, that by Diana Wyndham, a Research Officer in the Social Welfare Research Centre of the University of New South Wales.

In "No News and bad news: A brief history of sex education for children" Wyndham, like Malcolm McArthur, denounces old books (i.e. before c. 1969) which "emphasised the horrors of illegitimate pregnancy and venereal disease which we were waiting... to punish any teenager who dared to be sexually active". Nowadays despite efficient contraception devices and abortion on demand we have more illegitimate pregnancies, more V.D. and more teenage suicides, but this does not weaken Wyndham's panegyric of progress. She fears though that there are still some "myths" around such as "that sexually active teenage girls are more likely to have cervical cancer in later life, particularly if they have had multiple sex partners". Wyndham does not attempt to refute this research finding, but claims that it only shows that "medical research is not value-free and that in this instance medical research is blaming the victim and may be adding to the old-style fear tactics used by the anti-sex 'educators'". If only medical research had not established any connection between cervical cancer and early sexual promiscuity or between AIDS and homosexual promiscuity, the "victims" could be free of fears, old or new style!

Wyndham praises Wardell Pomeroy for his claim that masturbation is "not only harmless but it is positively good and healthy and should be encouraged because it helps young people to grow

up sexually in a natural way”. Wyndham considers that “Sex is so good and important a part of life that if children don’t happen to discover sexual enjoyment for themselves, if we really like them we will make sure they do. God! We don’t leave reading to chance in a reading environment—and then punish kids for doing it, do we?” Wyndham adds that “unfortunately, the realisation that this sensible advice is unlikely to be followed in our conservative society strongly suggests that childhood sexuality is the last of the great taboos”.

What Should Be Done

Sex education ought not to be confined to the basic facts about human “plumbing”, about the anatomy and physiology of sex. In mere physical terms human reproduction is little different from that of the rest of the mammalian order. Yet out of the convenience of dwellings we have fashioned glorious architecture, out of the need for food and drink have produced refinements of cuisine and gracious living, and out of the advantage of covering our nakedness have fashioned elegancies of dress. Most importantly of all on the basis of the need of the human child for lengthy care and succour we have developed the human family and the human capacity for affection and love which far transcends lust and selfishness, enduring though these baser sentiments are in human societies.

Our children can go through a whole school life, let alone sex education courses, without being acquainted with that selfless and indeed self-sacrificing love which is at least as typical of human beings as are lust and rapine. A television diet of Dynasty, Dallas, Prisoner and the rest is not likely to present young people with examples of those deeper feelings which are the highest and not the rarest expression of the human spirit.

Tenderness and delicacy in sexual emotions are found in many different cultures, but in societies such as our own the central Christian doctrine of the Divine Love, of pain and sacrifice freely undergone for a sinful humanity, has been a powerful force in softening and uplifting our sexual appetites. Believer or non-believer though we may be, surely our hearts have not become so hardened and our vision so narrowed that we should permit human passions to be introduced to our young people almost solely in their grossest, their most selfish and narcissistic, and even their most perverted forms?

A great obstacle to moral education is failure to provide such defensible moral reasons for conduct as children are able to make their own, but an even greater danger is to fail to ground children in good moral habits through fear that indoctrination is entailed whenever such grounding precedes children’s full understanding of the justifiability of the habit. John Wilson points out that under unconditional moral relativism of the Values Clarification type “if a pupil says, 'I’m going to beat her up because it’s Tuesday/because I hate her/because she’s black,’ all we can say is ‘Ah, that’s a point of view’”.

Our society can and must make a commitment to moral principles. Karl Popper in arguing that neither history nor nature gives us as men and women our moral ends, wrote, “It is we who introduce purpose and meaning into nature and into history. Men are not equals but we can decide to fight for equal rights. Human institutions such as the state are not rational, but we can decide to make them more rational”. Moral proposals cannot be proven right in a way analogous to scientific laws or to mathematical theorems, but this does not render them merely subjective or arbitrary. Fortunately the majority of our people, the back-sliders as well as the conscientious, accept the importance of initiating children into truth-telling, regard for the rights of others, carrying out promises, control over propensities to violence, and so on.

Satisfactory moral education is not guaranteed by labelling a school as Christian. In some non-government schools the gap between the formal moral content of school assemblies and services and the atmosphere of other aspects of school life is very wide. Values Clarification has a strong presence in many non-government schools. Furthermore, many teachers in government schools ignore the official guidelines and foster a defensible moral education. Yet, this admitted, the general state of moral education in non-government schools is at any rate less grievous than that in the state system, which many parents have deserted in recent years because they wanted their children to enjoy a more wholesome ethos rather than for career or academic reasons, although these considerations often intermingle.

A cohesive and adequately based moral education policy is an immediate necessity. Close cooperation between Christians, people of other religions, and secularists who agree broadly on what constitutes virtue and good character is one of the pre-conditions of any possible success.

N.B. Some of the questions raised in this article are explored at greater length in The Treatment of Sex in South Australian Education by Geoffrey Partington, Malvern Press, 1985 (available from Flinders University School of Education at $3).
A Rose By Any Other Name
Labor's Privatisation Initiatives
Peter Rowe

Despite their anti-privatisation rhetoric at election times, Federal and State Labor Governments have begun a giant “garage sale” of government property. However, they still lack a coherent privatisation strategy.

Privatisation of government assets has well and truly arrived in Australia—and on the initiative of Labor governments at both the Federal and State levels. While Australia has been slower than other countries to recognise the advantages of privatisation, our overburdened and indebted governments are now seeing at least some of its virtues. In recent months greater pressure has been brought to bear on Governments to reduce budget deficits and privatisation options are being considered. Both the State and Federal Governments are testing the water and finding it to their liking.

Indeed, various plans to privatise public enterprises and sell off public assets indicate that up to $3.2 billion will be raised by the Commonwealth and State Governments if they all go ahead.

Under Labor governments privatisation is taking a variety of forms. There have been sales of public enterprises—all or part—and contracting out the provision of public services. Sales of crown land have contributed billions of dollars to government coffers in recent years.

Changing Attitudes

Some eight months ago, the Federal Minister for Aviation, Mr. Morris, leaked the Liberal Party document which showed that a Coalition Government would sell off TAA (Australian Airlines). The aim of this was to embarrass the Opposition in its stance on privatisation.

The announcement on 1st April 1987 that the Federal Government was considering selling off or partially privatising a number of public enterprises including Australian Airlines, the Williamstown Dockyard and Qantas, suggests that such cheap political shots are already outdated. The Chairman of Australian Airlines, Neil Smith, proposed forming a corporation with private shareholders.

Further privatisation moves may flow in the light of recommendations from the Block Inquiry into public sector efficiency.

Having retreated from its initial wholesale opposition to privatisation, the Federal Labor Government has left a state of total confusion as to why some assets should be sold and others should not. The Minister for Finance, for example, concedes the case for selling government properties that are not returning a yield on their value at least equal to the market rate of interest. If that criterion were applied to government enterprises, there would be few retained. However, while agreeing that airport terminals and naval dockyards could be sold, the Prime Minister and the Treasurer reject the idea of selling the Commonwealth Bank, Telecom and Australia Post.

Instead, privatisation to date has been very much an ad hoc matter. The Hawke Government has gone ahead and sold the Whitlam white elephant, the Belconnen Shopping Mall in Canberra. The Commonwealth Rehabilitation Centres have been sold. The development of the Tuggeranong Town Centre which was to be undertaken by the now defunct Canberra Commercial Development Authority has also been passed to private enterprise.

In his 1985 May economic statement Treasurer Keating announced that the Government would pass the Defence Services Home Loan Scheme to private enterprise at a saving of $130 million per year. A plan to this end was prepared though as yet it has not been implemented.

Land Sales

Governments in Australia have traditionally been large-scale land holders—owning from cattle stations to domestic properties. While crown land

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sales have regularly taken place, recent announce-
ments indicate that we are seeing disposal of gov-
ernment assets on a scale which has not been seen
in recent times. Some examples of this are:

- A key element of Mr. Keating's May expenditure
  statement was the proposed sale of Common-
  wealth assets in Australia and overseas to raise
  $1 billion in 1987/88.
- In March the Victorian Government announced
  it would progressively release property worth $1
  billion for sale. This programme has a sense of
  urgency about it because the Government
  requires that $50 million worth be sold by 30th
  June. Plainly this money is required to balance
  the budgets.

On the one hand it will be said that by rational-
ising their holdings Governments are acting res-
ponsibly. Alternatively it may be that what we are
witnessing is more akin to selling off the family
silver to buy food.

Approaches of State Governments

It is Labor Governments which are now hav-
ing to deal with entrenched union resistance to dis-
turbance of privileged public service conditions.

In NSW, Premier Unsworth's election pledge
was to introduce "a more effective, efficient, eco-
nomic and equitable administration . . ."

The release of the Newcastle State Dockyard
to the private sector was seen as a way to achieve
this (it should be noted that the dockyard had lost
$30 million since 1980). However, the controlling
union's feeling that this was a threat to their power
base, and their subsequent strike action, forced the
Government to prematurely close the dockyard
with the loss of 384 jobs and potential revenue
from contracts. The fact is that had the dockyards
continued operation and the union accepted the
generous offer from the Government, there would
be 180 men less looking for work in the area and
their families would not be relying on the Govern-
ment for financial support.

According to the Premier of South Australia,
John Bannon, his Government does not privatis-
et, it is merely undertaking a programme of commer-
cialisation. Indeed, in the lead-up to the last State
election Mr. Olsen was lambasted by the ALP for
considering a privatisation policy. John Bannon
argues that commercialisation is "the quite proper
use of government resources, intellectual property
and facilities to make money for the government
and therefore the community". He argues that all
sales undertaken by the Government are structured
to ensure they remain under public control and this
is different from the Liberal Party approach.1

In a move to improve the government owned
Australian Mineral Development Laboratories' (AMDEL) financial position and to give it a better
marketing profile Premier Bannon decided to sell
off a 35 per cent stake. The South Australian Public
Service Association took exception to the sale on
the grounds that the price was undervalued (the
valuation was performed independently by
Coopers & Lybrand). Perhaps more importantly,
the union felt the Government had betrayed its
trust and has gone back on the anti-privatisation
stance so actively supported by the union in the
election campaign.

Brian Burke, in line with other Labor
Premiers, has taken his first tentative steps towards
selling off public enterprises to the private sector in
Western Australia. The Government has sold a
third of the Rural and Industries Bank of WA to a
mixture of private and public institutions. How-
ever, not wishing to give too much credence to the
Burke Government's privatisation venture, the
State-run State Government Insurance Office and
Motor Vehicle Insurance Trust did take up major
shareholdings. The sale was announced almost
immediately after the 1986 election, which saw the
Labor Party enter its second term of office, and
only two months after it had vigorously attacked
the Opposition for even considering privatisation.

This attack on privatisation was actively sup-
ported by the public service union, the Civil Ser-
vants Association (CSA), Western Australia's big-
gest trade union. Twelve months later the union is
attacking the Burke Government's economic
rationalistic (privatisation) policies, much the
same as in South Australia. Any further moves to
sell off public assets will no doubt be vehemently
opposed by the CSA as the union believes that its
power base will be seriously eroded.

The Victorian Government has taken steps to
alleviate staff shortages in several areas, for
example in the Public Works Department and the
Law Department by engaging private consultants.
This is an important step towards increasing gov-
ernment efficiency and reducing costs. However
the Victorian Public Service Association has seen
fit to protest strongly on this encroachment into its
territory. It would appear it matters not what is best

1. This does not seem a particularly helpful distinction. Mrs. Thatcher's Government has also retained control in a number of
major privatisation sales.
for the State, but what serves interest groups the best.

Nevertheless, Victorian Ministers are undeterred. In March 1987 a Victorian Government Department recommended that the Port of Melbourne Authority (wholly government owned) sell off the World Trade Centre at an estimated price of $110 million. This would make it the most expensive Melbourne building sold in recent years. The Transport Minister, Mr. Roper, supported the recommendation to sell the Centre. The Cain Government will sell off most of Victoria's 1,800 country teacher houses. In February, the Minister for Health, Mr. White, canvassed the possibility of privatising some of the facilities in private hospitals.

Premier Gray from Tasmania is Australia's only Liberal Leader in power, and it is interesting that following the defeat of the South Australian Liberal Party in the 1986 State election, he sought to distance himself from the privatisation issue. However, despite Mr. Gray's assertions that privatisation was not the path to take, the Tasmanian Film Corporation has been passed to the private sector. Additionally private contractors are engaged to perform such diverse functions as audits, road construction and printing. Indeed it is estimated that more than 30 per cent of Tasmania's government construction work is placed in private hands.

