THERE ARE ALWAYS NEW REASONS TO EXPLORE.

Although Santos has come of age as Australia's most successful explorer-producer of onshore oil and gas, our primary concern is Australia's continued capacity to meet its energy needs. We are committed, therefore, to a future of relentless exploration. For without significant new discoveries, Australia's capacity to meet its future requirements will diminish. So, the hard work that paid off amongst Australia's top companies will continue, and we'll continue to invest in Australia. For the future of Australians.

SANTOS, TODAY'S AUSTRALIAN EXPLORER
6 The Rat Pack
Gerard Henderson
It prides itself on the independence, incisiveness and critical powers of its members—but even the Canberra Press Gallery has its blind spots.

14 Debt: the Real Implications
Des Moore
The true nature of Australia’s debt crisis is not widely appreciated. What we have borrowed is less important than how we have spent it.

18 Peacemaking—No Child’s Play
Rita M. Joseph
Peace educators have acted reprehensibly in loading their own fear and panic about an impending nuclear holocaust onto the shoulders of children.

24 Deadlier than War
R. J. Rummel
Absolutist governments—especially communist governments—have proved a far greater threat to life than war.

31 Handbooks for Good Government
Michael James
Two Australian think-tanks have produced quite different policy strategies for reducing government.

35 Review’s 40th Birthday
It’s a very different looking journal now, but from its inception Review has occupied a respected position in public debate.

43 Public Service or Political Service
Les McCarrey
Governments around Australia are sacrificing the independence of the public service to the interests of the party.

52 The Capture of the Welfare State
Delia Hendrie and Michael Porter
The current welfare system serves the interests of some people, but rarely those most in need.

56 Privatization a la Francais
Prime Minister Chirac is breaking with the long-time French tradition of asserting the superiority of the State in all things.

64 An Economic Bill of Rights
President Reagan proposes to reinforce the political freedoms guaranteed in the American Constitution with economic freedoms.

REGULAR FEATURES

3 IPA Indicators
Which Australian companies recorded the largest losses in 1986?

5 Editorial
The Labor Government must face some hard decisions if it is to get the economy right.

22 Defending Australia
Harry Gelber
The neglect of foreign affairs and security issues in the recent election campaign reveals the unreality of Australia’s view of the world.

38 Map: Advance of Democracy
In ten years ten countries in Latin America and the Caribbean Basin have become democracies.

40 Focus on Figures
Jacob Abrahami
Australians drink more, drive more and depend on government more than they did 40 years ago.

47 Ten Conservative Principles
Russell Kirk
An eminent Philosopher for Freedom illuminates the art of the possible.

59 Around the States
Les McCarrey
If the founding fathers had foreseen current levels of taxing and spending, federation might never have happened.

62 Strange Times
Ken Baker’s further tributes to New Age Awareness.

46 IPA Councils

37 Subscription Advice
MORE THAN EVER, WE NEED AUSTRALIANS
WHO STRIVE, AUSTRALIANS WHO INSPIRE
OTHERS.

BHP SEEKS TO IDENTIFY AND REWARD SEVEN
SUCH REMARKABLE, BUT PERHAPS LITTLE-
KNOWN AUSTRALIANS.

THEY WILL BE HONOURED WITH THE BICENTENNIAL
BHP AWARDS FOR THE PURSUIT OF EXCELLENCE.

SIX AUSTRALIANS OUTSTANDING IN THE FIELDS OF
COMMERCE, INDUSTRY AND MANAGEMENT;
COMMUNITY SERVICE AND WELFARE; ENVIRONMENT;
LITERATURE AND THE ARTS; RURAL DEVELOPMENT;
AND SCIENCE AND TECHNOLOGY, WILL BE GIVEN THE
BHP PURSUIT OF EXCELLENCE TROPHY AND A $40000
GRANT. AND A SEVENTH AWARD, FOR YOUTH, WILL
CARRY A GRANT OF $10 000 AND THE TROPHY.
BHP INVITES YOU TO ENTER, OR TO NOMINATE
SOMEONE YOU THINK DESERVES TO BE ENTERED.
TO OBTAIN ENTRY DETAILS WRITE TO:
THE SECRETARIAT, BHP PURSUIT OF EXCELLENCE
GPO BOX 8003V MELBOURNE, VIC. 3001
OR CALL AT OR PHONE THE BHP OFFICE IN YOUR
STATE CAPITAL. TOLL FREE NUMBER (008) 338 138.
MELBOURNE 240 8084.
IPA INDICATORS

Increase in major crimes reported in Victoria between 1945 and 1985-86: 1,060 per cent. Increase in number of police over the same period: 303 per cent. Increase in population: 106 per cent.

Largest losses recorded by Australian companies in 1986: $619 million by the Victorian State Insurance Office, $221 million by the Victorian State Transport Authority and $140 million by the Victorian Metropolitan Transit Authority.

Proportion of Australian households relying on direct government benefits as their principal source of income in 1974: 13 per cent. In 1984: 26 per cent.

Number of military personnel in USA: 2,143,955. In USSR: 5,130,000.

Ratio of generals to personnel in the US Army: 1:1,735. In Australia, for all Services: 1:500 (approx.).


Increase in working days lost due to strikes in the year to March 1987 compared with the year to March 1986: 23.2 per cent.

Proportion of employees participating in strikes over the same period: 1:8.

Wage growth in Australia in the latest twelve months: 4.9 per cent. Average for Germany, Japan, USA: 2.4 per cent.

Most common sources of income used by addicts to buy heroin, in order: sale of drugs; social security payments; employment or savings; property crime; prostitution.

Cost of loading a tonne of scrap metal in the USA: $3. In Britain: 64 cents. In Queensland: $15.


Fastest growth in part-time jobs between 1973 and 1985 of all industrial countries: 6 per cent in Australia.

Number of unpaid parking fines incurred by the Nigerian high commission in Britain in 1984: 108,000.

Number of domestic, maintenance, cleaning etc. staff per 100 in-patients in public hospitals: 91.8. In private hospitals: 51.5.

Number of divorces in Australia, average per annum 1971-1975: 17,348 (1.3 per thousand population). In 1986: 39,417 (2.5 per thousand population).

Number of dependent children of parents divorcing in 1986: 45,200.

Proportion of marriages in 1986 in which one or both partners were previously divorced: 31 per cent.

Proportion of all employees in Australia employed by Coles Myer, Australia's largest retailer: one in 38.

Profit made by Coles Myer in each dollar of sale: less than 2 cents.

Number of people apprehended by Coles Myer for shop stealing or fraudulent theft claims in the 11 months to June 1987: 41,000.

Number of robberies or break-ins suffered by Coles Myer stores in the same period: 687.

Number of bomb threats: 235.

What can you expect from the new LaserJet Series II Printer?

Everything.

Because the LaserJet Series II Printer from Hewlett-Packard is the product of experience. It's a second generation printer from the company with the world's largest installed base of laser printers. Whatever your company's needs, the LaserJet Series II will deliver the performance you expect, at up to 8 pages/minute.

Take a simple memo like the one we created with Microsoft Word. As you can see, you can print in a variety of formats and type styles with our wide selection of LaserJet fonts.

Or you can create a sophisticated combination of text and graphics. With additional plug-in memory, you can also produce fullpage 300 dpi graphics, like our Nuts form shown below. To do this, we used HP's new ScanJet desktop scanner, Microsoft Windows and Pagemaker from Aldus.

With support by more than 500 of the most popular software packages, the LaserJet Series II Printer can produce whatever type of business document you need. And LaserJet Series II works with all popular PCs.

In fact, with LaserJet Series II, only the low price is unexpected.

For more information, or the name of your nearest authorized HP dealer, phone:

Sydney: 888 4444  
Adelaide: 227 3911  
Canberra: 916 9999

MicroSoft is a registered trademark of Microsoft Corp. Pagemaker is a U.S. registered trademark of Aldus Corporation.

**Soup**

Mr. J. C. White, President

Nestlé Soup Company

Postmoor, Wilmslow  SK9 2XZ

August 1, 1987

Dear Mr. Ryan:

In an effort to help you stay competitive, we are publishing 5-year sales sales projections for two soup categories: canned and dry. Please keep these projections for your product planning over the coming years. Of special interest to you are the dry soup projections.

<table>
<thead>
<tr>
<th>Year</th>
<th>Canned</th>
<th>Dry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>$6,000,000</td>
<td>$1,100,000</td>
</tr>
<tr>
<td>1988</td>
<td>$7,500,000</td>
<td>$2,100,000</td>
</tr>
<tr>
<td>1989</td>
<td>$8,600,000</td>
<td>$2,600,000</td>
</tr>
<tr>
<td>1990</td>
<td>$9,500,000</td>
<td>$3,300,000</td>
</tr>
<tr>
<td>1991</td>
<td>$10,000,000</td>
<td>$4,500,000</td>
</tr>
</tbody>
</table>

As you can see, industry experts project that the gap between dry and canned soups will begin to close by 1990. They also believe mergers will follow.

Noodle Price Watch

But next month comes from TNS (The Noodle Group). By year's end, they will have the 1987 Noodles' price index. They project the price of noodles to double - up to $18 per case. How will this price affect you? A two-cent per case increase on all noodle soup you sell.

Recommended Reading: "Cup or Bowl"

This in-depth study discusses the habits of the American soup eater. Call and I'll send you a copy.

Sincerely,

Mr. R. Wells

Director, Canest Soup Council

**NUTS**

Deluxe Assortment

Spring 1987

**Peanut**

A creamy, crunchy snack that's perfect for lunches and picnics. Available in Cameo, Vanilla and Buttered. And yes, from Georgia too!

**Brazil Nut**

Excellent snack, fresh or South America. Seedless. 100% pure from the finest source. They'll be much in demand.

**Almond**

The original crunchy snack. Can be chopped to make it easy to add to your favorite recipes.

**Pecan**

An American delight. Available in the shell. Seedless or with shell. Perfectly priced for your favorite dishes.

**Walnut**

A classic snack. Available in the shell or seedless. Perfect for the most discerning dessert.

**Hazelnut**

Great for tea or coffee, too. Chocolate, caramel, licorice. They're never bitter. Even with chocolate French variety.

**Pistachio**

Pistachio pralines from our own pistachio trees grown in Southern Spain.

**Chestnut**

Special varieties from our own chestnut groves in Spain and France. An excellent source for seasonal consumption.
What Direction Now?

With its election victory, Labor assumes a heavy responsibility for putting the economy right.

The Government must first clearly acknowledge that the task is much greater than it has so far recognized. The wild fluctuations in assessment of the economic outlook and of required policies do not inspire confidence. Nor has the Opposition done a great deal better. In short, there has been a lamentable failure to provide leadership.

An acknowledgment of past mistakes would be a helpful start. After Mr. Keating’s first Budget in 1983 the IPA argued that “the Hawke Government has made critical errors in economic management—budget policy and wages policy.” The subsequent blow-out in Australia’s external debt, primarily reflecting expansionary fiscal policies, and acceptance of wages growth inconsistent with achieving international competitiveness, confirms that assessment. The Government should accept that the worsening terms of trade since early 1985 have only brought forward the need to recognize that over recent years the Australian economy has been on a declining path.

That path has meant weakening growth in national disposable income, reflecting deteriorating productivity and investment. That in turn has reflected a growth in Government that has wrought unprecedented—and inappropriate—changes to the structure of society and the economy. We have become a society of consumers, living predominantly for the present. It is scarcely surprising that interest rates and unemployment have over recent years moved to ever higher levels while the dollar has fallen. Despite the Government’s propaganda, the depreciating dollar is scarcely an achievement: it reflects a loss of competitiveness that has increasingly forced a “bargain basement” sell-off of Australian assets.

The Government’s responses have been slow in coming and inadequate when they have come. Neither before nor during the election has the Government provided any clear guidance as to its plans. This needs to be remedied.

The IPA has consistently argued that the main problem is the size of government itself. The explosion of the public sector has reduced private sector incentives to save and to work and increased incentives to consume. The Government’s continuing support for a centralized wage determination process, and its increased regulation of business, has made investment less profitable and more risky. The growing taxpayers’ revolt is forcing Australian Governments to put a cap on their revenue raising; but there is a need to go much further than this.

The Government would considerably enhance the prospects of sustained economic recovery if in the forthcoming Budget it were to:

- clearly acknowledge the need for major structural change involving a reduction in the size of government and in government “regulation”. An announcement of targets for reducing Commonwealth expenditure and the size of government would be a useful start. For example, a reduction in the overall size of government equivalent to three percentage points of GDP a year would reduce the government sector to around 36 per cent of GDP in 1989/90 compared with an estimated 42 per cent in 1987/88;
- cut back strongly total public sector borrowings by recognizing its inability to control net State sector borrowings and budgeting for a substantial surplus on Commonwealth account.

It should reject the “corporatist” approach inherent in the ACTU’s *Australia Reconstructed* and in the Industrial Relations Bill shelved during the election campaign. Instead, the Government should recognize the need for a much more competitive labour market, based on enterprise unions which would allow a more internationally competitive wage structure and would recognize the scope for much needed productivity gains of the sort achieved at enterprises such as SEQEB and Robe River. The time has come to accept that, while confrontation is never desirable, acquiescence to union demands is not the road to peace and prosperity; it simply stimulates further demands while undermining the long-term health of the economy.

At a time of great uncertainty internationally, Australia urgently needs to reduce its vulnerability to external shocks and to build up its economic strength. The Government must put aside policies, including the Australia Card, which divert attention from the over-riding economic priorities. The way forward is to reduce dependency on government and encourage individual initiative, enterprise, and responsibility.
that I might be aiming at some kind of hatchet job. But he conceded that he could not refuse an interview. Kate Legge also predicted a demolition piece. She actually mentioned some of my earlier essays on the “Industrial Relations Club” and the “Fridge Dwellers”.

Michelle Grattan greeted my arrival in her office with the news that she was “tired and muddled.” It was, after all, 11.30 p.m. when I spoke to her but Michelle has never allowed a politician or a staffer to get away with this excuse when she is chasing a late story for the second (or third) edition of *The Age*. I have known some staffers to automatically answer “Hello Michelle” if the phone rings anytime between midnight and dawn. Not only was she tired and muddled, I found that Ms. Grattan had developed a sudden aversion to tape recorders. She initially objected when I turned on the machine claiming that she never used tapes. To those who know Michelle, this comment is almost Nixonian. During my period in Parliament House I cannot recall anyone with a more insatiable appetite for tapes and transcripts. Needless to say, I treated Ms. Grattan in the same manner as she treats politicians and recorded the interview.

And then there was Paul Kelly. Mr. Kelly also expressed shock/horror when I produced my tape-recorder. It was like conversing with a politician sitting on a less than one per cent majority in a swinging seat. There were requests to go off the record (where I obliged by turning off the tape). There were also enormously long pauses while Paul weighed up the pros and cons of saying this or that. During one interminable silence my eyes glazed over. Having just asked a tricky question I imagined myself getting up from the table, going to the bar to ring a cab and returning just in time for Mr. Kelly to commence (yet another) excessively cautious answer to a rather incautious question.

I don’t know where Michael Dodd learnt journalism. But from my experience he seems to have picked up his question-response technique from Paul Kelly. Mr. Dodd is noted for his ability to fire fast verbal yorkers at the feet of politicians. But when it comes to batting against my medium-pace attack he adverted to a stone-walling technique which would have done. Trevor Bailey or Ken (“Slasher”) Mackay proud.

My interviews with the Rat Pack took place less than two weeks after the election. As such the discussions were affected by the widespread allegations of media bias that surfaced during the campaign. As a group, journalists are quite insensitive to criticism but it was obvious that some of the public censures of the media had left a mark. I recall, for example, a certain tension developing with some of my interviewees when I raised the question whether journalists (like politicians) should be required to declare any pecuniary interests. I was still getting phone calls on this on the day before this article hit the presses.

During the campaign there were those who directed their criticisms at the proprietors—especially Alan Bond (National 9 Network), Kerry Packer (Australian Consolidated Press) and Rupert Murdoch (News Corporation). And there were those who focused on the role played by journalists in the election—in particular the Canberra Press Gallery. Former Prime Minister Malcolm Fraser concentrated his fire on Rupert Murdoch while Ian Macphee and Ian Sinclair both went for the Bond-Packer-Murdoch trifecta. Mr. Doug Anthony blamed proprietors and journalists alike. But Senator Michael Baume (who initiated the controversy) and Liberal Party Director Tony Eggleton identified the alleged problem as stemming from the working journalists. So did (then) Shadow Treasurer Jim Carlton who accused the media of a “bit of naughtiness.”

The debate over bias demonstrated that there is much misunderstanding about the media. Messrs. Macphee, Fraser and Sinclair have got it wrong. The key movers and shakers are not the proprietors or the editors (although the latter do determine whether to accept or reject copy) but rather the working journalists. The leaders of the Rat Pack—Laurie Oakes, Michelle Grattan, Paul Kelly, Greg Hywood and (from Sydney) Max Walsh—are among the most influential figures in Australia. Increasingly they have more than one media outlet. For example, Laurie Oakes has a regular column in *The Bulletin*. Paul Kelly appears on Network 10 as a political commentator. Max Walsh has columns and a TV show. Michelle Grattan and Greg Hywood bob up regularly on radio and television. In terms of setting the political agenda and assessing policies and performance, the Rat Pack are more significant than an Alan Bond, a Kerry Packer, a Rupert Murdoch or (indeed) a James Fairfax.

There is no doubt that Senator Michael Baume’s decision to raise media bias as an election issue was a valuable political tactic. The Liberal and National campaigns were (and remained) a disaster. At one time it looked as though media bias was the only issue which the Liberals had. Certainly it was one of the few they seemed willing to run with (trade union power, waste, etc. having
Laurie Oakes
The Gallery has "an inflated view of itself".

Kate Legge
Estimates that about 80 per cent of the Gallery vote Labor, but does not have "strong criticisms of the Gallery or the way it operates".

Paul Kelly
The Gallery is "very much into practical politics".

Michelle Grattan
"A significant proportion, probably a majority, of the people in the Gallery would think that the Hawke Government has performed as a government pretty well."

Mike Steketee
Believes that the Gallery reported fairly the "other side" (i.e. the Thatcher-Howard position) of the South African sanctions issue.
THE RAT PACK

been virtually ignored). But, tactics aside, the role of the media is an issue that deserves evaluation in itself. Is there media bias? If so, what form does it take? What is the role of the Canberra Press Gallery in all this? Does it matter? These questions (among others) were in my mind when I headed off to Canberra to meet the Down Under version of journalism’s best and brightest.

Middle Class and Left-Liberal

From my seven years experience of working in Parliament House I have formed a view of the Press Gallery which I was anxious to test on the current members of the Rat Pack. The Gallery is predominantly middle class in background and left-liberal in political attitudes. The overwhelming majority of journalists vote ALP—albeit with a certain scepticism towards political parties and politicians born of the latent contempt which Parliament House familiarity invariably breeds.

The Pack operates according to an informal hierarchical structure with Pack leaders determining the political orthodoxies and fashions. Because of the similarity in attitudes of Pack members, there is very little diversity within the Gallery. In other words, heretics are hard to come by. By and large the Gallery acts professionally. After all, a story, is a story, is a story. But the political orientation of Gallery members is such that if there is any slippage in professional standards (as there must be from time to time) it is the non-Labor side that will invariably suffer. Moreover, conscious bias aside, the attitudes of journalists must affect the manner in which issues (as distinct from political parties or party leaders) are presented.

Most of the Rat Pack members to whom I spoke agreed that the Gallery consisted of predominantly Labor voters. Greg Hywood put the figure at 70 per cent while Kate Legge went 10 points higher. Michelle Grattan, Mike Steketee and John Stanley conceded that a majority of the Gallery votes Labor. Laurie Oakes had the impression that this was so in the 1987 Federal election but expressed some doubts as to whether this was always the case. Paul Kelly declined to comment on the record (even after a long pause) but did suggest that there were “more Liberal supporters in the Gallery than people think.” Michael Dodd was not convinced that there was majority support within the Rat Pack for the ALP but he could only identify one Liberal supporter. (Note to Editor—I think I wasted some of my allowance on the Michael Dodd lunch.)

All maintained that political preference was irrelevant and that, by and large, professionalism rules—OK. Greg Hywood was emphatic that once a journalist entered the Gallery “ideology really gets sucked out very quickly” and that journalists made essentially pragmatic judgments on parties, policies and politicians based on “their knowledge of the way the system works.” Paul Kelly regarded it as natural that members of the Pack were “very much into practical politics” because most were not economists or specialists in other fields. There was a widespread view that the Gallery was very much influenced by its assessment of political competence. Michelle Grattan expressed the opinion that “a significant proportion (probably a majority) of the people in the Gallery would think that the Hawke Government has performed as a government pretty well.” Laurie Oakes conceded that if you hold that the Government “is more competent than the Opposition . . . then that is the way you will end up voting, I suppose.”

By and large, the Rat Pack members rejected my view that the Gallery was infatuated with Paul Keating. I could find no other way to explain why Keating had received wide acclaim when he was a regulator and potential nationalizer, when (in 1983) he became a deregulator but remained a big spender and when (two years later) he was further converted to cost cutting. There was, however, a general agreement that Keating was a skilled politician who worked harder than any of his contemporaries on either side of politics in selling his message by constantly treading the Gallery corridors. No one disagreed with Laurie Oakes’ view that Keating was regarded as “colourful, tough, outspoken, brave (and) competent.”

One of the few areas in which there was genuine disagreement turned on whether there were any common Gallery attitudes. I believe that there was almost a unanimous Gallery position on, for example, the David Combe affair, the MX missile issue and the Liberal Party’s policy of labour market deregulation. The Gallery almost to a man (and woman) opposed the Hawke Government on the first two and the Liberal-National Opposition on the last one. The Combe and MX affairs were one-off issues. But in my view opposition to John Howard’s approach to industrial relations and support for the ALP-ACTU Accord has been a consistent Gallery position. So has support for economic sanctions against South Africa.

On 31 October 1985 (less than two months after Mr. Howard became Opposition Leader) Greg Hywood introduced a report—not a comment
Wran's famous terms), there is not much evident port for the Contras in Nicaragua. (Mr. Hywood is quite fond of this type of introduction.) Hywood wrote that Howard's position was "away behind the times" and as a result of this "his chances of receiving a sympathetic hearing for his views from the Australian media" were "minimal." Howard, Hywood suggested, was "set for a difficult time on South Africa." And so it turned out to be.

During our interview Greg Hywood maintained that South Africa was different because this issue was essentially bipartisan. By this he meant that there was a common Bob Hawke-Malcolm Fraser position. A similar view concerning the essential difference of the sanctions debate was put by Grattan and Kelly. Steketee and Dodd maintained that Hywood's October 1985 assessment was wrong—with Steketee holding strongly to the view that the media had fairly reported "the other side" (by which he meant the Thatcher-Howard position). Oakes and Stanley did agree, however, that there was some kind of Gallery position on South Africa and that this did influence the way this particular issue was reported. Oakes clearly regarded South Africa as an exception—claiming that since the Gallery consisted of "middle class people with human rights concerns" it was more likely to run a line on an issue like sanctions than on more mainstream political or economic issues. John Stanley said he sometimes "wondered" whether members of the Gallery seek safety in numbers. In my view this is especially so with young Gallery reporters—of which there are many.

If there is (or was) a Gallery position on, say, South Africa then it is quite plausible to suggest that there will be other positions across a wide range of issues. It is hard to find anyone in the Gallery these days who is not an economic rationalist or who is highly critical of the way the Government is handling the economy. Nor are there many who would now argue against the view that Australia's industrial relations system needs more flexibility provided this is achieved within a centralized system. Nor are there many who would oppose a foreign policy approach which allowed the US Navy access to Australian ports but which was critical of certain aspects of the Reagan Administration's policies on, for example, the Strategic Defence Initiative, the Comprehensive Test Ban Treaty and support for the Contras in Nicaragua.

To put it another way (to use one of Neville Wran's famous terms), there is not much evident criticism among the Rat Pack of the approach taken by Messrs. Keating, Willis and Hayden to economic policy, industrial relations and foreign policy respectively. At times this is taken to ridiculous lengths—for example when Kerry O'Brien (the ABC's chief political correspondent) suggested during a radio interview that there was virtually nothing on which you could criticize the economic policy of the Hawke Government or when there was a similar suggestion in a Sydney Morning Herald feature article written by one-time Rat Pack member John Edwards.

The Heretics

I believe that subconsciously at least there is some concern about what Michelle Grattan conceded was a Gallery tendency towards "some sort of common view of the world." Invariably when I raised this sensitive issue, members of the Rat Pack (with the conditioned reflexes of a herd of Pavlov's dogs) would invariably bark out the name David Barnett. During my interviews Paul Kelly, Michelle Grattan, John Stanley, Michael Dodd and Kate Legge all raised the spectre of Barnett.

David Barnett was Prime Minister Fraser's press secretary from 1975 until April Fools Day 1982. He writes a one-page column each week for The Bulletin and has no regular television or radio commentary spots. But, nevertheless, he appears to be consistently on the minds of Rat Pack members. It is as if Barnett is perceived as the resident conservative heretic who can be conveniently trotted out when allegations are made concerning political imbalance in the Gallery. You get the impression that if David Barnett were to fall off the Gallery perch, a waxworks model would be created overnight at Rat Pack members and placed in a prominent place outside the office of the Leader of the Opposition.