The Bjelke-Petersen Government in Queensland emphasises its free enterprise small government credentials. The Queensland Government, however, has no current privatisation programme nor is any in the pipeline. Its proposal to sell crown land on the Barrier Reef islands, which recently caused a storm of protest, seems to be a "one-off" initiative rather than part of a more general strategy. Suncorp, The Queensland Government's corporation is the State's locally based largest financial and capital investment body. Its $2.5 billion base has interests in banking, building societies, stock broking, property, securities trading and insurance, and was formed through the Government purchase and restructuring of the formerly private Bank of Queensland with the State Government Insurance Office. Therefore, instead of privatising government enterprises Queensland is expanding its government corporate holdings.

Conclusions

First, current privatisation policies are largely ad hoc responses to the need to find more revenue for governments which refuse to rein in their spending but recognise that the burden of public debt cannot go on increasing forever. There is little evidence of a responsible strategy for privatisation. Indeed, Labor Party privatisation strategy at the moment is dominated by the need to avoid Labor Party splits. This is a poor way of making policy. The dominant consideration should be to privatise where there are maximum benefits to the consumer.

Second, the Treasurer has given the impression that a major benefit from sales of public assets would come from using the proceeds to "reduce the budget deficit and reduce government debt". However, while it is certainly welcome that the proceeds are not to be used to finance on-going outlays, the benefit from using the proceeds to retire government debt would be very marginal. Selling government assets draws on private sector savings in much the same way as the sale of government bonds and, unless the net call on private savings is reduced, there will be no significant reduction in pressures on interest rates or stimulus to business investment.

The key point that has not been addressed by any of the major political parties is that the main potential benefits from privatisation come from improving the efficiency of use of national resources (capital and labour). Increasing reports of over-manning and restrictive work practices in public enterprises have made it abundantly clear that there is enormous scope to improve the national return on capital investment in such enterprises and reduce the costs of their services to both businesses and consumers. This becomes all the more vital in circumstances where Australia desperately needs to improve its international competitiveness.

The main question at issue now should not be whether or not public enterprises should be sold. Rather, it should be whether there are circumstances, such as "natural" monopoly or overwhelming social policy reasons, that would make it inappropriate to privatise. No such reasons have been advanced to date.

Finally, unlike their Federal colleagues, it is clear that State Liberal Party politicians are very reluctant to promote privatisation proposals. This defensiveness does not seem to be warranted in view of the moves of Labor Governments around Australia towards the disposal of the States' interests in public assets. A rose by any other name...
Australia's High Inflation Economy

Australia has developed into a high inflation economy; our record over the last decade and a half is significantly worse than that of most industrial countries.

In the decade prior to 1970 Australia's inflation rate (as measured by the CPI index) tended to be below the average for OECD countries. Since 1970 it has been lower than the OECD average in only four years, and in one of these years the CPI was temporarily depressed because of the introduction of Medibank.

Australia: A High Inflation Economy

If anything the inflationary tendencies of the Australian economy are becoming worse relative to other countries. In 1983, when the Hawke Government came to office, Australia's inflation rate was 10.3 per cent compared with the OECD average of 5.2 per cent. The latest figures show Australia's inflation rate has been reduced only marginally to 9.3 per cent while the OECD average is 2.2 per cent.

In the latest 12 months for which figures are available Australia's inflation was 9.8 per cent compared with Italy 4.2, Canada 4.0, U.K. 4.0, France 3.4, U.S.A. 2.1, West Germany 0.2, Japan 1.0 and Holland 1.1.

Physician Heal Thyself

In view of Australia's appalling inflation record, it is not surprising that the response of the State and Commonwealth governments to the latest upsurge in Australia's inflation has been to announce new initiatives to try to contain price increases. The Commonwealth Government has appointed Barry Jones as the Minister in charge of an army of voluntary price watchers whose job will be to report to the new Consumer Affairs Bureau any price "rip offs" they detect.

The State Government in Victoria has gone a step further and nominated 160 grocery items whose prices will, on average, be limited to a 6 per cent increase over a period of 12 months. But these moves attack the symptoms not the cause.

Moreover, these price-watchers are focusing on private sector trends when in fact public sector policies have had a major effect on consumer prices.

For instance, as the graph below illustrates, since June 1983, the increase in the price index of items whose price is determined mainly by government was 31.0 per cent. Privately determined prices increased by only 25.7 per cent over the same period. The figures suggest governments are guilty of double standards in criticising the private sector for price increases.

Nearly all States have recently announced substantial price increases, particularly in public transport, water and sewerage rates, and gas and electric-
ity supply. These increases are not subject to scrutiny by the Prices Surveillance Authority.

Public and Private Sector Inflation Indexes

Various Commonwealth actions have also added substantially to private sector prices. First a whole range of new tax imposts has added to the costs of private producers. These include capital gains tax, fringe benefits tax, and the prescribed payment systems. Since many private companies make only a few cents (1.5 cents in the case of the large food retailers) per dollar of sale, there is little option but to pass the new taxes onto consumers in the form of higher prices.

In order to protect its revenue base the Commonwealth has taken special action to prevent the full fall in world oil prices experienced in recent years being passed onto Australian industry and consumers. In 1986/87 alone, the Commonwealth will have increased excise collection on petroleum products by some $2,800 million to make up for a similar loss expected from the substantial fall in import parity prices of crude oil in 1986. Had the Government restrained expenditure in the budget it could have foregone this additional impost and thereby dampened price increases.

Government policy has also added to prices through the Commonwealth’s support for a wage increase in line with that awarded by the Commission. Following the Arbitration Commission’s March decision, wage increases in 1986/87 will most probably be over 7 per cent.

It’s time the Governments looked at their own performance rather than attempting to sheet the blame for inflation onto the private sector. It surely is a case of physician heal thyself.

Multicultural Lottery

We don’t know how much the Government actually spends on multiculturalism because many programmes with a specific ethnic, cultural or religious content are funded out of general government allocations. For example, the Commonwealth Government allocated in 1984/85 some $67 million for child care distributed at a rate of $11 to $16 per child; ethnic groups which operate their own programmes are eligible for these grants.

Putting aside such problems, S.J. Rimmer, a postgraduate student at La Trobe University, estimates in an unpublished thesis that in 1984/85 the Commonwealth Budget provided $200 million for multicultural expenditure—that is “expenditure in which a major component involves encouraging cultural identity and all post arrival services and welfare programmes specifically designed for migrants and the ethnic community”.

Surprisingly, the biggest spending department on multiculturalism in 1985/86 was Sport, Recreation and Tourism; it allocated 22.1 per cent of its $98.9 million budget.

One further point, which emerges from the graph below, is the disparity among grants to different ethnic communities, in this case in Victoria.

Victorian Government Grants to Ethnic Groups

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<th>Greek</th>
<th>Chinese</th>
<th>Polish</th>
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Why I am Working for Sir Joh

John Stone

As most Review readers will know, I recently announced that I had accepted a request from the National Party (Queensland) to assist it in fleshing out the details of the single-rate tax proposal which Sir Joh Bjelke-Petersen has recently been putting forward at the national political level. In my view equally importantly, I shall also be helping to devise the detailed policies to cut spending in Canberra sufficiently both to enable a single-rate tax to be instituted responsibly, and to balance the Federal Budget.

I should perhaps say that, living as I now do in Melbourne, I am not a member of the National Party (Queensland). Indeed I am not, nor have I ever been, a member of any political party. During my 30 years as a Commonwealth public servant I believed, rightly or wrongly, that political party membership was not compatible with retaining the capacity to serve governments, of whatever political complexion, in that apolitical manner which our Westminster system of government requires the Public Service (and particularly its more senior members) to do.

Why then have I accepted this post, particularly since it will undoubtedly involve a further upheaval of my life during the period leading up to the next Federal election? Personally, I do not welcome that prospect, nor does my family.

That question effectively constitutes the title of this article. I can best answer it by making (and then elaborating upon) three observations which seem to me central in assessing Australia's present situation and prospects:

• First and foremost, Australia today is in a fearful mess—economically and, beyond that, socially. The task of cleaning up that mess—what some time ago, in another context, I called "repairing Australia"—is increasingly urgent.

• Secondly, none of the major Federal political parties today appears ready to face up to the magnitude of that task. To date at least, none of them has demonstrated either the policy grasp, or the intestinal fortitude, which will be necessary to do so.

• In these circumstances, what can be done to ensure that whatever Government is in office in Canberra after the next Federal election will bring to its task a sufficiently hard-headed view of what needs, in the national interest, to be done?

Let me take each of these points in turn.

A Fearful Mess

As to the first, Australia today certainly is in a fearful mess. Our debts to foreigners reached $101,400 million last September. In order to go on living beyond our means (at current levels of restrictive-work-practice-ridden national productivity) we are adding to them at around $9,000-$10,000 million a year. In addition, we are selling off another $3,000-$4,000 million of Australian assets to foreigners each year. I comment on this bargain basement "fire sale" of Australia in my National Issues column in this Review.

Every family in Australia knows what must happen when its outgoings exceed its income. The family may continue in that way for a time, if a bank manager, or a finance company, or in the end a loan shark, will lend it money to do so; or if it can sell off some of its assets—the furniture, the television set, the family motor car. In the end, however, those means of putting off the inevitable outcome cannot go on any longer; the family knows that it has to face up to the real problem—the fact that it is living beyond its means—and really deal with it, rather than just go on running away from it. It can do this by working harder, or "smarter" (or both), so as to increase its real income, or by cutting back its spending.

Paul Johnson has said of Mrs. Margaret Thatcher that she is a "handbag economist". Although he used that term as a form of praise, it has been fashionable in Australia, particularly among our more simple-minded Keynesian economists, to sneer at the economic analogies between families and nations. Surely, it is said, any educated person must know that nations are not subject to...
WHY I AM WORKING FOR SIR JOH

Nations do not have "handbags".

Like so much else that has been conventional wisdom among economists brought up (badly) on Keynes, this example of the genre is highly open to question. In particular, when we address such questions as national solvency, nations really are no different from families. So, to revert to my family analogy above, Australia today has well and truly reached the point where it has to face up to the truth about what has been happening to it for some time now, and for the past four or five years in particular.

All of us owe it to our children—and my wife and I have five of them—to do so. Otherwise we shall bequeath to them a country laden with debt; a country which has lost its economic sovereignty, because lenders, not borrowers, call the tune; and perhaps ultimately most serious of all, a country which will be racked with the social divisions which those factors will produce. Make no mistake; it can happen here—and to a now significant degree it has already begun to do so.

In short, as noted above, the task of "repairing Australia" has now grown urgent. That brings me to my second observation stated earlier.

Failure of the Major Parties

Faced with such a national mess as we now have, it would be normal to look to our Government to enact policies which would set the country to rights and thereby avert the further sharpening of those social divisions just referred to.

Unfortunately, in Australia today there seems to be little real hope from that quarter. Our present Government continues to hold out synthetic hope—notably through its skilful manipulation of the media—but the reality is lacking.

So far from providing the solution, the Hawke Government seems likely to remain part of the problem. Year after year it has persistently run away from dealing with our problems—or, save for some minor lapses into veracity, from even telling us that they exist. Recently it even went so far as to canvass publicly the thought of another early election; this being the policy most beloved of Governments which wish to avoid having a policy.

Nevertheless, at some time within the next ten months at the utmost, Australians will have an opportunity of replacing this failed Government.

As to that, I think that the Leader of the Opposition (Mr. John Howard) was right when, fol-

lowing Sir Joh Bjelke-Petersen’s emergence upon the national political stage, he claimed that he and his then Coalition colleagues would have beaten the Hawke Government in the next election. In the end, the Australian electorate has a great deal of common sense. It may not care much for the look of the alternative, but it knows when the incumbents have had their chance and it is time to dismiss them. This, I believe, the electorate will now do with the Hawke Government whenever the election is held.

Where, however, I would have differed from Mr. Howard earlier this year was in his then stated assessment that the emergence of what are now called “the new Nationals” would damage the chances of achieving that change of government. That, I believe, was (and is) incorrect.

As noted earlier, it is vital to Australians’ future that whatever Government comes to office after the next Federal election should bring with it policies which do not merely tinker at the edges of their predecessors’ (including their Fraser Government predecessors’) failure but which boldly move to set us on a new course.

I do not wish to be personally critical of Mr. Howard. He is undoubtedly the best leader to be found within the present Parliamentary Liberal Party, and full allowance should also be made for the problems within his own Party’s ranks with which he has had to contend since gaining its leadership.

Essentially that concern boils down to the strong feeling that, although these parties would repair some of the errors of the Hawke Government (and also some of its predecessors’), they would not bring to that task, as things now stand, the people, the energy, or the policies which will be needed really to repair Australia in the manner now so widely seen as vital.

Yet as I move around Australia, I continually encounter expressions of concern about the likely performance in Government of the present Federal Liberal and National Parties. Essentially that concern boils down to the strong feeling that, although these parties would repair some of the errors of the Hawke Government (and also some of its predecessors’), they would not bring to that task, as things now stand, the people, the energy, or the policies which will be needed really to repair Australia in the manner now so widely seen as vital.
I would like to think that those expressions of concern are wrong. Certainly, if the policies of the next Government prove to be inadequate, we may not be given another chance to get them right. Regrettably, I have to say that I personally do share those concerns.

It is against that background that I have welcomed the general thrust of the policies which, in recent months, the Premier of Queensland has been advancing to the Australian people with his customary vigour. That brings me to my third, and final point noted earlier—namely, what can be done to ensure that whatever Party is in office after the next Federal election, it will bring to its task both the toughness of mind and the effectiveness of policies which will be needed to turn Australia around?

**Sir Joh's Agenda**

In my considered opinion, during the past few months Sir Joh has already made a sizeable contribution to ensuring a better outcome in that regard. The effects of his presence are to be seen for example in the scurry for new and lower (flatter?) tax policies within the “Coalition” ranks than those they had previously been on the point of proposing. Those effects are also to be seen in the pressure upon the Liberal Party to abandon the broadly-based indirect tax proposal.

That is not, I hasten to add, because the latter proposal is inherently wrong—on the contrary, it is inherently right. It is rather because it is also seen by its proponents as a means of raising (net) revenue in order to assist in financing any proposed reduction in the personal income tax burden. The view of its opponents (and my own view in these circumstances) is rather that at this time there should be maximum pressure on the next Government to finance lower income taxes by cutting government spending.

Sir Joh’s proposal for a single-rate system of personal income tax at a rate of 25 per cent would provide a massive improvement in incentives to work, to save, and to create jobs, and disincentives to cheat on paying tax; but its effects would go far wider.

A chief virtue of such a tax change is that in order to achieve it, it will be necessary to cut the size of government (and particularly government in Canberra) very significantly. In that and other ways it will help to raise the level of national savings, which is now urgently necessary if we are to reduce our now chronic dependence upon the savings of foreigners (which is what the balance of payments deficit really is).

Cutting taxes (and cutting government spending in order to do so) is not the only matter, as I understand it, on Sir Joh’s agenda. In some ways, there is almost an even greater need to cut interest rates. There are, after all, many small businesses in this country (including many farmers) to whom the rate of income tax will be irrelevant until, by lowering interest rates, they can once more enjoy an income.

Interest rates cannot be reduced by a wave of some magic wand. They will come down only when we can cut the pressures of borrowings by governments on the markets for funds; when, by raising national savings in that and other ways, we sharply cut our balance of payments deficit, and hence the interest rate pressures which flow from having to finance it by borrowing from abroad; and when we can sharply reduce inflation.

Reducing the size of government, and giving people back their own income to spend, or save, for themselves will itself do much to reduce inflationary pressures. Equally important in that process however will be the reduction of those pressures upon costs and prices which currently flow from the monopoly power of trade unions.

That power can no more be justified than was, earlier this century, the monopoly power of capital. Reducing it—and in the process rendering trade unions and their officials subject to the same laws, the same real Courts, and the same real Judges, as the rest of us—has been clearly stated as one of Sir Joh’s principal objectives. It is an objective which I strongly support. Indeed, I believe it will be supported by all Australians who are concerned about the industrial lawlessness into which we have allowed ourselves to drift over the past 20 years or so.

In the end, it is policies—not political parties—that I care about. I see in this initiative by the Premier of Queensland, including through its effects upon the policy-forming processes of all the Federal political parties, a real chance of turning around those policies which have brought Australia to its present pass. That is why I am working for Sir Joh.
Politicians are not slow in trimming their sails to shifts in the wind of public opinion. Such has been the turnaround of public attitudes in the past year that today no Australian Government would go to an election on a big spending programme.

Indeed, acknowledgment of the need for reduced Government expenditure has become part of the rhetoric of all political parties. Unfortunately, it is still to be translated into real resolve. If the high rate of growth of public expenditure in recent years, and the high taxes required to fuel that growth are to be turned around, firm action will have to be taken at all levels of government.

Some governments are more culpable than others. It is clear from an analysis of expenditure since 1982/83 that the Commonwealth has exercised less control over expenditure for its own purposes than it has over payments to the States. Moreover, the States as a whole have been considerably more restrained than the Commonwealth, although none of them has much to crow about.

**TOTAL OUTLAYS OF GOVERNMENTS**

<table>
<thead>
<tr>
<th>Government</th>
<th>Per cent Increase 1982/83 to 1986/87 (Est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth</td>
<td></td>
</tr>
<tr>
<td>- own purposes</td>
<td>62.0 (17.2)</td>
</tr>
<tr>
<td>Assist. to States</td>
<td>39.2 (-3.0)</td>
</tr>
<tr>
<td>All States (a)</td>
<td>46.9 (6.3)</td>
</tr>
</tbody>
</table>

(a) includes Northern Territory

Among the States, Western Australia shows the highest increase in total outlays with 55 per cent (12.2 real) and Victoria the least at 43.6 per cent (3.9 real).

However, comparison of the States' performances over time on the basis of total outlays can be misleading. Capital expenditure can vary widely as States undertake major projects at different times. The increase in current outlays on wages and services can give a better indication of a government's commitment (or lack of it) to expenditure control because outlays of this kind become ongoing commitments and are more difficult to cut back. In this area there have been some marked differences in performance, as the following table shows.

**CURRENT OUTLAYS OF GOVERNMENTS**

<table>
<thead>
<tr>
<th>Government</th>
<th>Nominal</th>
<th>Real</th>
<th>Per Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>50.3</td>
<td>12.2</td>
<td>43.8</td>
</tr>
<tr>
<td>Victoria</td>
<td>53.4</td>
<td>14.3</td>
<td>47.1</td>
</tr>
<tr>
<td>Queensland</td>
<td>64.4</td>
<td>22.8</td>
<td>54.1</td>
</tr>
<tr>
<td>West Aust.</td>
<td>60.8</td>
<td>20.1</td>
<td>49.7</td>
</tr>
<tr>
<td>South Australia</td>
<td>53.5</td>
<td>14.6</td>
<td>48.8</td>
</tr>
<tr>
<td>Tasmania</td>
<td>46.5</td>
<td>9.8</td>
<td>40.5</td>
</tr>
<tr>
<td>All States (a)</td>
<td>54.4</td>
<td>15.3</td>
<td>46.8</td>
</tr>
<tr>
<td>Commonwealth</td>
<td>63.6</td>
<td>22.2</td>
<td>55.6</td>
</tr>
</tbody>
</table>

(a) includes Northern Territory

The big spenders on current outlays have been the Commonwealth, Queensland and Western Australia, with Tasmania and New South Wales the most restrained.

Real increases in excess of 20 per cent in current outlays recorded by the Commonwealth and two State Governments in just four years are indicative of a lack of any real concern to restrict the drain of government spending on the nation's limited resources.

The growing anger of Australians at such unbridled spending for so little discernible social gain, at the constant increases in taxes and charges and at the damage inflicted on the nation's economy will not easily be abated. Nothing less than a complete turn around in the attitudes of politicians to other people's money, and drastic surgery on the bloated body of government, will do.
The Corporatism of Burke and Bjelke-Petersen

There is a curious parallel between Labor leader Brian Burke and the arch-conservative Sir Joh Bjelke-Petersen. Both are leading exponents of corporatism in government. Simplistically, this is a policy of government involvement in private sector commercial activities through government-owned corporate structures. It is the obverse of privatisation.

Sir Joh has established the Queensland Industry Development Corporation, to provide funding for higher-risk industrial and other developmental projects, and Suncorp, a corporation formed from the State Government Insurance Office and a private bank acquired by the Government. The latter is a major investment, insurance and financial conglomerate with a large shareholding in many Queensland based industrial companies.

Mr. Burke has the Western Australian Development Corporation, established with similar objectives to its Queensland counterpart but with its principal activities so far appearing to centre on generating cash from the sale of government assets. Western Australia also boasts Exim Corporation with a charter to promote trade with and investment in that State. By comparison with Suncorp, Exim has a sorry record having become involved in some disastrous ventures which to date have chalked up little more than losses from the public purse. Indeed “Exim watching” is something of a fun pastime in St. George’s Terrace these days.

One suspects that the philosophy behind Queensland corporatism is no more than commercial opportunism and the exploitation of wider sources of income for the Government. Mr. Burke’s philosophy in this area has been stated (if not clearly articulated) often enough. It stems from a belief that there is money to be made out there in the private sector, that Government has access to the cash flows needed to exploit those opportunities, and that the income so earned could ultimately replace a large part of taxation.

Adequate consideration of the fallacies and dangers of corporatism in government would require more space than this column allows. But it must be said in passing that it has the capacity to corrupt the whole political process and to provide a means of coercion of business interests that goes far beyond the accepted role of governments.

Politics is about power and power is the basis of tyranny. The power over every aspect of our lives that governments have given to themselves today already goes beyond what should be tolerated by a genuinely free people.

The presence of government in commerce, through regulation, licensing, planning approvals, tariffs, contracts and investments is already massive and is overlaid by power to legally enforce its bidding. The added power derived from governments or their agencies being able to influence the decisions and actions of major companies from the other side and hidden from public view through substantial shareholdings, loans or guarantees should cause us deep concern.

Corruption begins well before the stage of monetary kickbacks, favours and preferential contracts. It exists in any retreat from principles of fairness, equity and the integrity of government decision-makers. Or, as John Hyde recently put it, “It occurs wherever a person is diverted from his responsibilities by the hope of gain. Gain may be measured in money, office, votes and many other things”.

I do not seek to imply that the Governments of Queensland and Western Australia are corrupt because of their ventures into corporatism, but point to the dangers inherent in any government going down that path. The only safe course is for governments to stay out of commerce and restrict their role to framing the rules under which the game is played.

As an aside, it can be said that if corporatism in Queensland and Western Australia is to be judged by the narrow standard of the contribution made to revenue and the consequent reduced need for recourse to taxation, Sir Joh seems to be doing quite well out of it while Mr. Burke’s version is making heavy weather of it.

As noted above, Queensland and Western Australia are clear leaders among the States in the growth of current outlays since 1982/83 with increases of 64 per cent and 61 per cent respectively. In the same period, revenue from taxes, fees and fines in Western Australia has increased by 64 per cent (only Tasmania is higher) compared with a 42 per cent increase in Queensland (with Victoria, the lowest increase of all the States).

To the extent that Mr. Burke has obtained additional income from his venture into corporatism, it has served only to fuel higher government expenditure. Western Australian taxpayers are yet to see any benefits.
Expenditure Limits the only way to go

The revelation earlier this year that the Net Public Sector Borrowing Requirement of the States and Local Government was estimated to increase by 45 per cent to $7.1 billion in 1986/87 triggered acrimonious exchanges between Mr Keating and some State Treasurers, each accusing the other of lack of spending restraint.

The Premiers claim, with some justification, that the figures recently given so much prominence are only estimates usually subject to substantial downwards revision. Be that as it may, there seems little doubt that notwithstanding the cut in Loan Council approved borrowing programmes the States have been able to increase capital outlays by drawing more heavily on internal funds and balances. The latter (which include, in some cases, borrowed funds squirreled away in later years) constitute a significant source of funds for State and Local Governments, as the following figures show.

**STATE AND LOCAL GOVERNMENTS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Expenditure (a)</th>
<th>Loan Council Grants (c)</th>
<th>Internal &amp; Other Funds (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M</td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>1982/83</td>
<td>11,525</td>
<td>7,658</td>
<td>2,099</td>
</tr>
<tr>
<td>1983/84</td>
<td>12,571</td>
<td>8,201</td>
<td>2,556</td>
</tr>
<tr>
<td>1984/85</td>
<td>12,601</td>
<td>8,769</td>
<td>2,633</td>
</tr>
<tr>
<td>1985/86</td>
<td>13,652</td>
<td>8,779</td>
<td>2,657</td>
</tr>
</tbody>
</table>

(a) Gross fixed capital expenditure plus increase/decrease in stocks.

(b) Loan Council program (including capital grants) and Global Borrowing Allocation.

(c) Specific purpose grants for capital purposes.

With funds from internal sources providing for about 15 per cent of capital expenditures, there is clearly considerable scope for the States to compensate for changes in Loan Council borrowing allocations by varying the call on internal and other funds.

From the States' viewpoint this is seen to be no more than sensible financial management. Funding of works under construction is not easily switched on and off and State Governments try to avoid wide fluctuations in capital expenditure with attendant disruption to private sector activity and employment.