There are a few—but not many—Gallery heretics who consistently criticize the Government from the left. Recidivist Keynesians are hard to find these days—with the notable exceptions of Ken Davidson (The Age), Paul Malone (Canberra Times) and (perhaps) Mungo MacCallum.

Melbourne Herald journalist Peter Smark recently wrote that the "Canberra press gallery these days looks like an interchange bench for political press secretaries." The problem is that the bench is overloaded with those who are willing to pull on a Labor guernsey but very few want to run around for the Opposition. Sometimes you get the impression that David Barnett comprises the
backs, the forwards and the interchange bench of one side—all rolled into one—and that arrayed against him is a side that is fielding teams in all three grades.

In the latter years of the Whitlam Labor Government when the media proprietors were perceived to be supporting the Liberal-National parties, a number of key journalists (including Rat Pack members) signed a petition expressing concern at the “overwhelming concentration of media ownership in Australia” and dissociating themselves from what they described as the “inherently conservative bias expressed by the majority of proprietors.” The signatories included Alan Kohler, Mungo MacCallum, Paul Malone, Kerry O’Brien, Alan Ramsay, Ken Randall and (wait for it) Richard Farmer. In 1987 when two key media proprietors—Alan Bond and Kerry Packer—publicly declared themselves for the Hawke Labor Government there was no similar response.

Mike Steketee believes that a government always has some advantages when dealing with the media primarily because it controls access to stories and information. Certainly this has been so since the election of the Hawke Government in March 1983. Labor handles the media very well. But, at times, there is an atmosphere of intimidation in the air. This was evident during the election campaign when (in an off-the-record briefing) Mr. Keating indicated that he had marked certain journalists whom he felt had dealt unfairly with him. Even Mr. Mick Young felt compelled to suggest that perhaps the Treasurer was becoming too sensitive.

The Liberal and National parties, on the other hand, do not sell their political product to the media with the same degree of intensity as do their Labor colleagues. Nor do they consistently fight back hard when they believe they are the victims of unfair reportage. Media bias may become an issue every three years at election time. But sporadic offensives seldom work.

The 7.30 Report’s David de Vos recently referred to the “ever polite” John Howard. In September 1986 Ms. Grattan described Mr. Howard as a “soft media target.” When I was Howard’s Chief of Staff I used to (privately) joke that there was Methodism in his madness. The excessive and continual snide personal references to Howard in the media suggests that nice guys tend to get treated badly. I recall a prominent Financial Review report (published on the day before the election) where reference was made to Mr. Howard’s “worried, gold-capped grin” and his “usual press conference semi-yell.” What, you might ask, is the professional justification for this put-down and others like it?

The complicated issue of journalistic competence is virtually never tackled by the media. It is much easier to write endlessly of leadership challenges (which inevitably tend to involve Oppositions rather than Governments) than to undertake the hard task of analyzing what the latest current account or debt figures really mean. The Sunday Telegraph’s Warwick Costin in recent times has emerged as the Malcolm Mackerras of the Liberal leadership prophets. Costin predicted in February 1987 that John Howard had only “weeks if not days” left. In June he suggested that Howard might be rolled even if he won the 1987 election and became Prime Minister.

You can learn all about academic Mackerras’ false election prophesies in the media. But journalists seldom criticize one another. During the election campaign the Sydney Morning Herald dealt with one allegation of media bias by interviewing such paid-up members of the Rat Pack as Richard Carleton, Paul Kelly, Mike Steketee and Geoff Kitney. Not surprisingly they all felt their election reportage was very much up to (if not above) scratch. It was akin to asking Pope Pius IX in December 1864 whether he approved of the Syllabus of Errors: Ms. Legge is a lively journalist with an enquiring mind. Yet she informed me with a straight face that she did “not have strong criticisms of the Gallery or the way it operates.” The Rat Pack is like that.

During the seven years I worked with the Coalition in Canberra (1976-79 and 1984-86) I was staggered by the amount of genuine respect, if not awe, which Liberals and Nationals had for the leaders of the Rat Pack. I had been brought up in the Malcolm Muggeridge “from pulp thou art to pulp thou shalt return” school. So I was genuinely surprised to see many senior Coalition figures race for the newspapers or turn on their radios and televisions to await with bated breath for this or that comment from leading Gallery figures. It was as if they were actors waiting for reviews of a first night performance. The problem was compounded by the fact that almost every night was first night.

According to Laurie Oakes, the Gallery takes itself too seriously. I agree and merely add that the Liberals and Nationals take the Gallery too seriously. Mrs. Thatcher has demonstrated that it is possible to appeal to the electorate over the heads of the media. It would be worth trying Down Under.
There are many able and professional journalists in the Canberra Press Gallery. But there are not many Liberal or National supporters. I was reminded of this the other night when I turned on Tim Bowden’s ABC Backchat program and noted that a viewer had written in complaining about Max Walsh. According to the (somewhat irate) Channel 2 watcher, during his coverage of the election results on the evening of 11 July Mr. Walsh twice used the term “we” when referring to the Labor Party. Maximilian Walsh was not the first prominent Australian journalist to make this election night slip. I doubt that he will be the last.

Journalists on Media Bias

“... what a lot of people suspect is probably true: that most of the press gallery journalists in Canberra support the Labor Party... (Partly this would) result from the fact that the gallery is quite young, unconventional in life-style and, therefore, liberal in attitudes.”

Phillip Chubb, Time, July 13 1987

“I do not believe the gallery has set out to get Howard; it has simply given him away.”

Peter Bowers, Sydney Morning Herald, June 23 1987

“...considerable sections of the media seem now to be acknowledging that the Government has got away with more than it should have in this campaign, and that even if the Leader of Opposition is taking a long count, the media still has a professional job to do.”

David Bowman, The Age, June 24 1987

“There has been a bias against Mr. Howard in his period as leader and, of course, judgments about this can only be subjective. It was more easily identified in the initial six to nine months. Unusually, Mr. Howard got no media honeymoon as leader. The media were a factor in the initial undermining of his leadership.”

Paul Kelly, The Australian, June 18 1987

“Of course the media is biased. Even Blind Freddy and his dog can see it. The real surprise would be if it wasn’t. After all, at least 80 per cent of the people who work in it would be intending ALP voters... But it is largely a bias of omission, rather than commission.”

David Clark, Australian Financial Review, June 22 1987

“... they’re not doing their job properly, they’re not doing it professionally... I think part of the reason is they personally admire the Hawke Government, most of them support the Hawke Government. Most of them think it’s a good government, that it contains some of the best and the brightest, that it believes in economic rationality and so forth, and they’ve let that interfere with their professionalism.”

Brian Toohey, The 7.30 Report, June 22 1987

“Whilst John Howard remains in contention, his chances are gradually being whittled away by a press, led by the flagship of the Fairfax empire, the Sydney Morning Herald. Not since Arthur Calwell has a Federal political leader been given such a rough time by the media.”

R. D. Chalmers, Inside Canberra, June 19 1987

“For the past couple of days, I have forsaken the soft luxuries of the campaign and headed into the newspaper morgues... Over many hours, in two cities, I reviewed all the coverage by the main newspapers on sale in Sydney and Melbourne. As a result of these studies, I firmly believe that the coverage has, at times, been unfair to the Liberals.”

Robert Haupt, The Age, June 19 1987

“... the media... probably are allowing the Government to get away with more, more easily, than it allows the Opposition.”

Michelle Grattan, The Age, April 7 1986

“Paul Keating admitted this week the media generally had given the Government a ‘fair go’.”

Michelle Grattan, The Age, September 19 1986

“... the most biased election coverage against the Liberals that I can recall.”

Brian Toohey, ABC Radio PM Program, June 18 1987
Debt: The Real Implications

Des Moore

In the last *IPA Review*, Nobel Prize winner, Professor James Buchanan, wrote about the moral and economic crisis being threatened by the growth of debt in the USA. This article outlines the results of a major research study on Australian debt conducted by Des Moore, to be published shortly by the IPA. To date, it argues, the debate has concentrated too much on the source of the debt and insufficiently on how the borrowings are being used.

Australians have heard a lot about the growing foreign debt, have been told by the Government that the large increase in recent years mainly reflects adverse external developments beyond our control, and have been warned that this will require adjustments to policies to limit the increase in living standards (or, in some versions, to prevent any increase) and to effect a restructuring of our industries. What we have not been told by the Government, however, is that it is of less significance that the debt increase is entirely in foreign debt than that the increased borrowings have been used to finance consumption, that debt has grown relative to income because failed domestic government policies have wrought major structural changes in the economy and in social attitudes that have been inimical to economic growth, and that we are probably now falling into a deflationary debt trap which will end in a depression unless major changes in a wide range of policies are implemented.

The essence of the debt problem is this. For the past 15 years or so, Australians have been increasing their borrowings at a faster rate than their incomes and, for each of the three major sectors of the economy—government, corporate and household—the cost of servicing those borrowings has been taking an increasing proportion of receipts. These trends have worsened since the early 1980s.

Too much can be made of the fact that the increase in total debt and debt servicing costs is a reflection of increased foreign debt. Those who argue that external debt “matters” while internal debt does not matter—“because we owe it to ourselves”—overlook the key point that what really matters is how borrowings have been used. Internal debt can be just as much a real burden as external debt if the borrowings are not used productively.\(^1\)

Unfortunately, that is just what has happened. The increase in total borrowings has not been used to finance increased investment but has, rather, financed increased consumption. As a result, Australians have incurred a lot more debt but have not commensurately increased the productive assets needed to service that debt (which explains the increasing proportion of incomes going on debt servicing). Moreover, an increasing proportion of investment has been for replacement of “worn out” capital rather than expanded productive capacity and some of the investment that has been financed by borrowing has not produced satisfactory returns.

<table>
<thead>
<tr>
<th>Per Cent To GDP</th>
<th>Consumption(^{(a)})</th>
<th>Gross Investment(^{(b)})</th>
<th>Gross Debt Total(^{(c)}) External</th>
</tr>
</thead>
<tbody>
<tr>
<td>Av 1970/71 to 73/74</td>
<td>72.5</td>
<td>18.5</td>
<td>124</td>
</tr>
<tr>
<td>Av 1974/75 to 77/78</td>
<td>75.6</td>
<td>17.4</td>
<td>110</td>
</tr>
<tr>
<td>Av 1978/79 to 81/82</td>
<td>77.1</td>
<td>18.0</td>
<td>114</td>
</tr>
<tr>
<td>Av 1982/83 to 85/86</td>
<td>79.0</td>
<td>17.4</td>
<td>129</td>
</tr>
<tr>
<td>1986/87 (est.)</td>
<td>77.4</td>
<td>17.0</td>
<td>140</td>
</tr>
</tbody>
</table>

(a) Private plus government. Includes consumption of capital.
(b) Excluding investment in dwellings (and real estate transfer expenses) and stocks.
(c) Excluding all debt of financial institutions, i.e. is understated to the extent of borrowings by financial institutions from overseas.

Des Moore, Senior Fellow at the IPA, was formerly Deputy Secretary to the Commonwealth Treasury.

1. In his book, *Public Principles of Public Debt: A Defence and Restatement* (1958), Professor Buchanan established that borrowing involves a voluntary exchange in which there is no “burden” incurred at the time of the borrowing; rather the burden of debt is on the future generation. Hence, the importance of how borrowings are used. He also pointed out that there is no essential difference between borrowing externally and borrowing internally unless (real) domestic and external interest rates differ. Of course, if (nominal) interest rates take inadequate account of exchange rate changes such differences may arise and may exacerbate the burden of external debt.
These developments do not conclusively establish the existence of a debt problem. In my judgment, however, debt levels—and more particularly debt servicing levels—have reached a point, relative to income, where they are inhibiting spending on consumption, and (more importantly) on investment, to such an extent that we are probably now falling into a deflationary debt trap. The basic notion of such a process is simple.

If people and businesses find that, after paying interest, they have less income left with which to finance other spending (or, if not less, a slowing growth in other income), they will naturally tend to spend less on goods and services or to take less risks in expanding productive capacity. This process can be self-reinforcing in the sense that the less people spend on buying goods and services the less likely businesses will be to undertake new investment to provide those goods and services. Moreover, governments are susceptible to the same influences. As debt levels increase relative to income, there is thus an in-built, albeit almost imperceptible, tendency for economic growth to slow.

But the process does not necessarily end there. As debt levels become excessive relative to income, fears of default increase and risk premia demanded by lenders also increase. At a certain point, high debt levels—and associated major concerns about default—not only deter investment but start to undermine confidence more generally. Something like this process may have been an important factor in the 1930s depression, which was preceded by a large increase in debt. The stage has now been reached in Australia where there is a real possibility that excessive debt levels will lead to the debt trap being sprung and a depression ensuing.

Of course, debt traps can be avoided if government policies and community attitudes are conducive to an increase in labour productivity and to investment. But high debt levels mean that major policy and attitudinal changes need to be made to overcome the inhibiting effects of those high levels.

If there is a real possibility of falling into a debt trap why isn’t there greater recognition of that—and why aren’t governments taking more steps to prevent it?

One reason is that, as the factors that have contributed to the accumulation of debt have also contributed to the slowing economic growth, high levels of debt relative to income are thus seen as a symptom of other failings and are not recognized as a contributor per se. Another reason is that any slowing down effects from the build up of debt inevitably involves a gradual process that cumulates over time and is not susceptible to measurement: in these circumstances there is a natural scepticism about assessments that must be based essentially on judgment rather than statistical “proof”. Also, the focus of economists (and others) on the short-term economic outlook may have contributed to a tendency, which has only recently started to be remedied, to have less regard to longer term structural changes and their implications for the economy. This has tended to result in an assumption that adjustments in key short-term economic variables (such as public sector borrowing or the exchange rate) will do the trick. Associated with this is the tendency to suggest that the major cause of our debt problem is the adverse overseas economic trends; while such an approach does not reject the need for domestic policy action it avoids attributing fault to earlier domestic policy failings—and implies the need for adjustments in policies that are limited mainly to taking account of the changed international economic scene.

Of course, Australia has been adversely affected by slowing overseas economic growth and increased agricultural protectionism, resulting in a long-term decline in our terms of trade. But, while sudden changes in the overseas scene can provide short run “excuses” for inadequate policies, such excuses are not credible over an extended period: Australia has to cut its coat according to its cloth and is not incapable of doing so. In any event, as the graph shows, there was virtually no change in our terms of trade between the September quarter of 1977 and the December quarter of 1984, by which time gross external debt was already well over $50 billion and the exchange rate was already clearly overvalued. The main recent adverse movement in our terms of trade has occurred only since early 1985. We should face the reality that the recent downturn in our terms of trade has only

2. See Professor Schindler’s article, “The Australian Economy on the Hinge of History” in Australian Economic Review 1,87 which shows that property income payable abroad as a percentage of exports of goods and services is now about the same as it was in 1928—about 25 per cent. It subsequently peaked at over 40 per cent in the early 1930s.

3. I.e. the level of external debt in Australian dollars was understated at that time because it would necessarily be increased by subsequent depreciations. Moreover, a substantial part of the subsequent increase in external debt—which may have reached around $110 billion at end June 1987—cannot be attributed to the fall in the terms of trade from early 1985. Also, it is unlikely that policies would have been “tightened” as early as they were in the absence of the fall in the terms of trade from early 1985.
brought forward the need to recognize the deteriorating path we were pursuing.

There is also a tendency to argue that, as Australia's total debt relative to GDP is still considerably lower than in many OECD countries, we cannot be said to have a debt problem. However, OECD countries' economic growth has also been slowing and they may be experiencing similar "over-borrowing" and the factors contributing to that.4 Alternatively, they may have used their increased borrowings to a greater extent than Australia to finance an increase in productive assets; this is almost certainly true of countries such as Japan. Moreover, most OECD countries face fewer difficulties in expanding exports.

**Terms of Trade**

(1979–80 = 100.0)

Comparisons of international debt levels are not something, therefore, from which we can draw comfort any more than we can draw comfort from comparisons that show that the government sector in Australia is smaller than in most OECD countries. It avails us little to be running with the many tortoises that exist amongst those countries! Equally, given the uses to which increased borrowings have been put, we cannot draw comfort from the fact that total debt levels are not historically high relative to GDP.

Finally, to conclude that the policies pursued over the past 15 years or so have largely been inappropriate is not something that finds ready acceptance. Yet an examination of developments over the whole period makes it difficult not to conclude that this debt problem has emerged because of a comprehensive failure of government policy which has involved, as a key part, a marked expansion in the size of the government sector. This growth of the public sector, fuelled by adherence to "Keynesian" economic policies since the late 1950s and early 1960s, has been partly financed by debt. Even more importantly, however, this expansion of the State has reduced private sector incentives to save and to work and increased incentives to spend—and to go into debt to do so; private sector “gearing up” has been stimulated by perceptions that the State has put a “safety net” under the economy, both via industry support and through the Welfare State. Moreover, the spreading perception that getting into debt is acceptable—even economically responsible—has probably enhanced private sector debt accumulation, especially in the more recent environment of financial deregulation. Also, the increasing involvement of the State in income redistribution, whether directly through taxation or “social wage” programs, or indirectly through interference in the wage determination process, and increased “regulation” of business, has made investment less profitable and more risky.

The end “product” has thus been an increased emphasis on consumption, financed increasingly by borrowing, and a decreased emphasis on investment, resulting in slowing economic growth and a diminished capacity to service the accumulating debt. What I argue, essentially, is that the growth of government has been responsible for a slowing down in the output (or income) side of the equation but that this bigger government has not taken action to restrain the spending side commensurately. The difference between the output and spending sides of the equation has been made up by increased borrowings which, after a time, start to have their own independent effect in deterring both spending and output.

**What Should We Do?**

If we are falling into a debt trap, how do we avoid it? The short answer is that we have to adopt policies that will result in increased output while at the same time containing spending. There now seems to be general agreement on that. But what is not agreed is the speed, extent, and even (in some cases) the nature of the changes. In particular, there is as yet only limited recognition of the ongoing detrimental effects that the increased size of government (and particularly the increase in social welfare spending) is almost certainly having on the incentive to save and to work. The recent report on “Structural Adjustment and Economic Performance” by the OECD—a body not known for being

4. There is considerable evidence that the USA has, for one.
a supporter of small government—provided some encouragement to such supporters when it included as one conclusion that the growth of public spending has operated, at the margin, to reduce national income of OECD countries by 10 to 15 cents for every extra $1 raised in taxes. The analysis suggested that it is the interaction of the combined effects of higher taxation and increased welfare expenditure that is relevant. Some academic studies suggest that the effects of high taxation alone are probably even greater. Little attention has been paid in Australia to such studies.

Unless we take radical action across a number of fields to halt the growth in debt, we face at best a long period of economic stagnation; indeed there is now a real risk of an economic depression. Those who argue that radical action is “impracticable” and cannot be “forced” on society do not address the point that, unless society is “persuaded” to take such a course, the continuation of a “gradualist” approach towards change will result in even more drastic action being required later. There is also far too much “fence-sitting” by those who accept the need for major change but who are reluctant to fully engage the debate because they fear being labelled politically: what we require is leadership from all major non-political groups, including businessmen, academics and bureaucrats, in the long run national interest. But, above all, we need the Government to provide the community with a realistic assessment of the difficulties we face and to implement the policies to overcome those difficulties.

If we are to avoid the debt trap, we should set a three year program along the following lines:

• a reduction in government outlays of around three percentage points of GDP annually to around 33 per cent;
• after allowing for a reduction in the net public sector borrowing requirement to two per cent of GDP (from its present level of around four per cent), a broadly commensurate reduction in taxation;
• the establishment of a wage negotiation system that allows/encourages a substantial increase in productivity. This would best be achieved by a system under which wages and conditions of employment are negotiated primarily at the enterprise level, with full protection for individual employers and employees from attempts by unions to exercise monopoly power;
• the improvement of productivity in the public sector through the virtual elimination of controls preventing businesses from competing in the markets of goods and services produced by most public enterprises, and the “privatization” of most such enterprises;
• the reduction of costs through a reduction of industrial protection against imports at a significantly faster rate than envisaged by present plans;
• pending an improvement in productivity, policies which exercise heavy restraint on consumption spending. To the extent that other policies do not ensure this, monetary policies will need to be operated so as to produce continued high interest rates.

To state such a program is to indicate just how great our difficulties are. The worst is far from over and we will need strong leadership from the Government, and from other groups, if our debt problem and its underlying causes are to be overcome.

“Peace at any price” is an unworthy ethic to instill into our children.

In the summer of 1212, an estimated 50,000 children set out from Europe for the Holy Land to make peace between the Christian world and the Muslim world, to conquer by love instead of military might. There were two groups of children, one led by a French shepherd boy named Stephen from Clove-sur-le-Loir, and the other by Nicholas, a ten year old from Cologne. It was a peace march par excellence and it generated tremendous excitement and attracted enormous crowds of cheering spectators. But it was to end in terrible tragedy. Some of the children became lost, others were shipwrecked, and the rest fell into the hands of slave-traders who shipped them to the slave markets of Northern Africa from where they were sold as slaves to the East.

With horror we may wonder now how the parents and those in authority in 1212 could ever have condoned the Children’s Crusade. But really it should not puzzle those of us who watched last year as our own children were caught up in an excess of crusading fervour, whipped up by some of the more fanatical adult members of the Peace Movement, and assisted by the only slightly less unscrupulous persuasiveness of well-publicized television programs like “Mum, How Do You Spell Gorbachev?,” in which children were presented glamorously as splendid ambassadors of peace.

It is all too easy to imagine those crusading children of long ago as they set off in good faith and with high hopes—their faces aglow with the zeal that can be seen on our children’s faces each year at Palm Sunday Marches.

In moments of optimism, it has been said that we learn by our mistakes. But even the most cursory glance back over the manipulative antics and Peace Studies programs devised for children to mark the International Year of Peace should cause us to doubt the truth of that old adage. Indeed, we should be moved to ask why the more senior members of the Peace Movement, who may have managed, before these days of Mickey Mouse options, to acquire a smattering of history, have deliberately ignored or conveniently forgotten the lesson of history so painfully learned by adult European society nearly eight centuries ago.

While it should be acknowledged that these Peace educators are sincere people, it should be pointed out that their sincerity cannot compensate for the deficiency in prudence and wisdom of many of their judgments. No doubt they mean well but the road to slavery is paved unfortunately like the road to hell... Their campaign is designed around two distinct thrusts, which are, oddly enough, so contradictory as to border on the irrational.

On the one hand, like their mediaeval forbears, they have fostered unrealistic expectations of the ability of childpower to achieve peace. They have inspired a naive zeal for peace, equipping children from kindergarten upwards with an armoury of simplistic catchwords and glib slogans with which they are assured of being able to convert the warmongers.

On the other hand, the Peace educators have deliberately dispelled the natural peace of mind and heart that has traditionally belonged to children. The natural security and trust that characterizes childhood has been blasted to smithereens with the Peace educators’ “realistic” horror-inspiring predictions of imminent nuclear immolation for the whole world. That this part of their teaching program has been superbly successful was demonstrated recently in the results of a poll taken among Australian schoolchildren, which revealed that the overwhelming majority was convinced that the world would end in a nuclear disaster “in their life-

Rita M. Joseph has been a teacher for 17 years, of both Primary and Secondary students and of a broad array of subjects, including History.

IPA Review, August–October 1987
time”. The children’s optimism appears to have been utterly destroyed. Optimism, so natural to childhood, has been tampered with, replaced by a defeatism programmed by Peace educators to swamp any consideration of happier possibilities such as that

- human ingenuity may yet devise solutions, a discovery, perhaps, that will render nuclear weapons obsolete, or
- human resourcefulness and tenacity of purpose may yet secure for us the capacity to surmount and survive a nuclear conflagration.

In every age there have been uncertainties, frightening possibilities, looming disasters. The ghastly slow-motion of famine, the swift scourge of raging diseases like smallpox and the Black Death, the utterly monstrous inhumanity of genocide, and the horrific destruction of wars with massacres, pillaging and burning...

Man has always had to live with these things. But over the thousands of years of history, we should be able to take some comfort and courage from the sure, vivid testimony therein to the indomitable and astonishing resilience of the human spirit. And of these characteristics, nowhere is there more evidence than in the readiness of each generation to go to extraordinary, even heroic lengths to protect the next generation, trying to ensure that their children might enjoy, however briefly, some measures of carefree happiness, that if they reach adulthood, they might retain some sustaining memory of the good and enduring things of life.

In the history of civilization, the reversal of this tradition of protecting children is a remarkably rare aberration; and it will be to our eternal shame if we are prepared to condone such an aberration in our own age. In truth, it is a cruel and shocking perversion to seek to reverse the natural roles, to dump adult burdens on our own age. For there are few things that rankle more than the injustices endured that the reconciliation process, amelioration of the burning anger from the long years of bitterness can begin. Peacemakers who try to negotiate “no fault” settlements cannot succeed. For there are few things that rankle more than the swiftness of others to grant blanket pardons to the perpetrators of an injustice done to oneself.

In the history of civilization, the reversal of this tradition of protecting children is a remarkably rare aberration; and it will be to our eternal shame if we are prepared to condone such an aberration in our own age.

There is so much to learn, and as I sift through the recommended textbooks and resource materials for the various Peace Studies courses offered in Australian schools, I am appalled at the narrowness of the perspective being given, at the blinkered sentimentality of their hopelessly simplistic blueprints for achieving peace.