The 1984/85 experience is an illustration of the point. In that year the States and Local Government obtained an increase of $568 million in aggregate Loan Council approvals when expenditure on capital works barely increased over the previous year. The reduced draw on internal funds combined with increased balances held in the form of paper purchased from the private sector (the cash flow equivalent of lending) partly offset borrowings by the sale of semi-government securities. ABS estimates indicate that as a result, the net public sector borrowings of the States and Local Government fell by almost $1 billion in that year.

The reverse of that process appears to be happening this year as the States draw on internal funds to make up for the reduction in borrowing approvals. This requires the realisation of investments by selling securities back to the private sector to obtain the cash.

This capacity of the States to offset Loan Council borrowing restrictions poses a headache for the Commonwealth. The public sector borrowing requirement for 1987/88 must be cut back hard and to this end the Commonwealth can be expected to move in Loan Council for a deep cut in the States global borrowing allocation for next year. But there must be doubt as to how much effect that action will have on actual net borrowings as the States could still have sufficient in reserves to maintain expenditure (and hence net borrowings) for another year.

Moreover, Premiers are adept at using tough Premier's Conference and Loan Council decisions as an excuse for increasing State taxes and charges. The temptation to add another 1 or 2 per cent to planned increases in electricity and water charges, etc., to generate additional funds for their works programmes will be strong. The Commonwealth will want to avoid further inflationary pressures of that kind.

All of this means that the appropriate course for Mr. Keating would be to push for a commitment from the Premiers to constrain total public sector outlays to, at the most, zero real increase in 1987/88. The Premiers need to be forcefully reminded that together they are responsible for half of Australian public sector outlays and that the States have no less responsibility than the Commonwealth for reducing the public sector drain on domestic savings.
DEFENDING AUSTRALIA

Harry Gelber

Flaws in the White Paper

The new White Paper on Defence has been greeted by almost universal applause. Much of that is deserved, for it is an able document, in clear line of descent from the 1976 White Paper and the rather agonised discussions which took place after the Vietnam War about Australia's future defence role. It is likely to be welcomed within the defence community, in Washington and in most places in Southeast Asia.

For one thing, it moves helpfully away from the inward-looking tone of the strategic perspectives of the Dibb Review and the limiting implications of Paul Dibb's Strategy of Denial. Though it provides a framework for the adoption of most of Dibb's force structure recommendations, it explicitly recognises that the Australian Defence Force may need to co-operate with allies, might be required to operate beyond Australia's "region" and that an effective defence strategy is likely to involve preparation for retaliation and attack.

The White Paper gives a proper and primary emphasis to the American alliance and points out, yet again, that its mere existence itself largely depends on the links with America, for instance in intelligence matters and weapons purchases.

As in most documents of this sort, there is a certain amount of hyperbole. The stress on "self-reliance" in public discussion, for instance, is only a rhetorical device. We are not self-reliant and cannot be, least of all on defence expenditures of less than 3 per cent of GDP. The phrase is only useful if we take it to mean that we should do as much for and by ourselves as we can. Similarly, the White Paper's concept of "layered defence" sounds grander than the reality behind it. While the practical suggestions are sensible enough as far as they go, to describe an ability to detect and track as one "layer" of defence is a curious use of words.

But there are more serious worries about the Paper. For one thing, its assertion that Australia's environment is favourable can be questioned. Though true in strictly military terms it has suffered from political deterioration in recent times. ANZUS is not what it was. Relations with Indonesia have worsened. The Soviet military and political presence in the Pacific, including the South Pacific, has grown. In fact, Australia's claim to a sphere of influence in the South Pacific—that is not what we call it, but that is what it is—is under severe challenge and may not be sustainable. And, as always, there could be changes in larger power alignments, for example in relations between China and the Soviet Union, or between Japan and the USA, or a more intent southward look by India, or an end to the Iran-Iraq war which destabilised the Gulf region. Any of these developments could have a major impact on Australia's national interests, including consequences which involved the use or threat of force.

This leads to the second concern. The Paper tends to perpetuate the assumption that defence and foreign affairs are somewhat separate activities. But contemporary problems are often caused less by direct attack than by politico-military pressure. Though the White Paper is correct to say that the Soviet base at Cam Ranh Bay is vulnerable in the event of an all-out Soviet-American war, in most contingencies short of that it can be a major means of exerting or aiding the use of politico-military pressure in the region. The White Paper may give insufficient stress to the notion that direct military threats, whether at high or low levels, are

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by no means the only or even the most likely problem.

It is therefore not enough to say, as Mr. Beazley does, that the Soviet Union does not have air or naval predominance in the region. There are certainly grave doubts about the White Paper’s view (para 2.31) that there is a contradiction between the Soviet military presence and the political goodwill which Moscow seeks. The attitudes of States in the region will not be shaped by the “sincerity” of Soviet gestures but rather by their unsentimental calculations of Soviet power and credibility.

The White Paper also reflects conventional wisdom by emphasising “our region”. But Australia’s national and security interests are inevitably wider than its region, and dangers within it are less likely to arise than ones outside. The Paper refers to the global purposes served by such things as the Joint Facilities and briefly considers the possibility of military action farther afield. But the proposed force structures would give Australia less than a token role in the Northern Indian Ocean, or the Gulf, or the waters off Korea. And the strategic innocence of the Antarctic will only last for as long as that continent remains demilitarised, something which is desirable but cannot be taken for granted.

Even more important, there is no mention of outer space. Yet it is certain that by AD 2000 some powers will have mechanisms in orbit capable of affecting not just satellites, including Australian ones, but aircraft and even targets on the ground. None of this receives attention, any more than the likely impact of advanced weapons systems which might be used against us from within or beyond that region, not necessarily by a superpower. New generations of advanced cruise missiles, even with converted warheads, could be a case in point.

There is more conventional wisdom in the great emphasis on the benefits we receive from the US alliance as compared to the contributions we can or should make to it. But one can reasonably ask whether the admittedly very important role of the Joint Facilities plus an enhanced (and overdue) ability to defend our shores against low-level attacks is really all that we can be expected to contribute to an alliance which, to be healthy, must be a two-way street. Self-defence is a necessary start. Whether it is, by itself, sufficient is another matter.

There is also the key question of costs, which Mr. Beazley has inevitably left a little vague. It is not clear how defence will fare in a period of public sector cuts. And the White Paper argues realistically that costs place severe limits on force structure plans and that it is not plausible simply to propose wish lists of what we cannot afford. But defence gaps do not become less real because a government, or a society, cannot or will not pay to fill them.

For example, while the Government’s proposal for a two-ocean navy is very welcome, it is not clear that even after the proposed increase in numbers of ships the RAN will be large enough to have more than a token in either West or East. Equally, it is clear that the RAN cannot continue to rely on land-based air for operations at any distance from our shores. If integral air is not to be provided, air cover will have to come from allies. If so, that expectation and its implications should be more clearly spelt out.

Most of the suggestions about rationalisation and efficiency in defence industries are welcome, in particular the notion that government-owned entities must operate according to commercial criteria. Many of these suggestions could and should have been introduced a decade ago. So should the proposal to encourage Australian industry to participate more strongly in offset arrangements. It has for many years been a public scandal that so many of the offset activities available in relation to weapons and equipment purchases from the US have not been taken up because Australian manufacturers could not or would not undertake the work. If Mr. Beazley (and Senator Button) can change that situation, they will have done the country a major service.

One other gap in the White Paper must be mentioned. It says nothing definite about the need to retain more of the highly-trained personnel of all ranks who are currently resigning from the armed forces in alarming numbers. Whatever the other merits of Mr. Beazley’s defence plans, they will come to nothing if competent men and women cannot be attracted to the services to carry them out. Maybe the new Chief of Defence Force, General Gratton, should try to get a Gurkha regiment or two. Or what about an Australian Foreign Legion?
Paul Dibb's Myths about the USSR

Gerard Henderson

Mr. Paul Dibb is a rising star in what Dr. Robert O'Neill refers to as the “twin communities of academia and intelligence analysts”. This rise and rise has seen Mr. Dibb occupying such important positions as Deputy Director of the Joint Intelligence Organisation (JIO), Head of the National Intelligence Committee’s National Assessment Staff and Senior Research Fellow in the Australian National University’s Strategic and Defence Studies Centre. The culmination of all this was Mr. Dibb’s appointment as Director of the Joint Intelligence Organisation in January 1987.

Paul Dibb is no academic ivory-towerist. His March 1986 Review of Australia’s Defence Capabilities (the Dibb Report) sparked a wide-ranging debate on Australia’s defence and foreign policies. Most of the Report’s recommendations on the structure of Australian Defence Force have been accepted in the recent Defence White Paper.

Certainly there are some significant differences. The White Paper stresses the need for “defence in depth” in preference to the Dibb Report’s advocacy of a “strategy of denial”. Also the White Paper emphatically states that “an extension of Soviet influence in our region at the expense of the United States would be a matter of fundamental concern to Australia and would be contrary to our national interests”. The Dibb Report does not contain any such blunt warnings.

But, by and large, the force structure recommendations in the Dibb Report appear to have found acceptance in the 1987 Defence White Paper. Mr. Dibb this is no mean achievement. In tabling the White Paper the Defence Minister, Mr. Kim Beazley, paid tribute to Dibb’s work and said that “whatever his critics might think of the product of his review it has set a new standard for defence debate in this country”.

Paul Dibb is that sort of person. He aims to set standards. Since his appointment as Director of JIO Mr. Dibb has moved from one important position to another. He will no longer be responsible for making force structure recommendations that will affect Australia’s defence capability beyond the turn of the century. His present responsibility is to provide top level technical advice to the government of the day on Australia’s security. For any public official this is an awesome responsibility.

Never before has Australia had such a high-profile director of the Joint Intelligence Organisation. Mr. Dibb’s current views and assessments are not only available in his Review of Australia’s Defence Capabilities. There are also many journal articles, conference papers and monographs (including a regional study on Siberia and the Pacific). The most recent of this significant output is an important (if, so far, little noticed) book entitled The Soviet Union: The Incomplete Super Power, published by Macmillan and the International Institute for Strategic Studies in early 1986.

The Australian’s Washington correspondent, Peter Samuel, has described Dibb’s book as “fascinating” precisely because it gives a rare insight into the attitudes and methods of a senior figure in the intelligence world. As Samuel has pointed out, “most men in Dibb’s position… have published little, so there are few clues to their analytical method, political frame of reference or intellectual depth”. With Dibb, instead of a molehill we have a mountain. It is well worth exploring.

The Soviet Union: The Incomplete Super Power contains many useful insights. It makes sense to examine the USSR’s weaknesses—e.g. its ailing economy and the nationalities problem—as well as its strengths. There is little point in overestimating the strength of any country and certainly Mr. Dibb does not fall into this trap with the Soviet Union. On the technical side, however, the book is seriously flawed. It is quite unsatisfactory that a publication issued in London in March 1986 should appear to have been completed before Mr. Mikhail Gorbachev became General Secretary of the Communist Party of the Soviet Union.
the Soviet Communist Party in March 1985 and contain no reference to President Reagan’s Strategic Defence Initiative which was first announced in March 1983. The end result is that *The Soviet Union: The Incomplete Super Power* was seriously dated before it was published. At the very least an attempt should have been made to make some contemporary assessments in the preface.

But the more serious criticism of Mr. Dibb’s book is that it contains and perpetrates a number of myths about the Soviet Union.

The Detached View From Moscow Myth

Mr. Dibb makes much of the fact that his book “attempts to contribute to the current debate about the Soviet Union’s future by presenting a perception of the world as seen from Moscow”. Scattered throughout are references to the assumed views of “a prudent Soviet military planner” or, indeed, “a prudent military planner in Moscow”. There is mention of “the Soviet perspective”, “the Soviet view”, a “reasonably authentic Soviet world view” and “the Russian mind”. And so it goes on.

This is all very simplistic. The implication that there is a Soviet position or attitude which can be understood by the Western powers is highly dubious indeed. The fact is that there are many Soviet views and that, from time to time, even the official view may change. From Lenin, to Stalin, to Khrushchev, to Brezhnev, to Gorbachev there have been some significant changes. It is idle to pretend otherwise or to suggest that, somewhere or other, there exists an ideological key capable of unlocking the “Russian mind”.

The Reasonable Man Myth

Mr. Dibb sees himself as a man of eminent (and obvious) reasonableness and moderation. This is all very nice for his self-esteem but is not very helpful in analysing the policies of Stalin’s heirs in Moscow. According to Dibb, it is rather “too simplistic to divide the world, as some American commentators do, between the forces of good and evil”. This, we are told, is a “dangerous attitude”. Paul Dibb classifies most of those who take part in “the debate in the West about Soviet military capabilities” as either “hawks” or “doves”. The reader becomes increasingly depressed about the poor standard of the debate until the author lets on that “in recent years... there has emerged a more balanced and carefully analysed alternative position which lies somewhere in the middle of the spectrum”. Just as the reader is about to mutter “Thank God”, Mr. Dibb advises that he “has much in common with the work of these moderate analysts” (Thank God, again).