True, we can’t get far along the road to peace without the will to forgive. But an essential ingredient for forgiveness is universal recognition of the wrong that has been perpetrated. And this is where Australian Peace Studies are farcically inadequate. Comprehensive history lessons would be far more pertinent. For it is in the sympathetic acknowledgement by the rest of the world (including Australian teachers and students) of injuries sustained and injustices endured that the reconciliation process, amelioration of the burning anger from the long years of bitterness can begin. Peacemakers who try to negotiate “no fault” settlements cannot succeed. For there are few things that rankle more than the swiftness of others to grant blanket pardons to the perpetrators of an injustice done to oneself.

Yet in the name of Peace, Australian schoolchildren are being exhorted to forgive the Soviets on behalf of the Afghans, to forgive the Vietnamese for the ordeals of anguish suffered by their boat people, and by the people of Laos and Cambodia. Such “forgiveness” is ludicrously presumptuous,
for to be valid, forgiveness, like insurance, requires that one has a vested interest (the insurable interest principle).

What About Justice?

Teachers may need to be reminded that, while the peacemakers shall be called the children of God, the thirst for justice is blessed too. Children need to learn from history the intrinsic complexity of intertwined atrocities, anomalies and mistakes that have to be negotiated to achieve a just and lasting peace. They need to know that all too often in the past our peacemakers have been too eager for peace—that in their haste to have done, they have laid the foundations for further conflict and more war. In short, children should not be given to understand that peacemaking is child's play. It is not comprised of preposterous activities like Samantha Smith-style pilgrimages, anti-American graffiti writing, the erection of road signs like “Welcome to Waverly, a Nuclear-Free Zone”, and the wearing of T-shirts boasting slogans of such exquisite insight as “Make love not war”, and “Everybody, learn to sing together”.

It would appear that the overwhelming emphasis has been placed on fostering an appallingly naive tolerance. But incredibly, the Peace educators have refused to draw the crucial ethical distinction between tolerance of cultural differences and tolerance of evil. Nowhere is it made clear to children that to tolerate evil is no virtue and that not even that most virtuous of motives, viz. for the sake of peace, can make it so.

As the French Resistance understood only too well, tolerating evil is tantamount to collaborating with it. Even in the present, there are countless people who are attesting in the most vivid way to the truth that one cannot collaborate with an evil regime without oneself incurring some of the blame and compromising one's own integrity... Soviet dissidents in psychiatric hospitals, Lithuanian and Vietnamese clergymen in prisons and labour camps, and political prisoners and exiles from a score of African and South American countries.

And if ever silence about injustice and acquiescence to aggression is the price of peace, then surely we must teach children that it is too high a price. Silence and acquiescence are synonymous with complicity. In effect, Peace Studies are useless if they do not teach that the preservation of human integrity is a higher value than the preservation of human life itself.

Instead, however, our children are being drilled in the shockingly immoral principle: “Peace at any price”. It is this principle that surreptitiously underpins the standard peace education programs. Courses are so structured as to leave students with the overwhelming conviction that the pacifist's hasty resort to surrender is the only rational option in the event of a threat of foreign aggression or tyranny. Students are gulled into adopting the cynical belief that all war is crazy, that there is absolutely nothing worth fighting for.

Such a reversion of educational philosophy to nihilism is scandalous. Essentially, education should always constitute a civilizing influence; but this new Peace education is, in effect, a reversion to barbarism, to the barbaric notion that there is nothing to discern between good and evil, that there is no point in even attempting to champion good above evil, for good and evil are indistinguishable. (Again and again, the USSR and the USA are acclaimed by Peace literature to be morally equivalent; and the Westminster system of law and justice and the Soviet systems are proclaimed to be equally flawed. One wonders whether the Soviet Jews and Ukranians in the Gulags really would be all that indifferent to a transfer to Newgate or even Bogg Road!)

And perhaps the most significant blunder in the Peace education initiatives is this fanatical allegiance to the idea that the threat of nuclear war is so horrendous that it warrants that we be willing to sacrifice everything, including our principles, to avoid it. But how can Peace educators be so sure that our fear is greater than any other generation has ever known, thus justifying as never before the abandonment of any concerted effort to resist the aggression of a superior power?

So why then are we permitting the nuclear threat to frighten us out of our wits, paralyzing the hope which up until now has sprung eternal in the human breast? Why then are we sabotaging sane, brave, resolute efforts to retain human decency and avert disaster, with wanton displays of unbridled panic and craven cries of “Peace at any Price”? Forget justice, forget human dignity, forget everything that man has ever learned of nobility and goodness, decency and fairness, compassion and love—let's all surrender unconditionally, turn ourselves over to evil, sell our children into slavery, anything, anything at all, just to be assured of being allowed to go on living...

That is the Peace Movement’s fundamental message to our children, and what a contemptible, pathetic and dishonourable message it is.
Ronald McDonald House is a place of love, a home away from home for the parents and families of children undergoing treatment for leukaemia, cancer and other serious illnesses.

There are two Ronald McDonald Houses, one in Sydney and the other in Melbourne.

They came into being when senior paediatricians recognised that children respond better to treatment when their families are close by.

McDonald's was approached and offered assistance. In the words of Sydney House Manager, Virginia Delaney, "The families and children support each other. They share the good times and the bad times. It's a very warm, very loving atmosphere!"

Love built the Ronald McDonald Houses and love sustains them.
DEFENDING AUSTRALIA

Harry Gelber

The Cost of Ignoring Foreign Affairs

One of the most disturbing aspects of the recent election campaign was the almost total omission, by both sides, of foreign relations and security issues. It was a highly significant indicator of the prevailing public view of the world, which harbours at least three kinds of illusion. It thinks that foreign affairs are somehow separate from “real” domestic problems and can be put on the back-burner when we concentrate on serious things like social services and taxation. It assumes that security has almost solely to do with defending Australia against invasion or other direct attack; and since that is very unlikely, paying attention to security is a waste of time. And it assumes that because we are inoffensive and far away, we would be wise not to embroil ourselves with the outside world except in things like sport and trade, probably in that order.

What all this ignores is the fact that foreign and security considerations, economic and social policies at home, trading advantage, political clout and the preservation of our values and interests, form one complex whole, where warp and woof are inseparable. The importance of external relations in shaping the fate of Australia, including the daily lives of individual Australians, has increased, is increasing and cannot be diminished.

It is true that a major strand in the electoral debates has been the question of Australia’s competitiveness. But even that has been treated almost entirely as a yardstick for discussions of domestic reform. There has been almost no mention of the fact that our interest rates are determined by views and judgments in New York and Zurich rather more than by ones in Sydney and Canberra. Or that the viability of Australian enterprises can depend on Japanese investment policies in Europe. Or that the fate of Australian farmers depends in part on the success or failure of agricultural modernization in China and the USSR, or on the outcome of the political/economic dispute between the USA and the European Community. Or of the obvious fact that in a period of expanding Australian overseas investment, the success of that investment can depend, sometimes critically, on the political relations between Australia and the country into which investments are placed.

For that matter, the entire corpus of proposed industry policies and the improvement of Australian competitiveness depends fundamentally on an understanding of external factors. If our focus is domestic, as traditionally it has been, industry policy will be one in which government action can largely substitute for the market. If, however, we focus on the global economy, no industry policy can make sense unless it becomes market-forming instead of market-replacing. Altogether, governments must increasingly compete with one another to make their countries attractive targets for investment. The entire regulatory and taxation system must therefore be redesigned with an eye on the potential investor in Rio or New York or London, who can only be persuaded, not constrained. And if he is to be persuaded, that must be a political task as much as a financial one.

There has been even less mention of the way in which Australian views and news can be affected by almost instant world-wide flows of news and opinion, or the way in which turmoil, political or religious dispute in other continents can have quick repercussions in our own.

It may be that illusions about security have

Harry Gelber is Professor of Political Science at the University of Tasmania.
been especially damaging. They have not merely led to the assumption that economic and security considerations are separate, but to the view that whatever happens nearby—like the Fiji coup or developments in Papua/New Guinea—matters to us while developments further afield probably do not.

More surprising still, given its immediate relevance to Australian affairs, is the way in which general Australian opinion either ignores the implications of the Japanese-American dispute on trade, payments and investment, or else regards it as a kind of football match in which we are interested but essentially unconcerned spectators.

Yet a moment’s reflection must show that the Fiji affair, however regrettable, is relatively trivial and in any case not a matter where we could or should seek to intervene. Ethnic and racial disputes will not disappear from the world merely because we say we want them to. Whether Fiji has a regime that we like will, in the end, make very little difference to the security and welfare of Australia. By contrast, events in Europe or the Persian Gulf or even Central America could have a decisive effect. If, for example, unrest and “revolution” in Central America were to spread to Mexico—and little in Mexico’s political and social structure gives one confidence that it could not—the United States would be placed in a most difficult position. Washington might be forced to divert massive effort and attention to its Southern border, if only because millions of frightened Mexicans might try to cross it to seek refuge. Such a diversion of effort could easily make the maintenance of the US position in Europe and the Pacific impossible. There is no sign that those Australian groups which specialize in airing moral outrage about US policies in Latin-America have seriously considered what would happen to Australia’s security and other interests if such a thing happened.

Nor is there much sign that the wider public has thought about the problems of the Northern Pacific, or the wider implications of the Soviet naval and air build-up in the region. Messrs. Hawke and Beazley have no doubt been correct to argue that the Soviet base at Cam Ranh Bay, in Vietnam, would be highly vulnerable in the event of war. But in the meantime it is of very great value as a means of “showing the flag” and exercising political influence, as well as for intelligence operations, not to mention any positioning of forces prior to the outbreak of a conflict.

Still less does Australian opinion seem to have focused on the seeming retreat from reform and liberalization in China, on the tensions in that huge society between modernization and Party control, between xenophobia and the desire to learn foreign techniques or even on the careful balance, in the management of China’s external relations, between the West and the Soviet Union.

More surprising still, given its immediate relevance to Australian affairs, is the way in which general Australian opinion either ignores the implications of the Japanese-American dispute on trade, payments and investment, or else regards it as a kind of football match in which we are interested but essentially unconcerned spectators. Yet the dispute harbours dangers of major political as well as economic disruption, with potential results of the greatest seriousness for us and for others. That an election campaign of several weeks should go by without so much as a mention of the economic, let alone the political, implications of these events is surely alarming. To indicate just two of the possible developments: what if serious political difficulties were to produce a major Japanese economic downturn? Or what if such difficulties were to propel Japan into a more rapid development of various kinds of post-nuclear, even if chiefly defensive, strategic weapons?

We have even ignored the organic relationship between security, research and development and industry policy, including the much-discussed business of technological upgrading. One looks in vain to the recent Defence White Paper, or to the election campaign, for more than a brief aside about the new strategic arena of space which has been opened up by the superpowers and, increasingly, by others also. Yet that area of competition is likely to be decisive not just for many aspects of intelligence, communications and defence but for the development of many of the lead-technologies of the next era of Western economic development. Can it really be wise for most Australians to look the other way?
Deadlier than War

R. J. Rummel

If the peace movement is serious about preventing the slaughter of human lives, it should rethink its central focus — for a greater killer of people than war has been absolutist governments, and the most murderous of these have been communist governments.

While libertarians have recognized the economic and moral virtues of a free society, they have largely ignored or been ignorant of an intrinsic hallmark of freedom: that libertarian governments of free societies are the most peaceful, the greatest respecters of the value of human life.

In a number of scientific books and articles, I showed that libertarian governments do not make war on each other, that they have the least foreign and domestic violence, and that the greater the freedom in two nations, the less there has been military violence between them. Indeed, the most violent governments have been totalitarian, those least free. And this is not only historical fact but is what we should expect in the future. Non-violence is inherent in freedom.

In a recent article (Reason, October 1985), James L. Payne calculated that communist regimes, the dominant totalitarian form today, are clearly the most militaristic. They have an average of thirteen full-time military personnel per 1,000 population, compared to six for non-communist nations.

That non-free, or absolutist, nations are more violent and militaristic has been occasionally pointed out by libertarians and others. The major virtue of recent research is to provide the statistical confirmation and to make more people aware of these facts.

But what is generally unknown about absolutism, and to my knowledge has not been mentioned elsewhere, is that absolutist governments kill many times more people than have been killed in all the international and civil wars put together.

And the worst type of these absolutist governments is communism. It is a killing machine, responsible for the massacre, executions, starvation, and deaths from forced exposure, slave-labour, beatings, and torture of at least 95,153,600 people in this century, or 477 people per 10,000 of their populations. By contrast, the number of battle casualties from all wars in this century is 35,654,000, or 22 per 10,000 people of the populations involved. On a per capita basis, communism is at least 20 times deadlier than war. Communism in this century has killed even more people, aside from communist wars, than the 86 million that perished in all the wars and revolutions since 1740.

Before elaborating on these incredible assertions, let me present and define the relevant data. Table 2 provides the definitions and national data and Table 1 gives the summaries.

By war is meant any international or civil violent conflict (such as a guerrilla war, rebellion, revolution, or terrorist campaign) involving at least 1,000 killed in battle or action. This includes not

### Table 1: Twentieth Century Killed by Cause*

<table>
<thead>
<tr>
<th>Cause</th>
<th>Total (thousands)</th>
<th>Averages per 10,000 population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>119,394</td>
<td>349</td>
</tr>
<tr>
<td>Non-Free</td>
<td>115,423</td>
<td>494</td>
</tr>
<tr>
<td>Communist</td>
<td>95,154</td>
<td>477</td>
</tr>
<tr>
<td>Other Non-Free</td>
<td>20,270</td>
<td>495</td>
</tr>
<tr>
<td>Partially Free</td>
<td>3,140</td>
<td>48</td>
</tr>
<tr>
<td>Free</td>
<td>831</td>
<td>22</td>
</tr>
<tr>
<td>War</td>
<td>35,654</td>
<td>22</td>
</tr>
<tr>
<td>International</td>
<td>29,683</td>
<td>17</td>
</tr>
<tr>
<td>Civil</td>
<td>5,970</td>
<td>26</td>
</tr>
</tbody>
</table>

*The data on wars is from J. David Singer and Melvin Small, Resort to Arms: International and Civil Wars, 1816-1980 (Beverly Hills: Sage, 1982). All figures in the table are rounded, therefore totals may be slightly out.

---

Dr. R. J. Rummel is Professor of Political Science at the University of Hawaii.

Table 2: People Killed by Government in the Twentieth Century

<table>
<thead>
<tr>
<th>State1</th>
<th>Years</th>
<th>Govt. Type</th>
<th>Pop.</th>
<th>Killed</th>
<th>Killed per 10,000 Pop</th>
<th>Code3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>1978-79</td>
<td>C,NF</td>
<td>19.9</td>
<td>27</td>
<td>13.6</td>
<td>S</td>
</tr>
<tr>
<td>Albania</td>
<td>1944-47</td>
<td>C,NF</td>
<td>1.8</td>
<td>150</td>
<td>8.160</td>
<td>S</td>
</tr>
<tr>
<td>Algeria (France)</td>
<td>1945-55</td>
<td>F</td>
<td>74.0</td>
<td>36</td>
<td>7.7</td>
<td>S</td>
</tr>
<tr>
<td>Allied Democracies</td>
<td>1943-47</td>
<td>F</td>
<td>21.6</td>
<td>7956</td>
<td>36.4</td>
<td>S</td>
</tr>
<tr>
<td>Angola</td>
<td>1976-78</td>
<td>C,NF</td>
<td>7.0</td>
<td>71</td>
<td>101.4</td>
<td>U</td>
</tr>
<tr>
<td>Argentina</td>
<td>1981-81</td>
<td>NF</td>
<td>26.5</td>
<td>15</td>
<td>5.7</td>
<td>A</td>
</tr>
<tr>
<td>Brazil</td>
<td>1960-62</td>
<td>PF</td>
<td>93.0</td>
<td>13</td>
<td>0.1</td>
<td>R</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1944-45</td>
<td>C,NF</td>
<td>7.1</td>
<td>4</td>
<td>5.6</td>
<td>U</td>
</tr>
<tr>
<td>Burundi</td>
<td>1965</td>
<td>NF</td>
<td>3.5</td>
<td>150</td>
<td>428.6</td>
<td>A</td>
</tr>
<tr>
<td>Cambodia</td>
<td>1972-73</td>
<td>C,NF</td>
<td>7.5</td>
<td>2,000</td>
<td>2,666.7</td>
<td>A</td>
</tr>
<tr>
<td>Chile</td>
<td>1973</td>
<td>NF</td>
<td>9.2</td>
<td>17</td>
<td>18.5</td>
<td>S</td>
</tr>
<tr>
<td>China</td>
<td>1949-70</td>
<td>NF</td>
<td>670.0</td>
<td>45,000</td>
<td>761.6</td>
<td>A</td>
</tr>
<tr>
<td>Colombia</td>
<td>1948-57</td>
<td>PF</td>
<td>11.6</td>
<td>67</td>
<td>57.7</td>
<td>S</td>
</tr>
<tr>
<td>Croatia</td>
<td>1941-44</td>
<td>NF</td>
<td>4.4</td>
<td>836</td>
<td>1,857</td>
<td>S</td>
</tr>
<tr>
<td>Cuba</td>
<td>1959</td>
<td>NF</td>
<td>7.4</td>
<td>21</td>
<td>283</td>
<td>U</td>
</tr>
<tr>
<td>Cuba</td>
<td>1952-59</td>
<td>PF</td>
<td>6.0</td>
<td>1</td>
<td>1.7</td>
<td>U</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>1945-75</td>
<td>C,NF</td>
<td>13.3</td>
<td>130</td>
<td>97.4</td>
<td>S</td>
</tr>
<tr>
<td>East Timor (Indonesia)</td>
<td>1978-79</td>
<td>NF</td>
<td>0.6</td>
<td>100</td>
<td>1,666.7</td>
<td>S</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>1944-45</td>
<td>C,NF</td>
<td>60.4</td>
<td>2,10010</td>
<td>348.0</td>
<td>A</td>
</tr>
<tr>
<td>E. Europe &amp; USSR</td>
<td>1945-50</td>
<td>C,NF</td>
<td>2.5</td>
<td>111</td>
<td>159.7</td>
<td>S</td>
</tr>
<tr>
<td>El Salvador</td>
<td>1979-81</td>
<td>PF</td>
<td>2.6</td>
<td>42</td>
<td>159.7</td>
<td>U</td>
</tr>
<tr>
<td>Equatorial Guinea</td>
<td>1969-79</td>
<td>NF</td>
<td>0.4</td>
<td>50</td>
<td>1,250</td>
<td>S</td>
</tr>
<tr>
<td>Estonia (USSR)</td>
<td>1940-45; C,NF</td>
<td>1.1</td>
<td>65</td>
<td>570.8</td>
<td>R</td>
<td></td>
</tr>
<tr>
<td>Ethiopia</td>
<td>1977-82; C,NF</td>
<td>29.4</td>
<td>150</td>
<td>51.0</td>
<td>U</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>1939-45</td>
<td>NF</td>
<td>17,00012</td>
<td>50.6</td>
<td>U</td>
<td></td>
</tr>
<tr>
<td>Germany, E.</td>
<td>1945-46</td>
<td>C,NF</td>
<td>16.0</td>
<td>81</td>
<td>50.6</td>
<td>U</td>
</tr>
<tr>
<td>Germany, E. (USSR)</td>
<td>1944</td>
<td>C,NF</td>
<td>16.0</td>
<td>500</td>
<td>312.5</td>
<td>R</td>
</tr>
<tr>
<td>Guatemala</td>
<td>1966-67</td>
<td>PF</td>
<td>5.4</td>
<td>20</td>
<td>37.4</td>
<td>A</td>
</tr>
<tr>
<td>Hungary</td>
<td>1944</td>
<td>HF</td>
<td>9.5</td>
<td>10</td>
<td>10.5</td>
<td>U</td>
</tr>
<tr>
<td>Hungary</td>
<td>1941-44</td>
<td>NF</td>
<td>9.5</td>
<td>19013</td>
<td>200.8</td>
<td>A</td>
</tr>
<tr>
<td>Hungary (USSR)</td>
<td>1944</td>
<td>NF</td>
<td>9.0</td>
<td>150</td>
<td>166.7</td>
<td>S</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1965</td>
<td>PF</td>
<td>104.9</td>
<td>600</td>
<td>572</td>
<td>S</td>
</tr>
<tr>
<td>Iran</td>
<td>1960-78</td>
<td>PF</td>
<td>28.7</td>
<td>1</td>
<td>0.3</td>
<td>R</td>
</tr>
<tr>
<td>Japan</td>
<td>1979</td>
<td>NF</td>
<td>34.6</td>
<td>21</td>
<td>6.1</td>
<td>U</td>
</tr>
<tr>
<td>Korea, N.</td>
<td>1942</td>
<td>C,NF</td>
<td>11.1</td>
<td>10</td>
<td>9.0</td>
<td>R</td>
</tr>
<tr>
<td>Laos</td>
<td>1974-75</td>
<td>C,NF</td>
<td>3.3</td>
<td>2013</td>
<td>60.6</td>
<td>S</td>
</tr>
<tr>
<td>Latvia (USSR)</td>
<td>1940-45</td>
<td>C,NF</td>
<td>2.0</td>
<td>72</td>
<td>366.5</td>
<td>S</td>
</tr>
<tr>
<td>Lithuania (USSR)</td>
<td>1940-44; C,NF</td>
<td>2.6</td>
<td>152</td>
<td>590.7</td>
<td>R</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>1979-80</td>
<td>PF</td>
<td>13.0</td>
<td>1516</td>
<td>11.5</td>
<td>S</td>
</tr>
<tr>
<td>Mexico</td>
<td>1914-20</td>
<td>PF</td>
<td>14.9</td>
<td>10</td>
<td>6.7</td>
<td>R</td>
</tr>
<tr>
<td>Morocco</td>
<td>1956-67</td>
<td>CF</td>
<td>9.5</td>
<td>1</td>
<td>1.1</td>
<td>U</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>1975</td>
<td>C,NF</td>
<td>2.4</td>
<td>1</td>
<td>4.2</td>
<td>S</td>
</tr>
<tr>
<td>Nicaragua17</td>
<td>1979-80</td>
<td>C,PF</td>
<td>2.4</td>
<td>1</td>
<td>4.2</td>
<td>S</td>
</tr>
<tr>
<td>Nicaragua18</td>
<td>1960-79</td>
<td>PF</td>
<td>2.0</td>
<td>1</td>
<td>5.1</td>
<td>U</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1966</td>
<td>PF</td>
<td>49.9</td>
<td>719</td>
<td>1.4</td>
<td>S</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1971</td>
<td>PF</td>
<td>117.0</td>
<td>2,000</td>
<td>170.9</td>
<td>S</td>
</tr>
<tr>
<td>Paraguay</td>
<td>1966-72</td>
<td>PF</td>
<td>2.3</td>
<td>1</td>
<td>4.3</td>
<td>M</td>
</tr>
<tr>
<td>Poland</td>
<td>1944</td>
<td>C,NF</td>
<td>26.2</td>
<td>117</td>
<td>42</td>
<td>R</td>
</tr>
<tr>
<td>Poland (USSR)</td>
<td>1939-41</td>
<td>C,NF</td>
<td>12.0</td>
<td>285</td>
<td>237.5</td>
<td>S</td>
</tr>
<tr>
<td>Romania</td>
<td>1941-44</td>
<td>NF</td>
<td>15.1</td>
<td>210</td>
<td>139.1</td>
<td>S</td>
</tr>
<tr>
<td>Romania</td>
<td>1944</td>
<td>NF</td>
<td>15.6</td>
<td>100</td>
<td>64.0</td>
<td>A</td>
</tr>
<tr>
<td>Romania (USSR)</td>
<td>1944</td>
<td>C,NF</td>
<td>15.0</td>
<td>430</td>
<td>286.7</td>
<td>S</td>
</tr>
<tr>
<td>Romania</td>
<td>1940-41</td>
<td>C,NF</td>
<td>2.0</td>
<td>63</td>
<td>312.5</td>
<td>S</td>
</tr>
<tr>
<td>Bessarabia (USSR)</td>
<td>1910-17</td>
<td>PF</td>
<td>160.0</td>
<td>3</td>
<td>0.2</td>
<td>S</td>
</tr>
<tr>
<td>Russia</td>
<td>1959-63</td>
<td>PF</td>
<td>3.1</td>
<td>203</td>
<td>65.4</td>
<td>S</td>
</tr>
<tr>
<td>Spain</td>
<td>1936-39</td>
<td>NF</td>
<td>24.8</td>
<td>12624</td>
<td>50.8</td>
<td>S</td>
</tr>
<tr>
<td>Sudan</td>
<td>1955-66</td>
<td>PF</td>
<td>12.6</td>
<td>150</td>
<td>119.3</td>
<td>S</td>
</tr>
<tr>
<td>Syria</td>
<td>1980-82</td>
<td>NF</td>
<td>8.0</td>
<td>15</td>
<td>18.8</td>
<td>S</td>
</tr>
<tr>
<td>Tibet (China)</td>
<td>1955-71</td>
<td>C,NF</td>
<td>1.5</td>
<td>325</td>
<td>2,166.7</td>
<td>A</td>
</tr>
<tr>
<td>Turkey</td>
<td>1909</td>
<td>NF</td>
<td>19.0</td>
<td>1,50025</td>
<td>789.5</td>
<td>A</td>
</tr>
<tr>
<td>USSR</td>
<td>1914-18</td>
<td>PF</td>
<td>170.0</td>
<td>39,50026</td>
<td>2,323.5</td>
<td>S</td>
</tr>
<tr>
<td>Uganda27</td>
<td>1971-73</td>
<td>C,NF</td>
<td>12.0</td>
<td>200</td>
<td>166.7</td>
<td>A</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1945-66</td>
<td>C,NF</td>
<td>17.0</td>
<td>51028</td>
<td>300.0</td>
<td>A</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>1945-46</td>
<td>C,NF</td>
<td>16.1</td>
<td>1,105</td>
<td>688.4</td>
<td>S</td>
</tr>
<tr>
<td>TOTAL AVERAGE</td>
<td></td>
<td></td>
<td>119,394</td>
<td>349.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
only all the major wars, but also such “little” wars as the Druze War (1925-1927) of France, the Indonesian War (1945-1946) of the Netherlands, and the First Kashmir War (1947-1949) of newly independent Pakistan and India. Examples of the kind of civil wars whose battle deaths are counted here are the Spanish Civil Wars (1936-1939), the Palestinian uprising in Jordan (1970), and the Leftist campaign in Guatemala (1970-1971).