As one would expect from so moderate a man, Dibb believes that to maintain that the Soviet Union is an evil empire (as President Reagan once did) is to exhibit a “false sense of moral self-righteousness”. But is it? Was Churchill self-righteous because he came to the sincere belief in 1939 that the Nazi regime was the embodiment of evil? Today the Soviet leadership belongs to the same all-powerful political party that created the terror and the purges, murdered the Ukraine peasantry during the forced famine of the 1930s, negotiated the Nazi-Soviet Pact and which continues to suppress individual rights and the aspirations to freedom of half of Europe. Why is it self-righteous to recall contemporary history?

The 20 Million Dead Myth

*The Soviet Union: The Incomplete Super Power* is littered with references to the alleged 20 million who died in “the ‘Great Patriotic War’ against Hitler’s Germany” and to the traumatic effect which this has had on the Soviet psyche. Certainly the USSR suffered heavily between 1941 and 1945. But any analysis of the effect of war on the Soviet psyche should not neglect the Nazi-Soviet Pact of 1939-1941. The Hitler-Stalin Pact actually initiated the Second World War and the USSR still contains within its boundaries many of the ill-gotten gains that resulted from this infamous treaty.
The myth of the 20 million dead has been seriously disputed by Nikolai Tolstoy who maintains in *Stalin's Secret War* that this figure includes Soviet losses during the Nazi-Soviet Pact (e.g. the severe casualties suffered during the Soviet invasion of Finland) and many of those who died in Stalin's on-going war against his own people. The figures just don’t add up. Between 1914 and 1917 Russia was defeated on the Eastern Front at an estimated loss of 1.7 million dead. Between 1941 and 1945 the German Army is estimated to have had 2.5 million killed during its military defeat in the East. The USSR won the battle on the Eastern Front during the Second World War but maintains that its casualty rate was eight times that of the force it defeated. It just doesn’t ring true. But this figure has been accepted by Mr. Dibb and others as somehow or other explaining Moscow's alleged paranoia about its security.

There is another explanation for the evident Soviet paranoia that so disturbs Mr. Dibb. Stalin’s heirs in Moscow lack legitimacy. The Soviet leadership has survived through terror and it presides over an official ideology, Marxism, in which nobody believes (i.e. outside of the West). Totalitarian regimes that lack legitimacy tend to be paranoid—whether or not they have been involved in traumatic military engagements. But, in any event, what is important about paranoia is not the cause but the treatment.

The Incomplete Super Power Myth

The title of Mr. Dibb’s book is disconcerting. The implication is that the USSR is the (rather than an) incomplete super power. But surely both super powers are incomplete. Moscow is hindered by a weak economy. But Washington is shackled by the political restraints of being a democracy—as the issue of aid to the Nicaraguan Contras vividly demonstrates.

Paul Dibb has an ambivalent attitude to the Soviet economy. He believes that “Soviet economic achievements have been striking” (say that again?), yet maintains that the system “which was successful in industrialising a backward economy half a century ago seems incapable of adapting to the demanding requirements of lifting productivity in a modern industrial state”. This is a dubious assumption. The Soviet economy has been a constant poor performer since 1917. But during that time the USSR has become a mighty military power that directly controls half of Europe. Viewed in this light, any significant improvement in the Soviet economy could well lead to greater, not less, international disorder. This is a consideration which Mr. Dibb overlooks.

Paul Dibb believes that the real danger to the West lies in an economically weak USSR contributing to “greater global disorder and disruption which could result in some major external miscalculation”. I’m not so sure. In my view an economically strong Soviet Union will be a greater threat than an economically weak one. To this extent Mr. Gorbachev’s mooted reforms do not automatically suggest the ushering in of a new international period of sweetness and reasonableness between the super powers.

The Value of Soviet Moderation Myth

According to Mr. Dibb we should all take some comfort in the fact that Soviet behaviour in international crises is “conservative rather than radical, cautious rather than reckless, deliberate rather than impulsive, and rational rather than irrational”. Once again, I’m not so sure. If Hitler had acted rationally he would have controlled most of the world by dint of military might. To maintain, as Dibb does, that “unlike Nazi Germany, foreign policy expansion is not a vital necessity for the USSR” misses the point. The issue is not whether expansion is a “vital necessity” for the Soviet Union but, rather, whether the USSR is expansionist. And even Mr. Dibb admits that the Soviet Union is an “inherently expansionist state”.

The Let’s Be Careful Myth

Mr. Dibb’s advice to the West is that it should concentrate on “economic competition” and that it should “not over-react on the occasions (which are relatively rare) when the USSR makes an apparently spectacular gain in the Third World”. Above all, “the West must leave a door open to the USSR”. I certainly hope that the United States does not leave such “open doors” in Central and South America. Otherwise the whole future of western democracies could be threatened.

Warnings

The Soviet Union: The Incomplete Super Power postulates many myths. But it does, however, contain one timely warning. Paul Dibb concedes that “the Soviet Union has often used the Soviet armed forces as a political instrument in support of state goals, without going to war”. This,
surely, is what the Soviet threat is all about. As such it does not make all that much difference whether the USSR is, or is not, an incomplete super power. There is a message here for Australia as the Soviet continues its build up in the Pacific.

From time to time Paul Dibb does come up with important warnings. In 1983, for example, he wrote:

“The Soviet military lodgment in Indo China is likely to continue, at least through the 1980s, and removing that presence, which is potentially threatening to regional security, should be a central Australian policy concern.”

One year later Mr. Dibb recognised that:

“The demise of the ANZUS Treaty, or even severe political tensions within it, would have several important strategic benefits for the Soviet Union... A break up of the ANZUS Treaty would be of enormous benefit to the USSR's world-wide interests.”

By the time Mr. Dibb came to write his Review of Australia’s Defence Capabilities the Soviet build up in Vietnam had ceased to be “potentially threatening to regional security” and had become, instead, merely a development in the region which required “close attention”.

On the South Pacific the Dibb Report concluded that:

“Current strategic guidance identifies no likelihood of adverse effects on Australia’s security from developments in the South Pacific in the next decade. But it also notes that access by the Soviet Union, especially the establishment there of a presence ashore, would be cause for concern.”

Since the Dibb Report was completed, the Soviet Union has become increasingly involved in the South Pacific—especially with Vanuatu. What is more, Libya has shown that it is willing to stir up trouble in the region, e.g. concerning the future of New Caledonia. Recently Fiji appears to have “done a New Zealand” on visits by the United States Navy.

Perhaps in his Review of Australia’s Defence Capabilities Mr. Dibb should have paid more heed to his 1983 comment that “the warning time for some political and strategic events is extremely short” and that “we are often surprised by the unpredictable or irrational act of a nation state”.

The recent developments in the Pacific have disturbing implications for Australia. The USSR may, or may not, be the “incomplete super power” and it may, or may not, be shackled by what Paul Dibb terms its “semi-developed economy”. But Soviet power, and that of its allies, is increasing in the Pacific. That’s no myth.

HAL WARREN
(1913–1987)

It is with very great regret that we record the death of Hal Warren.

Hal was associated with the IPA for some thirty years, first as Secretary and then, for the year preceding his retirement, 1977, as Director. His contribution was considerable.

Hal was utterly dedicated to the causes for which the IPA was working and, apart from his distinctively secretarial responsibilities, was, because of his economic knowledge (acquired as a graduate of the University of Melbourne) of great assistance in the production of the Institute’s publications.

Over the years he made a major contribution to the financial stability of the IPA, both in his untiring attention to the Institute’s subscriptions and in the conscientious care that he exercised in the expenditure of the Institute’s funds.

Hal had an exceptionally wide circle of friends and acquaintances in business and was universally liked and respected. The secret of his great popularity stemmed from his kindliness to others and his transparent honesty. He was completely reliable and therefore trusted by everyone who knew him. He was a good man to have as a friend.

Apart from his work with the Institute, Hal was always ready and eager to assist in worthwhile community causes. Nothing was too much trouble. He was a true lover of his country and its history. On his retirement from the Institute he served notably for nearly 10 years as Director of the Royal Historical Society of Victoria.

The tremendous regard in which Hal Warren was held was demonstrated by the remarkable attendance at his funeral service. The large church of St. George in Glenferrie Road, Malvern, was spaced to capacity, with probably over 500 mourners.

We extend our deepest sympathy to his wife, Bess, his son John and his daughter Claire.
Conservatives are making the news on campus

Ken Baker

For 20 years student newspapers have by and large been power bases of political extremism. On a small but growing number of campuses around Australia, however, the stranglehold of the far Left is weakening. Ken Baker spoke to some of the student editors who are turning the tide.

On the campuses of the ANU and the University of Sydney a democratic revolution is under way. Its most significant victory to date has been the successful storming of the citadel of the Left, the student press. In the offices of the ANU's Woroni and Sydney University's Honi Soit there now hangs a portrait of Queen Elizabeth II. At Woroni the Queen's portrait, flanked by the Australian National Flag and a map of the United States, deposed one of Lenin. The symbolism could not be more striking.

Editors of both papers—all of them full-time students—are elected directly by the student body. Both teams ran their election campaigns along similar lines: a promise to open the paper to a wider range of views and place less emphasis on politics, particularly the exotic political causes that had been championed relentlessly in the student press by the far Left. When Gerard Wheeler and Stephen Kirchner—as part of the winning coalition team of Liberals and moderate Laborites—moved into the Woroni office the first thing they had to do was paint the walls, to cover the slogans scrawled there abusing them, calling them "fascists" and "lackeys, of US imperialism". The slogans were as hackneyed and bigoted as the student newspaper had become.

A third student paper with similar goals, launched in August last year, has also entered the campus scene. Called Australian Student News and based at the University of Queensland, it is distributed to 30 campuses around Australia and has a print run of 55,000. James Power, one of a team of 4-5 active editorial staff, says that the aim of establishing ASN was to produce a quality readable newspaper representative of student opinion. That opinion, he believes, has shifted to the Right in recent times.

Before its change of direction at the start of 1986, Honi Soit, according to editors Brendan Wong, Fiona Gray and Nick Stravs, had fallen into the hands of a tiny left-wing clique who had little to say to the majority of students. For a while the extremism of the paper had a certain shock appeal—a special issue, for example, was run on lesbianism—but this was hardly what most students wanted from the publication which their union fees financed.

Woroni suffered from much the same problems. Its last issue under the old regime carried articles about animal liberation, women against racism, Pine Gap, a socialist critique of neoclassical economics and a piece reprinted from the communist paper, Direct Action, pleading the case for the down trodden BLF. An article called "The U.S. War on Nicaragua" applauds the Sandinista regime for closing down La Prensa, the country's only independent newspaper, because it had become an "organ of internal reaction and external aggression". The importance of a free press is not a value that emerges from Woroni under its former editors.

Perhaps the question should be not why the Left lost control of these papers, but how it retained control for so long. One reason is that few students—as few as 20 per cent—bother to vote at student elections, a factor which has tended to favour the Left which for many years has consisted of the most politically committed and highly motivated at universities. In other words, the Left has been the most able at activating its base of support. Conservatives on campuses have tended to be disorganised, ineffectual or simply apathetic.

All the editors with whom I spoke, however, believe that there has also been a shift of the
CONSERVATIVES ARE MAKING THE NEWS ON CAMPUS

majority opinion on campus away from the Left. Brendan Wong, who is also President of the Sydney University Liberal Club, has watched the club grow from a base of less than 50 three or four years ago to 400 strong today and the largest political club on campus. The ANU Liberal Club, in which Kirchner and Wheeler are actively involved, has quadrupled its membership over the same period. But, says Wong, the key factor may be less the changing attitudes of the student majority than that “the Right finally got organised” and presented a credible, confident alternative. He quotes Edmund Burke: “the easiest way for evil to triumph is for good men to do nothing”, and this he believes is what had been happening.

Woroni 27 April 1987 reports on the ANU Liberal Club’s protest against ANC leader Oliver Tambo, looks at the advantages of privatisation and celebrates the spirit of Anzac.

Diversity and Dissent

The new-look Woroni and Honi Soit are eclectic papers—much more so than Australian Student News. In Honi Soit, a hard line anti-communist article is followed by a defence of nuclear-free zone treaties. In Woroni, a feminist page, “Sisters Unite”, is followed by a conservative Christian page, sponsored by the Bible Society (neither page, unfortunately, makes exciting reading). This eclecticism is as much a consequence of the chronic shortage of contributions—so that virtually anything submitted gets published—as it is of the editors’ policy of fostering a representative pluralism in their papers.

But the most refreshing feature of the papers is the current of dissent from the orthodoxies of the 1970s which runs through their pages. A mischievously inserted note on Woroni’s contents page reads: “Inspiration: Ronald Wilson Reagan, President of the United States of America”. A quiz for freshers recommends that those with a particularly low score would be better off being “parasitic on the taxpayer...as a poet in residence with the ACTU”. And a new regular feature, “The Student Broker”, gives investment advice. Both papers enjoy satirising the Left as quaint people whose minds, in a state of suspended animation, are still befuddled by 1960s flower power.

There is of course a serious side as well. Kirchner in Woroni reports on a Sydney conference to strengthen ties between democratic nations in the region and intelligently reviews a number of books in the controversial area of peace research. But the highlight of Woroni’s first issue is the juxtaposition of Shadow Education Minister Peter Shack’s reassurances to students that a Liberal Government would abolish the $250 tertiary administration fee and not introduce tuition fees with a critical column by editor, Gerard Wheeler. For a student editor to criticise Liberal Party policy on education is hardly news; but it must be unprecedented for that criticism to accuse the Liberals of being too wet. Wheeler argues, perhaps a trifle optimistically, that “university students are becoming increasingly aware that the current level of taxpayer funding for education cannot continue. One need only look at the dismal attendance at anti-fee rallies to realise that. If one looks at the faces at these events, the same lefty rent-a-crowd continues to appear. It is obvious that many of the so-called student leaders are neither students nor leaders”. His view, shared by Kirchner, is that “much of government spending on higher education is middle-class welfare”. The government, he believes, should cut the level of funds to higher education and give tertiary institutions the autonomy to charge fees or seek corporate sponsorship. He argues that unless the Liberal leadership is prepared to bite the bullet on educational expenditure then it is not serious about cutting taxes or the size of government.

Wheeler’s views are not shared by all the editorial team at Woroni. The debate on fees is hot on tertiary campuses and it divides students at the ANU as much as at Sydney—including the Honi
CONSERVATIVES ARE MAKING THE NEWS ON CAMPUS

Soit editors (Gray supports fees with scholarships, Wong does not).

Right Agenda

Two other issues are rapidly rising on the agenda at campuses, and both are being put there by the Right. The first is voluntary student unionism; the second is the waste or misdirection of student funds by elected officials. The two issues are related. At present, because membership of a union is compulsory for students, those who disapprove of their money being used to subsidise politically dubious causes or extravagant projects cannot protest by withholding their dues.

For a student editor to criticise Liberal Party policy on education is hardly news; but it must be unprecedented for that criticism to accuse the Liberals of being too wet.

The student editors with whom I spoke see their papers as playing an important role in exposing the abuse of student funds. An example of this sort of watchdog role occurs in a recent issue of Australian Student News. According to the report, the Monash University Union Board is increasing its budget allocation to an organisation called Community Research Action Centre (CRAC) which in 1986 received the sizeable sum of $99,960 from the student coffer. CRAC's special projects have included: a Lesbian and Gay Men's Information Booklet, Palestinian Awareness Campaign, Animal Rights Campaign, Women and Unemployment Project, a Sexuality Festival and Hiroshima 40th Anniversary Project. To help pay for projects such as these, the report notes, the Student's Amenities fee at Monash in 1986 was increased from $229 to $252.

Wheeler and Kirchner have written a chapter in a book on voluntary student unionism, just published by the Australian Institute for Public Policy. In Soit Brendan Wong has attacked the SRC's refurbishment of the building which, not coincidentally says Wong, houses the SRC itself—an act of irresponsibility, he believes, considering that the SRC now carries a debt of $100,000 which, in imitation of Australia's national problem, will be passed down to future generations of students.

The presence of an independent media raising questions of accountability has put the socialists in the corridors of power on notice. Pressure on union bureaucrats is also coming at the ANU from the new blood elected to the Union Board. The new Liberal President of the Union has voluntarily halved his own salary from $11,000 to $5,200 per annum to set an example of cost-cutting. It makes the socialists look positively selfish.

Brendan Wong, Soit editor and President of Sydney University's Liberal Club.

Censorship

But the political pressure is not all one way. The dependence of Soit on the SRC and Woroni on the Student Association for funds does render the papers vulnerable to political pressure. To this extent, Australian Student News, produced independently of any student union or council, has an advantage. Soit has already had to answer to the SRC for an editorial critical of the SRC. Things are worse at the ANU where the Director of Student Publications (DSP)—appointed by the SRC President and something of a cultural commissar—is empowered to censor any material deemed by her to be defamatory, sexist or racist. As Wheeler and Kirchner point out, her definition of the latter two categories is broad. In the first issue of Woroni this year her presence was evident in footnotes. On the Christian page, for example, a huffy note criticises the use of "He" as a pronoun for God when "there is no reason to presume that
God is male". An appended comment from the editors replies: "It is widely rumoured, however, that Jesus was a bloke". By the second issue, an empty box sits where the editorial should be, with the note: "The Editors regret that they are unable to provide an Editorial until such time as they are granted Editorial control—currently residing in the office of the Director of Student Publications—and freedom of speech is restored on this campus". Attempts have been made by the Left to ban the distribution of Australian Student News, but so far they have failed. Such experiences merely confirm the editors' views that the Left is a force for authoritarianism and repression; that it fears freedom of expression.

The solution in the long run might be for the papers to become financially independent. The student editors recognise that if voluntary student unionism is introduced then funds for a paper will be tighter, because union funds will be less. But this does not greatly concern them. "There is no reason why a campus based newspaper in this country cannot run at a profit", says Gerard Wheeler. Honi Soit retains an advertising consultant and three-quarters of the cost of its first issue was paid with advertising revenue. Woroni did even better, covering the full cost of its first issue in this way. The injustice of the present situation, says Wheeler, is that "under compulsory unionism students must pay for a paper which they may never read". He believes the paper could be sold for 20-30 cents a copy on campus.

The political philosophy of the group at Sydney and the ANU with whom I spoke is best summed up by Kirchner's statement: "I regard myself as a libertarian, but I am still prepared to toast the Queen". On foreign policy, they see themselves as "strongly anti-communist", but their libertarianism puts them somewhat at odds with the moral conservatives on campus. All see the conservative Christian movement as the real wild-card in campus politics. Sydney University has 12 Christian clubs, the largest of which claims 300 members.

There is, belying the conservative label, a current of youthful rebelliousness in the editors' stance toward the world and Kirchner describes himself as anti-establishment in the way that a young radical of the sixties might. But the tables have turned since then. Now the establishment that Kirchner and the others see themselves as rebelling against is the left-liberal New Class establishment with its ranks of privileged bureaucrats and union officials, its suffocating welfare state and egalitarian ethic which breeds uniformity and mediocrity.

Wheeler's entry into politics was inspired by experiencing this egalitarian ethic in practice. In 1983 in his final year at a conservative Catholic Boys' School he organised a delegation to protest to Senator Ryan at the tampering with final year grades of ACT school pupils to equalise the scores of boys and girls.

Wheeler and Kirchner admit to being strongly influenced by the Economics Department of the ANU with its predominance of free-market thinkers. It shows in their conversation, often giving their analyses a well-honed cutting edge, although sometimes blinding them to the value and influence of cultural factors which elude the economic rationalists' narrow definition of utility.

If politics is war, then ideas are weapons. The experience of university, political debate on campus and running a paper has taught these student editors the power of ideas. They intend to be well-armed. Wheeler and Kirchner were founders, with two others, of the Conservative Forum at the ANU, which discusses policy and ideas and publishes a photocopied journal, Laissez-Faire. Interestingly, all those with whom I spoke were critical, even dismissive, of the Young Liberal Movement—which supposedly should be cultivating future conservative leaders. It has a reputation for being a haven for socialites rather than opponents of socialism.

To an outsider student politics can appear frivolous or juvenile. But in truth it is a serious business. For a start, large sums of money are involved. The annual SRC budget at Sydney University is around $380,000. Moreover, campus politics provides an important training ground, an apprenticeship for future leaders, advisers, diplomats and journalists.

The battle on Australian campuses which began with the fight to disband the Australian Union of Students, finally successful in late 1984, is far from over. Indeed it has probably just begun. Even at the ANU, where the Union and the paper have been won by conservatives, the Student Association remains in the hands of the Left. And ANU's own radio station 2XX—which ran a whole day of programmes on the theme "Invasion Day" last January 26—is hardly conservative. What seems clear is that the outcome of the battle will have a long-term impact on Australia's political culture, just as the relative lack of confidence shown by the conservative side in politics in recent years is in part the fruit of the weakness of conservatives and the strength of the Left on campus over the last 20 years.
Debt—An Economic and Moral Crisis

James Buchanan

Increasing government deficits, and the resultant increase in debt, have both economic and moral dimensions, argues Nobel Prize winner James Buchanan. Economically they threaten an upsurge in inflation and economic crisis; morally, they constitute a totally unjustified passing of the cost to future generations.

It is grossly misleading to measure debt by relating it to GDP because debt can always be eliminated by allowing higher inflation (which is a confiscatory tax on the capital values of all debt instruments). There is now a real danger that rising interest rates flowing from continued increases in borrowings will put pressure on monetary authorities to allow inflation to accelerate, dissipating the gains of the early 1980s and leaving us worse off than at that time. In this sense, deficits are extremely important and nothing is more urgent than getting them under control, whether this be through legislative initiatives or through Constitutional change. Precious little time remains: I think 1987 will be extremely critical.

But debt and deficits matter for reasons that transcend the macro-economic issues. My emphasis is on the moral dimension. I consider it grossly immoral to finance current public outlays on consumption, including transfer payments, by an issue of debt. We are eating up goods and services that must be paid for by taxpayers in all future periods. There is no way we can come up with a justification for this sort of inter-generational transfer. You could not imagine possible agreement on a policy that would allow a majority of the Congress, in a single generation, to use up resources for current purposes while imposing costs on everyone who is going to come later.

I am not, of course, suggesting that public debts should never be issued. In this respect, the classical principles which were hammered out through two centuries were basically correct. The resort to debt can, indeed, be justified in two separate settings.

Firstly, where there is a "lumpy" capital investment that will yield benefits over an extended period, there is an argument for financing such outlay by debt so as to roughly match the benefit and cost streams. This makes the public debt completely analogous to corporate debt in that sense.

Secondly, if there is an extraordinary bunching of revenue demands, such as in a war, there may be some justification for spreading out the cost over an extended period. Currently, however, we are not involved in any extraordinary spending: ordinary federal spending is being financed by debt, or one-fifth of it at least.

I have explicitly left out of account any Keynesian justification for resort to debt issue, because no such argument can be mounted. Even if the Keynesian analytical model was accepted fully, there would be no argument for debt issue. Any financing ought to be by direct money creation and not by issue of debt. There is simply no logical basis for saddling future generations of taxpayers with interest burdens in a pure Keynesian world.

To finance public consumption by debt is equivalent to the eating up of national capital value. By placing claims against future incomes, with no future offsetting benefit stream, we are lowering the capital value of that expected income stream. To state that even more dramatically, we are bequeathing negative capital value to future

1. An example might be the building of a power station. A large investment of money is required over a relatively short period, but the benefits will continue to flow for many years to come. (Editor)

James Buchanan is the 1986 Nobel Prize winner in economics. He is currently Professor of Economics at George Mason University, Virginia USA. This is an edited extract from a speech he made to a conference entitled "Financing Economic Growth: How Much Debt, How Much Equity?" held on 19 November 1986 by the Citizens for a Sound Economy Foundation, Washington D.C.

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generations in our capacities as members of the body politic.

It does not seem legitimate to try to deny that effect by pointing to the accumulation of private capital. Assets transmitted inter-generationally as private capital are assigned in ownership to particular persons. They are not generally valuable to a citizen as a citizen in the future; but, as a citizen, each and every one of us is liable for the claims against incomes held by the legitimate claimants of the state, the owners of the debt instruments.

We are eating up goods and services that must be paid for by taxpayers in all future periods. There is no way we can come up with a justification for this sort of inter-generational transfer.

We do face, I think, an interesting and almost intractable problem when we examine the status of these future taxpayers from a moral or ethical perspective. What are the ethical grounds for adhering to the debt contracts made by earlier and irresponsible generations? We may agree that financing current public consumption in the here and now by debt is immoral, but is it immoral for future taxpayers to default on this debt, either by inflation or by outright repudiation?

I think the answer to that question is necessarily mixed. Why should the taxpayer in the year 2000 or the year 2010 pay for the goods and services that we are enjoying now in 1986? Of course, for those who purchase the securities now and who actually give up command over resources now, the claims that they hold against future incomes are legitimate claims—but is the legitimacy of those claims sufficient to provide an ethical basis for non-default? I do not think that it is. The temptation for default directly and indirectly increases with every extension of the debt.