The figures on those killed by war can only be estimates, of course. But war deaths have been the object of much recent social science and historical research and I believe that even better data collected in the future will not significantly alter the table’s totals.

The statistics for the number killed by government are a different story, however. I know of only one, very incomplete, attempt to tabulate the overall number of people killed by government (Gil Elliot, Twentieth Century Book of the Dead). In the case of some of the most lethal governments, such as those of the USSR, China, Nazi Germany and Turkey, there are also figures based on much scholarly and demographic research. But I am sure that there are many more cases of “minor” massacres, genocide, and the like, that are underestimated or for which information is unavailable, and which together would increase significantly the totals in the table. These overall totals in Table I for government killed, therefore, are most likely an absolute minimum and perhaps an underestimate by twenty per cent or more. This makes the comparisons to war even more fantastic.

Now, government killed is defined here as any direct or indirect killing by government officials, or government acquiescence in the killing by others, of more than 1,000 people, except execution for what are conventionally considered criminal acts, such as murder and rape. This killing is apart from any ongoing military action or campaign, or any ongoing national or international conflict. That is, those killed in a riot by the police are not counted; nor are those civilians that die from urban bombing during a war, or from starvation during a military siege or enemy embargo.

The Jews that Hitler slaughtered during World War II would be counted, since their merciless and systematic killing was unrelated to any campaign (and actually conflict with Hitler’s pursuit of war); similarly, the genocidal massacre of Ibo in Northern Nigeria in 1966 was quite apart from the Nigerian Civil war; and the deliberate Armenian genocide by the Turkish Government during World War I had nothing directly or indirectly to do with military action. Unless otherwise indicated, figures for government killed are assumed to be for killings apart from war.

While any intentional killing that is government policy obviously must be included, should those that indirectly die from government policy be counted also? What about those political prisoners who perish from exposure and thirst while packed into freight cars transporting them to slave-labour camps, who freeze to death while being forcibly marched long distances to labour in the snow in insufficient clothing, or who succumb to disease, malnutrition, exposure, or beatings in camps where the death rate may be ten to thirty or more per cent per annum? What about those who die in perilous attempts to escape abroad from being rounded up for concentration camps, forced resettlement in inhabitable wasteland, collectivization, or simply fear and terror?

When the policies of the government are so repressive and terroristic that citizens imperil their lives by trying to flee their country, then I believe that government should also bear the responsibility for the resulting deaths. Where figures are available, they are included in the list of government killed. Thus, for example, I added into the totals the conservatively estimated 100,000 Boat People
that have died on the ocean fleeing Vietnam and Cambodia.

Moreover, as far as government responsibility is concerned, I see little difference between government executing a dissident and sentencing him to labour in a gold mine for ten years under conditions that reduce his life expectancy to less than three years, except that the latter death is a relief after a kind of prolonged torture. Thus, I have included estimates of those who have died in the slave-labour camps of the Soviet Union and China, and the "new economic zones" of Vietnam.

The total killed in Table 2 also includes the Soviet Government's planned and administered starvation of the Ukraine begun in 1932 as a way of breaking peasant opposition to collectivization and destroying Ukrainian nationalism. As many as ten million may have been starved to death or succumbed to famine related diseases; I use the figure of eight million. Had these people all been shot, the Soviet government's moral responsibility could be no greater.

There are two more famines for which government responsibility is more attenuated and controversial. The first of these is the Soviet famine of 1921-1922 caused by the disruption of the 1918-1921 civil war in the countryside and especially the forced requisitions of food by the Soviets, imposition of a command agricultural economy, and liquidation campaigns of the Cheka. This famine resulted in three to five million dead. My estimate is four million.

The second famine is the worst in history, and until recently, a well kept secret. It was caused in China by Mao Tse-tung's agriculturally destructive Great Leap Forward in 1958-1959. As many as forty million people may have perished; I would estimate twenty-seven million, which is closer to that of American demographic studies. The Chinese government itself now admits over ten million dead.

I believe that the Soviet and Chinese governments should be held accountable for the dead in these famines, no less than should a drunken driver be responsible for those he kills on the road, or an hotel owner for those who cannot escape a fire because of blocked exits and lack of alarms. However, because including the dead from these two famines would be so controversial as to distract from the other figures, I will exclude them from further consideration here.

One more aspect of the table needs clarification. That free governments have killed 831,000 people in our century should come as a shock to most readers. This figure involves the French massacres in Algeria before and during the Algerian war (36,000 killed, at a minimum), and those killed by the Soviets after being forcibly repatriated to them by the Allied Democracies during and after World War II.

It is an outrageous fact that in line with (and even often surpassing in zeal the letter of) the Yalta Agreement signed by Stalin, Churchill, and Roosevelt, the Allied Democracies, particularly Great Britain and the United States, turned over to Soviet authorities more than 2,250,000 Soviet citizens, prisoners of war, and Russian exiles (who were not Soviet citizens) found in the Allied zones of occupation in Europe. Many of these people held international passports, some even having lived in Europe since fighting the Bolsheviks in the Russian civil war of 1918-1921.

Most of these people did not want to be turned over to the Soviets, were terrified of the consequences, and refused to co-operate in their repatriation; often whole families committed suicide to avoid it. British and American officials had to use lies, deceit, and force (and tight secrecy and public deception to avoid public outcry—apparently even relevant officials who might have blocked the repatriation were deceived) to achieve this repatriation.
Incredibly, Soviet agents were allowed behind Allied lines to help hunt down those who tried to escape repatriation; numerous escapees were shot in the process.

Select high British and American officials knew that large numbers of those returned were executed within hours, most of the others being sent off to slave-labour camps to die slowly. Of those the Allied Democracies so turned over to communist mercies, an estimated 795,000 were executed, or died in slave-labour camps or in transit to them.

If a government is to be held responsible for those prisoners who die in freight cars from privation, or in camps from exposure, surely those libertarian governments whose officials turned helpless people over to totalitarian rulers with foreknowledge of their peril, also should be held responsible.

Comparative Risks

To give a different perspective on the figures of Table 1, the annual risks of a citizen being killed in war or by government, especially communist governments, is compared in Table 3 to some of the largest commonplace risks. These political risks are simply extraordinary, indeed fantastic, for both their size in comparison to common everyday risks and to the general lack of knowledge about them, even among experts. For example, the worldwide annual risk of dying in war is close to that of an American (I presume from the source) being in a motor vehicle accident (including pedestrians), an American policeman dying in the line of duty, or of a mountaineer being killed while climbing a mountain. Note especially, however, that the worldwide risk of being killed by one's own government because of one's race, ethnic group, politics, etc., is more than three times greater than the risk of war, and greater than that for a motor vehicle accident, or policeman. In fact, you are safer climbing mountains than you are from government generally.

The high risk of being killed by government is mainly due to the death toll of communism. The annual risk (odds) of being killed by the government for those living under communism is about 1,000 to 1, or up there with the risk of dying from any cancer or from smoking a pack a day.

Turning now to compare the overall mortality statistics shown in Table 1, it is a sad fact of recent decades that tens and hundreds of thousands of people can be killed by governments with hardly an international murmur, while a war killing several thousand people can cause an immediate world outcry and global reaction. Simply contrast the international focus on the relatively minor Falkland Islands War of Britain and Argentina with the wide-scale lack of interest in Burundi's killing or acquiescence in such killing of about 100,000 Hutu in 1972, of Indonesia slaughtering a likely 600,000 "communists" in 1965, and of Pakistan, in an initially well-planned massacre, eventually killing from one to three million Bengalis in 1971.

Figure 1 graphically compares the total killed by governments to that for all wars.

A most noteworthy and still sensitive example of this double standard is the Vietnam War. The

### Table 3: Comparison of Political to some of the Largest Commonplace Risks

<table>
<thead>
<tr>
<th>Type</th>
<th>Annual Risk x (odds of x to 100,000)</th>
<th>Uncertainty</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commonplace</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cigarette smoking a pack a day</td>
<td>360</td>
<td>Factor of 3</td>
</tr>
<tr>
<td>All cancers</td>
<td>280</td>
<td>10%</td>
</tr>
<tr>
<td>Mountaineering (mountaineers)</td>
<td>60</td>
<td>50%</td>
</tr>
<tr>
<td>Motor vehicle accident</td>
<td>24</td>
<td>10%</td>
</tr>
<tr>
<td>Police killed in line of duty</td>
<td>22</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Political</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Killed in any war</td>
<td>18</td>
<td>25% upward only</td>
</tr>
<tr>
<td>Killed in international war</td>
<td>15</td>
<td>20% upward only</td>
</tr>
<tr>
<td>Killed in civil, guerrilla, or revolutionary war</td>
<td>3</td>
<td>50% upward only</td>
</tr>
<tr>
<td>Killed by government genocide, mass murder, etc. (total)</td>
<td>62</td>
<td>20% upward only</td>
</tr>
<tr>
<td>Killed by communist genocide, politicide, mass murder, etc.</td>
<td>61</td>
<td>% upward only</td>
</tr>
<tr>
<td>For those living under communism</td>
<td>110</td>
<td>% upward only</td>
</tr>
</tbody>
</table>
international community was outraged at the American attempt to militarily prevent North Vietnam from taking over South Vietnam and ultimately Laos and Cambodia. “Stop the killing” was the cry, and eventually, the drumbeat of foreign and domestic opposition forced an American withdrawal. The overall number killed in the Vietnam War on all sides was about 1,216,000 people.

With the United States subsequently refusing them even modest military aid, South Vietnam was militarily defeated by the North and completely swallowed; and Cambodia was taken over by the communist Khmer Rouge, who then tried to recreate a primitive communist agricultural society. All urban centres were immediately emptied of people by force; all former government officials were executed; all bourgeois were liquidated; any actual or possible opponents or resisters were killed; most of the remaining educated and professional Cambodians were murdered; and “common” folk violating the numerous rules governing their dawn to dusk forced peasant labour were killed.

While international attention finally did turn to Cambodia and the United Nations was pushed into taking reluctant official notice, this was as a murmur compared to the screams over America’s efforts to prevent, among other consequences, just such a bloodbath that would follow communization. The best estimate of those killed after the Vietnam War by the victorious communists in Vietnam, Laos, and Cambodia is 2,270,000 (not counting those who have died in the subsequent wars of Vietnam with China and Cambodia, and the continuing guerrilla war in Cambodia). This is almost twice as many as died in the Vietnam War. And this government killing still continues.

To view this double standard from another perspective, consider the horror over the deaths from mankind’s two greatest wars. Nine million died in battle in World War I; fifteen million in World War II. Both wars cost together twenty-four million lives. But many more than this number of their own citizens have been killed by the Soviet or Chinese communist governments alone. From 1918 to 1953, the Soviet Government executed, slayed, slaughtered, starved, beat or tortured, to death, or otherwise killed, 39,500,000 of its own people (not counting the Lithuanians, Latvians, Estonians, Poles, Romanians, Germans etc., the Soviets exterminated during its military occupation of these countries and absorption of all or part of them). This is my best estimate among figures ranging from a minimum of 20 million killed by Stalin to a total over the whole communist period of 83 million. For China under Mao Tse-tung, the communist government eliminated, as an average figure between estimates, 45 million Chinese. The number killed for just these two nations is about 84,500,000 human beings, or a lethality of 252 per cent more than both World Wars together. Yet, have the world community and intellectuals generally shown anything like the same horror, the same outrage, the same outpouring of anti-killing literature, over these Soviet and Chinese megakillings as has been directed at the much less deadly World Wars?

When one considers this killing per 10,000 population, the comparison is even starker. Wars have killed 22 people per 10,000 of the populations involved. The Soviet Government killed 2,323 per 10,000; the Chinese Communist Government 672; the Cambodian Khmer Rouge 2,667.