It is argued that we owe debt to ourselves and that somebody is going to get the interest when we pay the taxes to pay that interest. But it is basically a macro-aggregation fallacy to try to lump everybody together as part of a "glob" and to conclude that debt is not a burden. We are individuals and we owe debt interest in our capacities as taxpayers. The fact that somebody has invested voluntarily in a government security, that he gets interest as a payment for what he has given up in future periods, has absolutely no relevance to the incidence of debt.

The observed fiscal profligacy of the federal government is only one symptom of a more inclusive and pervasive characteristic of our age. This is reflected also in the large and growing private debt, in the low rate of domestic savings and in many, many other aspects of modern life.

We seem to have raised the effective discount rate that regulates our behaviour. I frankly think the Victorians had it right; they acted as if they were going to live always and constructed institutions accordingly. By contrast, we seem hell-bent on acting as if there is no tomorrow. The effects on the growth of our capital stock—I include the physical, but also the moral and social capital stock—are easy to predict.

Buchanan's analysis, made in the US context, has direct relevance to Australia. While most attention has been focused in Australia on the growth in external debt (which includes both government and private debt), internal debt has also been increasing rapidly. The most worrying aspect is that, as in the USA, the increasing spending financed by increased debt has very largely gone on consumption and we have not been adding commensurately to our stock of capital, which determines our future capacity to grow. The IPA is undertaking a major research project on the reasons for this development and its ramifications. (Editor)
There is mounting disillusionment with Australia's centralised wage-fixing system. The recent National Wage Case Decision exemplifies why the Arbitration Commission continues to lose support.

The National Wage Case Decision handed down on 10 March must surely be one of the Commission’s worst. It will contribute to an erosion of our international competitiveness totalling at least 10 per cent in 1986-87 and 1987-88 (see Box 2).

The Commission acknowledged that the economic situation was more serious than in June 1986, (when an across-the-board increase of 2.3 per cent was awarded). Yet this time it handed out even more.

The Commission’s justification for this action lay in its claim that an economically rational Decision would cause the unions to break out of the system, resulting in damage through an increase in industrial disputes and even higher wage increases. Given the likelihood of even greater belt-tightening requirements in future as a result of this Decision, that rationale is myopic, at best.

The Commission’s economic assessment can be condensed as follows. It noted that all parties agree that Australia’s current economic performance must be improved quickly. It conceded that there is a strong case that the economy should not be asked at this time to absorb increased labour costs. The Commission accepted the Commonwealth’s analysis that the consequences of an inadequate response would be severe, viz:

"Correction of the imbalances that have developed in Australia’s external accounts is necessary. If this is not done, the economy runs the risk of becoming enmeshed in a vicious circle of exchange rate depreciation, mounting inflation and deepening external balances.

This would result in an erosion in overseas and domestic confidence in the economy’s future, seriously undermining private investment, economic activity and employment. The current account deficit would eventually be reduced, but at a cost of a deep recession in the economy.”

How is it possible for the Commission to reconcile its own assessment of economic conditions with the smorgasbord of labour cost increases (see Box 1) offered in its Decision? Section 39(2) of the Conciliation and Arbitration Act which requires the Commission to have regard to the state of the national economy and the likely effects on the level of employment and inflation—is for the present dead.

Australia’s loss of international competitiveness from any wage increase was repeatedly under

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1: The Decision

The Commission’s decision provides for:

- a $10 “first tier” increase (about 2.4 per cent on average) payable immediately;
- an increase of 4 per cent to be available under the “second tier” principles, either by consent or through arbitration, over the next year or so;
- consideration in October of a further “first tier” increase of 1.5 per cent;
- arbitration or ratification of superannuation claims, up to 3 per cent of ordinary time earnings, spread over the next two years;
- arbitrated reductions in standard working hours, where these exceed 38 per week, arbitrated increases in, or the introduction of, supplementary payments, and improved conditions of employment for some employees.

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Geoff Carmody is Senior Economic Consultant with ACIL, Australia Pty Ltd. He prepared and presented the National Farmers’ Federation Wage Case Submissions in 1986 and 1987.
lined in employer submissions to the Commission, in particular by the National Farmers' Federation.

As a result of the Commission's Decision, and assuming an unchanged exchange rate, Australian competitiveness could fall by 5.5 per cent in 1986-87 and a further 4-5 per cent in 1987-88. (See Box 2) That is, a total loss in excess of 10 per cent is probable.

The Commonwealth repeatedly emphasised the importance of maintaining international competitiveness (but its own wage proposals denied such an outcome). No other participant in the National Wage Case questioned the validity of that point. Most explicitly supported it. It was noted with approval by the Commission in its Decision.

The Commission attempted to deal with this central issue in its Decision as follows: First, it cited an EPAC discussion paper (87/01) which, at page 2, paragraph 12, asserts:

"... Australian industry is currently about 30 per cent more cost competitive than it was on average over the two decades 1966-85. Even if unit labour costs were to continue to grow 1-5 per cent per annum faster in Australia than in our trading partners over the next 10 years, we would still retain (at present nominal exchange rates) about three-quarters of our recent competitive gains at the end of the period".

The Commission relied on this assertion to claim (page 33 of its Decision) that the increases it has awarded will make "no more than a marginal cost increase at present, the Commission said:"

"... Australian industry is currently about 30 per cent more cost competitive than it was on average over the two decades 1966-85. Even if unit labour costs were to continue to grow 1.5 per cent per annum faster in Australia than in our trading partners over the next 10 years, we would still retain (at present nominal exchange rates) about three-quarters of our recent competitive gains at the end of the period".

The Commission also attempted to justify its Decision by focussing upon the possible effects in calendar year 1987 instead of the financial year, viz:

"The wage outcomes are consistent with a slowing down in the rate of inflation and a narrowing of the gap between Australia's inflation rate and that of our major trading partners. In particular, the wage rate increases allowed by our decision for 1987 are not expected to exceed those of our major trading partners during the same period notwithstanding the higher level of inflation in Australia".

However, the Commonwealth itself advised the Commission that, if the Commonwealth's own proposals were adopted (and the Commission has granted more) average earnings in Australia would increase by "around 6 per cent" in calendar year 1987 while earnings for our trading partners would increase by about 4.5 per cent. Thus, even assuming labour productivity growth in Australia were comparable with that for the OECD in 1987 (the Commonwealth refused to say whether its own thinking on productivity is in line with such an assumption), that implies a unit labour cost increase 1.5 percentage points faster in Australia than for the OECD. In fact, our productivity growth could be significantly less than overseas.

In short, even before allowing for adverse terms of trade effects likely to operate in calendar year 1987, this justification fails. Moreover, the forecast for 1987-88 shows erosion of our competitiveness at a similar rate to that in 1986-87.

Creating Expectations: The Commonwealth and Commission Roles

More than any other single factor, it was the failure of the Commonwealth to inform the Full Bench of the gravity of the situation that led the Commission away from a sensible National Wage Case Decision.

On page 32 of its Decision, immediately after noting that there was a strong case for no labour cost increase at present, the Commission said:

"...We do not think that such an outcome (i.e. no increase) is feasible, given the immediate needs and expectations of wage and salary earners. Many may already be feeling at least some of the effects of the current situation but equally may be unaware of the immediacy of the economic problems that confront the country." (Parenthesis and emphasis added.)

That asserted unawareness can only be attributed to the failure of the Commonwealth to provide leadership to the community. It can only be attributed to the Commonwealth offering $10 plus 3 per cent—and more—when its own figures show that we cannot afford it.

However, the Commission cannot be held blameless, either. It cannot reasonably argue that it should avoid its own responsibilities—it appreciated the gravity of the situation fairly well—simply because it may believe that others are not so well informed. It would have been more appropriate for it to probe the obvious weaknesses in the Commonwealth case (e.g. on competitiveness). On the basis of that probing it could have contributed to a better community understanding of the severity of Australia's economic problems. In fact, despite ample assistance from other participants as to
Prospects for Australia’s international competitiveness are:

- Wages growth (inclusive of the March National Wage Case Decision) is likely to be 6.5 per cent in 1986-87: about 2.0 percentage points faster than that expected for our trading partners.
- Productivity among our trading partners in 1986-87 is expected to grow on average about 2.0 percentage points faster than in Australia (given an expected fall here).
- Official forecasts are for a decline of about 8 per cent in Australia’s terms of trade, although it could be even higher. This means that merely in order to sustain our capacity to import Australia needs productivity growth of about 1.5 per cent just to offset the fall in the terms of trade expected this financial year.
- Overall, on a unit labour cost/trade financing basis this all adds up to a loss of competitiveness of 5.5 per cent in 1987-87.
- In 1987-88, earnings growth in Australia is likely to approach twice that expected overseas. While productivity growth may be positive, it will probably be below the average for our trading partners. The terms of trade will fall further. On a unit labour cost/trade financing basis, a further loss of competitiveness of 4 to 5 per cent is likely.
- Over the two financial years 1986-87 and 1987-88, assuming a broadly unchanged exchange rate, Australia’s competitiveness will be reduced by over 10 per cent.

Is the New System a Source of Greater Flexibility?

The Commonwealth and the ACTU have claimed that the new two-tier wage fixing system will provide for greater labour market “flexibility”. Is this likely?

First, the flat $10 increase under the first tier operates to compress wage relativities. That is a perverse reaction to present mismatches in the labour market: skilled labour is in relatively strong demand, while unskilled labour is still in substantial oversupply. The immediate effect of the flat increase will be to intensify the problems faced by the lower paid, in the sense that those at the margin of employment or out of work will now find it harder to retain or get a job. Over time, the compression of relativities will increase pressures for larger increases for higher paid employees, generating increased “wages drift” (something that the Commonwealth insists must not happen!), or award-based “rectification”.

Second, the Commission has opened the door to “second tier” increases (consent or arbitrated) up to 4 per cent over the next year or so. The ACTU’s costing of its second tier claim—now granted—at 4 per cent indicates that it is assuming that, over time, all employees will receive the full increase. Against that background, the Commission’s warning that it does not expect that “second tier” increases will be “uniformly distributed” rings hollow indeed.

Of course, to the extent that second tier increases are granted under the restructuring principle, there may be some productivity “offset”. But, at best, that will leave unit labour costs unchanged. The key point is that productivity growth cannot be distributed twice: it cannot be used to finance adjustment to our inflation/balance of payments difficulties if it is dissipated in wage increases. Besides, past experience with “productivity bargaining”, here and overseas, is not encouraging: productivity gains have been minor.

In short, the only increase in flexibility is likely to be in the range of rationalisations available to “justify” wage increases.

Conclusion: The Need for Fundamental Change

The basic legislation, power structures and players that largely dictate labour market arrangements and industrial relations in this country have not changed. The “two-tier” system does not involve any significant change in substance, despite changes in form. A new cosmetic job on the frills of the system (“repaint with alacrity” rather than “restraint with equity”?) is hardly likely to alter the basic tendencies of that system.

If we needed more evidence that Australia’s wage determination system is inflexible and unresponsive, even to the most serious economic pressures, this Decision provides that evidence. The system must be changed, starting with the legislation on which it rests—and in a direction opposite from that envisaged in the Hancock Report. Without that change, “down under” will acquire a new meaning.
Australia’s Negative Growth Rate: An Exchange
H.W. Arndt

Heinz Arndt disputes Wolfgang Kasper’s claim, argued in the Autumn 1986 issue of the *IPA Review*, that official statistics overestimate Australia’s economic growth.

Professor Kasper argues that Australia’s economic growth has been overstated because it has been measured in terms of gross national expenditure (GNE), including expenditure on government administration, defence and community services, financed by taxation and borrowing. Instead, economic growth should be measured in terms of the “real output of goods and services by the productive, private sector”, i.e. by private domestic product (PDP). If this is done, Australia’s economic growth during 1980/1 to 1983/4 per capita can be shown to have been negative.

One can share Professor Kasper’s concern about the rapid growth of government expenditure, taxation and public debt, but the argument he advances is faulty in so many respects that it is liable to damage rather than advance his cause.

1. It is not correct to suggest, as he does, that the Australian national accounts statistics are focused on an “expenditure approach” instead of a “production approach”. The ABS publishes estimates of gross domestic product (GDP). They are quite properly derived from gross national expenditure by deducting net imports of goods and services (the current account deficit) and are based mainly on income data (income tax, etc) because these become available more quickly than production data by sectors. But this is really irrelevant to Professor Kasper’s main argument because GDP and GNE both include the services produced in the public sector which he wants to exclude.

2. The notion that only the private sector is “productive” and that therefore the output of services by the public sector should be excluded from measurement of economic growth is surely at best a gross exaggeration. (The Soviet economy which has no private sector may be inefficient, but it can hardly be said to have zero output or economic growth).

(a) It has long been recognised that the inclusion of services such as defence, justice and police inflates national product since they are more properly regarded as costs of producing final output. But this is equally true of private sector output of intermediate services such as banking; and it is not true of public sector services, such as education and health, for private consumption. (Food as a “cost” of maintaining the stock of labour is a well-known *reductio ad absurdum* of this argument.)

(b) “Growing public consumption and burgeoning community services are not raising the nation’s productivity potential, but feeding off it”. Obviously, public consumption expenditure does not raise productivity by contributing to capital formation, but neither does private consumption expenditure. Should all consumption be excluded? (It was Adam Smith’s concern with growth in the “wealth of nations”, i.e. with capital formation, that led him, and subsequently Ricardo and Marx, to exclude all services from national product. Nowadays, it is common to think of education as, in part, investment in “human capital”).

(c) The fact that government expenditure is financed by taxation or public borrowing does not, in itself, constitute a case for excluding government services from output for purposes of measuring economic growth. Defence or health services, financed by taxation, may satisfy community demand and contribute to welfare, as much as transport and entertainment services, sold by private enterprises in the market. Professor Kasper raises different issues when he argues that the long-term consequences of fast spending and improved public services are “that inflation destroys someone’s real wealth and that future generations are burdened with a growing repayment load”. Colin Clark and others have warned against the danger of inflation if the ratio of taxation to national income is pushed too high. Similarly, excessive growth even in the domestic public debt may have adverse effects, though these need to be much more sharply distinguished from those of rising foreign debt than Professor Kasper does in this article. But neither of these considerations can be held to justify exclusion of all public sector output from GDP in measuring economic growth.

3. Professor Kasper argues that growth should be measured “by genuine private productivity growth if labour incomes are to be adjusted according to productivity growth—as indeed they should be”. If this means that national productivity guidelines for wage adjustment should be based on value of output per worker averaged over the private sector, excluding government services (but presumably including public enterprises which sell their products), the result would normally

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be larger wage increases than would result from measurement of productivity growth in terms of total GDP. The reason is that government services are valued in the national accounts at cost, implying by definition zero growth of productivity. (Since government services are not sold at market prices, it is difficult to measure value added and therefore value productivity of labour in the public sector; but it is probably safe to assume that labour productivity normally grows more slowly on average in the public than in the private sector.) Thus, except in the unusual case of negative growth of PDP which Professor Kasper claims to have found for Australia during 1980/1 to 1983/4, the rate of productivity growth based on PDP will exceed that based on GDP. If, as is politically inevitable, government employees demand "flow-on" of wage adjustment based on productivity growth in the private sector, Professor Kasper's proposal would result in more rapid growth of public sector wages.

Three further points may be added. The first is that something like Professor Kasper's procedure does in fact seem to be used in the formulation of national productivity guidelines. The Business Council Bulletin (August 1984, p.7) has pointed out that the statistical problem presented by the assumption of zero growth of productivity underlying the national accounts estimates of public sector output "is normally overcome by excluding the non-market sector from the analysis". Secondly, the appropriate aggregate for purposes of productivity adjustment of wages—in so far as it is desirable to pass on the gains from rising productivity in higher wages rather than in lower prices—is neither GDP nor PDP but national income, i.e. GDP less depreciation and net indirect taxes.

Thirdly, all this still ignores one of the most difficult and contentious issues in wage policy: how far wage adjustment for productivity gains should be averaged over the whole economy or the private sector or individual industries or even firms. To the complex efficiency and equity issues which arise, Professor Kasper's particular option does not necessarily present the optimum solution.

Wolfgang Kasper Replies

The measurement of what should be considered wealth creation in society is inevitably based on convention. One of these conventions—accepted since the 1940s—has been to assume that the public sector's non-marketed output is part of national wealth creation. Since one cannot put any market value on what the state taxes away and re-spends, it has been assumed that the value of government activity is measured by the cost which it creates.

The main argument in my article was to say that the assumption made in the 1940s, when governments took away and spent much less income, is now contributing to an increasingly misleading impression: the more resources are taxed and re-spent by government, the more we engage in what I believe to be double-counting in the minds of those fellow citizens who have not been brainwashed by national-accounts' statisticians. If we were to raise taxation and government spending—directly or through its client welfare agencies—by another 25 per cent, just how many Australians would find it plausible to say that the nation is substantially better off? Only our gross national expenditure statistics would be bloated!

I do of course not dispute Professor Arndt's point about the fact that the Australian Bureau of Statistics estimates gross domestic product. Indeed, I used those data in my own estimates for "Private Domestic Product (PDP). My complaint was—and is—that production data by sector become available rather slowly compared to income data—a point Professor Arndt also makes, but in a tenor as if this were God-given and could not be improved upon.

One key point I tried to make was that the medium-term growth rate of PDP per worker was a good base to estimate the productivity increase in society. I agree with the Business Council: if we want to aim for a non-inflationary wages policy which is based on a constant cost level, we should take the average of marketed output (PDP) as a measure. If that, at times, were to lead to a higher wage guideline than GDP, as Professor Arndt correctly points out, so be it! At least this productivity measure is based on products which people pay for in the market place, and it does not include public and community services that are given away free.

This rejoinder gives me the opportunity to dissociate myself from the heading ("Negative Growth Rate"). The heading, which the editor added, gave an unintentioned impression that one year's decline in a statistical measure indicates negative growth. Economic growth is a medium-term objective and we should judge its attainment only over a 3 to 5 year time span. And over that time span Australian economic growth—however measured—has been positive.

To sum up, I do not accept Professor Arndt's statement that what I say is "faulty". Deciding on the best convention for measuring society's productivity is not a matter of right or wrong, but a matter of what society plausibly finds to be of economic value to it. Despite the well-known statistical conventions (which I do not want to abolish, but only to supplement), I continue to believe that channelling ever more resources through government does not enhance our material well-being.

I therefore suggest we agree to disagree.  

Wolfgang Kasper is Professor of Economics and head, Department of Economics and Management, University College, University of New South Wales, Defence Academy.
IPA Council established in ACT

An IPA Council of leading Canberra citizens has been established in the ACT.

Sir William Cole, former head of the Public Service Board and the Department of Defence, Professor H.W. Arndt, a leading ANU academic, Mr. Robert Campbell, a businessman, grazier and a member of the National Farmers' Federation, Dr. Tony Griffin, medical practitioner, and Mr. Arthur Kenyon, Chairman of the Canberra Building Society, will be members of the Council. Des Moore, IPA Senior Fellow, will be acting as Director of the Institute in the ACT.

IPA (ACT) was officially launched on 15 April 1987 in Canberra by John Stone.

Announcing the formation of the Council, IPA President, Charles Goode, said that members will assist in advising the IPA in its role as Australia's leading think-tank, on public policy issues that warrant research and debate. They will also assist in bringing the IPA's work to the attention of ACT residents and in attracting members.

At a function held in Canberra on 15 April, Mr. Goode said "the IPA is a broad-based organisation. The numbers of both corporate and individual members are growing rapidly".

"We are attracting attention because of the high quality of our research and our willingness to forcefully promote issues such as the need for lower taxation, higher standards in education, a strong defence capability and responsible unionism".

Mr. Goode said that the IPA was also planning to establish a branch in South Australia.

Chinese Ambassador Visits IPA

Mr. Zhang Zai, Chinese Ambassador to Australia, visited the IPA on 26 February, 1987.

He wished to hear about the work of the IPA and was met by the IPA President, Charles Goode, Director, Rod Kemp, and Senior Fellows, John Stone and Des Moore.

Topics discussed included Soviet expansion in the Pacific, trends in the Australian economy and the work of policy think-tanks such as the IPA. Recent developments in China were also discussed.

The Chinese Ambassador was accompanied by his wife, Mme Xu Dequan, and his first Secretary.

Membership rises

The number of individual members of the IPA has increased rapidly in the last ten months, rising by 1,000 to 3,000.

The Director of the IPA, Rod Kemp, said he believed this rapid increase reflected the fact that the Institute was tackling issues of relevance to mainstream Australia.

The increased support meant that the IPA had been able to improve the formats of the popular IPA Review and Facts.
Abolish the Constitutional Commission

A leading academic, who is an international authority on federal systems, has called for the Constitutional Commission to be abolished.

In an Occasional Paper entitled *The Constitutional Commission: the inescapable politics of constitutional change*, Rufus Davis, Emeritus Professor of Politics, Monash University, argues that the current Constitution has proved a remarkably flexible and adaptable document.

In an introduction to the paper, Les McCarrey, asks whether a sweeping review as distinct from the process of evolutionary change is likely to result in a superior product to the present Constitution.

Professor Davis argues that to replace a Constitution that has founded a free, democratic nation and served its needs, at least as well as the Constitution of any advanced society in the world, is a confession of political failure without precedent in any mature political system.

The paper, published by the IPA States' Policy Unit in Perth, has been posted to all IPA subscribers.

Study of debt crisis

The IPA is preparing a study on Australia’s debt crisis.

Des Moore, the IPA Senior Fellow, will be supervising the research. He said that while there has been considerable discussion on Australia’s external debt problem, little attention had been given to internal corporate household and government debt.

The results of the study are expected to be released later this year.

What the Press say . . .

"Efforts by the Soviet Union to expand in the South Pacific must be countered by more intensive involvement by Australians in diplomacy with their near neighbours, the latest Institute of Public Affairs Review said.

Mr. Michael Danby, a member of the Victorian ALP Foreign Affairs and Defence Committee, writing in the *IPA Review*, said that expanding Soviet influence in the region threatened Australia with a Cuba in its front yard*. The Australian, 16 February 1987

"The growing pressure for further spending cuts and borrowing restraint received added impetus yesterday with a strongly worded statement in Perth from the Institute of Public Affairs (IPA).

The Director of the IPA Policy Unit, M. Les McCarrey, criticised the spending and borrowing record of both the Federal and State governments and called for further restraint to reduce the public sector borrowing requirements*. The Australian, 24 February, 1987.

"... each child born today begins life with a debt, incurred on his or her behalf by free-spending governments and local authorities, of around $7000—a figure, which on Institute of Public Affairs’ projections, could become $70,000 by the time such children enter the workforce around the year 2002. As the IPA remarks quizically, another form of child abuse?" *Michael Barnard, The Age, 24 February, 1987.

"IPA Senior Fellow Des Moore, a former Federal Treasury deputy secretary, even argues for an immediate budget surplus. IPA Senior Economist Jacob Abrahami reckons a $6 billion spending cut is needed over the next five years. He points out that new programs introduced by the Hawke government in its first three budgets lifted expenditure by $5 billion." *Time, 2 March, 1987.

"Mr. Cain’s sensitivity to criticism of public sector borrowing is understandable given the size of Victoria’s deficit. According to estimates compiled by the Institute of Public Affairs, the net deficit in Victoria for 1986-87 is $2511 million—far and away the biggest of any of the States or territories. In per capita terms, Victoria’s deficit is second only to Western Australia, and over the past four years it has increased faster than the average of all States*. The Age, 4 March, 1987.

"Mr. Des Moore... an adviser to the conservative IPA cautioned yesterday that the OECD report (on the Australian economy) was ‘seriously flawed’, claiming it was too optimistic in its forecasts*. Canberra Times, 2 April, 1987.
This year we’ll be the sixth largest supermarket chain in America.

Surprising, isn’t it?
Surprising that a completely home-grown Australian company is so big. For instance, if we were to transport our operations, lock, stock and barrel to the United States, there would be only five supermarket chains with more outlets than us.

If you’re not surprised by this statement, then it may be because you already know that we are Australia’s largest food retailer.

But Woolworths is more than just a food retailer; did you know that we have operations as diverse as land development, fashion and exporting, and that Dick Smith is one of our wholly owned subsidiaries?

To many people it’s a surprising fact that Woolworths operates more than 950 stores across Australia: That we serve over 7 million customers a week.

Not bad for a company that started 62 years ago as a “bargain basement” store in the Sydney Imperial Arcade and knows it still has the best years ahead of it.

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And you probably thought we were just a chain of supermarkets.
To celebrate Australia's Bicentenary in 1988
The National Trust and AMATIL Limited are presenting a Gift to the Nation.
This community-based heritage program represents the largest of its kind ever undertaken in Australia and consists of thirteen individual projects.

Each project in the Gift to the Nation will present a different aspect of our heritage. Historic buildings of national significance will be restored and important museum and educational facilities will be developed to assist and encourage all Australians to better understand and enjoy the architecture, history and culture of our young nation.

Juniper Hall, Oxford Street, Paddington, Sydney
built in 1824 is one of Australia's most important historic houses.
It will be fully restored and opened to the public in 1988.

AMATIL recognises that as a large and successful enterprise it has a responsibility to make a contribution to community life. This takes the form of sponsorship of community activities and donations to voluntary groups. AMATIL is proud to be the sponsors of such an important heritage program as a Gift to the Nation.