Compared to war, these figures are so large as to seem absurd. Yet, even if the most conservative, indisputable figures are used, the difference remains incredible. The minimum and best documented figure on the Soviet Union that I have seen is the 20 million killed under Stalin given by Robert Conquest in his The Great Terror (and this he considers a probable underestimate by 50 per cent or more). Even that absolute minimum is greater than the battle deaths of World War II, more than half of the deaths in all international and civil wars in this century; it is an absolute minimum of 1,176 people killed per 10,000, or 54 times the number killed per 10,000 of the populations involved in war—that is 54 times the death risk of war.

As can be seen from Table 1 and especially from Figure 1, communist governments are overall almost four times more lethal to their citizens than non-communist ones, and in per capita terms nearly twice as lethal (even considering the huge populations of the USSR and China). However, as large as the per capita killed is for communist governments, it is nearly the same as for other absolutist governments. This is due to the massacres and wide-scale killing in the very small country of East Timor, where since 1975 Indonesia has eliminated (aside from the guerrilla war and associated violence) an estimated 100,000 Timorans out of a population of 600,000. Omitting this country alone would reduce the average killed by non-communist, non-free governments to 397 per 10,000, or significantly less than the 447 per 10,000 for communist countries.

In any case, even including the special case of the forced repatriation of millions to the Soviet
Union by the Allied Democracies, we can still see from the table and from Figure 2 that the more freedom in the nation, the fewer people killed by government. Freedom acts to brake the use of a governing elite’s power over life and death to pursue their policies and ensure their rule. Why should this be so? For the same reasons that libertarian governments are least violent and militaristic.

Where there are civil and political rights, free and secret elections, and a wide franchise, the governing elite are dependent upon the electorate for their power and continuance in office. Moreover, their power is limited and divided among different elites and groups, and they constantly have an official opposition looking over their shoulder for the slip, the mistake, the misuse of power that could be used to wrest authority from them in the next election. Moreover, with such freedoms, the society develops diverse overlapping groups, elites, and power foci, a rich pluralism that cross-preserves and thus moderates interests and policies. Government is not only responsive to the core interests of a free people, but also reflects the central moderation and civility of the plural, cross-pressured society, produced by freedom.

But above all, people are not interested in being sent to slave-labour camps, executed for their beliefs, or tortured and beaten for criticizing the government. In its essence, no libertarian government can do other than mirror and respond to this core interest of the people in self-preservation and avoiding pain.

This axiom appeared to be violated in two aforementioned special cases. One was the French Government carrying out mass killing in the colony of Algeria, where compared to Frenchmen the Algerians were second-class citizens, without the right to vote in French elections. In the other case the Allied Democracies acted during and just after wartime, under strict secrecy, to turn over foreigners, of course, had no rights as citizens that would protect them in the democracies. In no case have I found a libertarian government carrying out massacres, genocide, and mass executions of its own citizens; nor have I found a case where such a government’s policies have knowingly and directly resulted in the large-scale deaths of its people through privation, torture, beating and the like.

Where the government is totalitarian, as under Soviet communism or the current Muslim ayatollahs of Iran, or absolutist as under Idi Amin of Uganda or Francisco Macias of Equatorial Guinea, the ruling elite have the same effective power over their people that slave masters have over their slaves. Mass killings, executions, forced deprivations, and the like, then become a practical means to maintain power, eliminate opposition, punish disobedience, and pursue political, economic, social, and religious policies. Without the restraints of opposing power foci, regular competitive elections, free speech, and a pluralistic social system, it is natural that human life will be secondary to a regime’s desire for self-preservation, power, and the success of its policies.

Hitler’s mass murder of millions of Jews is widely believed to have been an historical aberration, a once only, monstrous result of an absolute ruler’s sick racism. If this article achieves anything, I hope that it shows that the Jewish Holocaust, for all its horror and the outrage it has deservedly provoked, is but a particular example of mass killings by governments—and not even among the bloodiest. Hitler killed from 4.2 to 4.6 million Jews, but he also killed (aside from military action) 425 thousand Gypsies, 2.5 million Poles, 3 million Ukrainians, 1.4 million Belorussians, and 2.5 to 3 million Soviet prisoners of war. Overall, Hitler was responsible for the mass murder of about 17 million people. But Stalin killed a minimum of 20 million. Mao killed perhaps 45 million. And Pol Pot, having slaughtered over 25 per cent of the Cambodian population in four years, might have even doubled the records of these bloody tyrants if he had ruled as large a population for as long.

Of course these tyrants are responsible for this butchery. But what enabled them to do it was their absolutist and totalitarian power. It would be a grave error to focus on them alone as the cause of mass killing. We should concentrate instead on the enduring political pattern that breeds such monsters and encourages and facilitates their bloody work. Such is the pattern whose variations we call totalitarianism and absolutism and dictatorship. And such a pattern is at its core the lack of civil rights and political freedom. It is non-freedom.

Absolutism is not only many times deadlier than war, but itself is the major factor causing war and other forms of violent conflict. It is a major cause of militarism. Indeed, absolutism is mankind’s deadliest scourge of all.

In light of all this, the peaceful, non-violent pursuit and fostering of civil liberties and political rights must be made mankind’s highest humanitarian goal. Not simply to give the greatest number the greatest happiness, not simply to obey the moral imperative of individual rights, not simply to further the efficiency and productivity of a free society, but also and mainly because freedom preserves peace and life.
Handbooks for Good Government

Michael James

The Australian Institute for Public Policy in Perth and the Centre of Policy Studies at Monash University in Melbourne have each produced detailed programs on how to reduce the size of and thereby improve the quality of government in Australia.

During the campaign that preceded its re-election on 11 July, the Hawke Government gave very little indication of how, and how fast, it intended to continue the restructuring of the public sector and the reordering of priorities that it began in its Expenditure Statement last May. It returned to office bound by few clear and precise commitments, the two main ones being: not to increase the burden of taxation over the next three years, and to abolish child poverty by the end of the same period by means of a new, selective welfare program, the Family Assistance Scheme. Since then, however, it has announced a radical reorganization of the public service, involving a cut in numbers employed by 3,000 and an estimated saving of $96 million. This promising start to Mr. Hawke’s third term suggests that the Government may be receptive to the ideas contained in two major and independent policy handbooks that were published in the first half of 1987.

Mandate to Govern and Spending and Taxing are both products of the growing disenchantment with big government, a mood reflected not only in Western public opinion but even in some of the reforms recently introduced in the communist countries. They are also evidence of the extent to which policy studies have ceased to be the exclusive concern of governments, but are now pursued by an increasing number of private bodies, not just policy institutes but employer organizations and trade unions. This is itself an effect of big government, which, so it is widely believed, now protects so many powerful partisan, bureaucratic and producer interests that it can only benefit from private competition in the generation of long-term policy goals.

The Proposals Compared

Both these books put forward detailed, practical ways of reducing the scale of government intervention in Australia. But they differ in some important respects. Mandate to Govern has a brief introduction setting out the rationale and the strategy of the book, followed by useful chapters on macroeconomic policy and government and administration. Spending and Taxing goes much further in this respect. It begins with several chapters that summarize the facts about the size and growth of Australia’s public sector, explain why government growth seems to be out of control, and argue for ways of determining which activities should be left to the market and which should be undertaken, or at least assisted, by government.

These chapters incorporate some of the latest research findings about the redistributive effects of the welfare state. The main such finding is that cash transfers are much more effective in targeting welfare to the needy and disadvantaged than are ‘in-kind’ services like health and education, which to a great extent simply churn government revenue back into the pockets of the original taxpayers. The authors demonstrate how easy it is for special interests to ‘capture’ the processes of politics and to veto the discontinuation of spending programs from which they benefit, even when those programs no longer serve any public purpose. One very important result of this finding is that, although the free

Dr. Michael James is a Senior Lecturer in Politics at La Trobe University.

**Mandate to Govern and Spending and Taxing**

Summary and Comparison of Main Policy Recommendations

### Mandate to Govern

<table>
<thead>
<tr>
<th>Taxation</th>
<th>Spending and Taxing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immediately index tax thresholds and allowances to CPI.</td>
<td>Cut business tax revenue by $2.4 billion, and cut top company tax rate to 30%.</td>
</tr>
<tr>
<td>Establish committee to design a reformed tax system, to be presented within a year to Parliament for acceptance or rejection as a package.</td>
<td>Cut income tax revenue by $5 billion and reform tax system as follows:</td>
</tr>
<tr>
<td></td>
<td>Cut top personal income tax rate to 30%. Protect worst-off by system of rebates, social benefit rate adjustments, and family income supplement. Adopt one of the following options:</td>
</tr>
<tr>
<td></td>
<td>Option T: tax all income received, but apply income tests providing tax-free thresholds for low and middle income earners only.</td>
</tr>
<tr>
<td></td>
<td>Option U: allow optional individual or family tax filing, and a $3,500 tax-free threshold for low and middle income earners only. Place a 5% tax surcharge on higher incomes to recapture income tax forgone by threshold.</td>
</tr>
<tr>
<td></td>
<td>Option V: Replace wholesale sales tax with 10% broad-based VAT, and raise all pensions and benefits by 6% to compensate worst-off for price rises caused by VAT.</td>
</tr>
</tbody>
</table>

### Public Spending

Promise that public spending will not be higher in real terms after three years than on taking office, except for defence, and that the budget deficit will be eliminated within three years.

Increase Medicare levy to cover full public health costs and lower income tax by same amount.

Require minimum health insurance, and subsidise lower income groups and the chronically ill.

Privatize Medibank Private and allow a competitive private insurance market.

Fund public hospitals by fee-for-service system for public as well as private patients.

### Health

Abolish Medicare and universal subsidies.

Subsidise health insurance for lower income groups and non-social security recipients.

Transfer subsidies for the poor and the chronically ill to social security budget and deliver via health card or circumstance-tested voucher system.

Allow a competitive private insurance market.

Fund public hospitals by direct charges and eventually privatize them.

Net savings: $7 billion.

### The Labour Market

End compulsory membership of trade unions.

End compulsory arbitration and facilitate legally binding labour contracts.

Adjudicate labour contracts in ordinary courts.

Guarantee free choice of superannuation funds.

Abolish Community Employment Program and replace with modest work-for-dole scheme.

Increase labour market flexibility to help young gain job experience and work skills.

Abolish all labour market programs and replace with training and education loans or vouchers for young people.

Net savings: $500 million.

### Education

Replace recurrent funding of non-government schools with regulated voucher system, with higher value vouchers for disadvantaged children.

Introduce universal voucher system, each voucher worth 85% of current expenditure per pupil.

Cut funding of government schools by 15%.
**Mandate to Govern**

- Introduce a universal system of literacy and numeracy testing in schools.
- Transfer responsibility for tertiary education to the States (except in the ACT).
- Require ANU to charge fees at rate of 12.5% of average cost of the course undertaken.
- Introduce Commonwealth scholarships and loan guarantees.

**Spending and Taxing**

- Retain and increase external assessment in schools.
- Consider merit pay for teachers.
- Abolish Schools Commission and Tertiary Education Commission.
- Make universities and colleges raise 50% of current grants by self-generated income (e.g., fees).
- Facilitate student loan transactions.
- Net savings: $2.5 billion.

**Social Security**

- Raise minimum age for dole to 17.
- Allow dole for new claimants only if gainfully employed for at least 6 months of preceding year.
- Means test family allowance.
- Maintain supporting parents benefit but enforce maintenance awards through private debt-collection agencies.
- Remove tax liability from pensioners and beneficiaries and introduce revised means test.
- Retain Family Income Supplement and increase with savings from housing expenditures.

- Raise minimum age for dole to 18.
- Reduce dole by 25% after 6 months (but allow supplementary benefit for worst-off, tested for family income and assets).
- Means test family allowance.
- Cut supporting parents benefit by 25%.
- End tax concessions for superannuation.
- Net savings: $2.1 billion.

**Main additional Policy Recommendations in Mandate to Govern**

**Foreign Affairs and Defence**

- Increase defence spending by at least the 3% assumed in the Dibb Report.
- Privatize the naval dockyards and the government defence factories.

**Housing**

- Abolish first home-owners scheme.
- End Commonwealth-States Housing Agreement and increase rent allowances and Family Income Supplement payments to achieve equity between low-income tenants in privately and publicly-owned dwellings.

**Trade and Industry**

- Phase out all protection in 10 equal steps over 5 years, with modest adjustment assistance measures.
- Abolish cost-ineffective non-tariff import barriers.
- Abolish controls on mineral exports.
- Abolish the Foreign Investment Review Board.
- Strengthen and extend the Trade Practices Act.
- Halve expenditure on CSIRO.

**Transport**

- Regulate only the prices and supplies of monopoly producers.
- Terminate the two-airline agreement.
- Deregulate air fares, routes, capacity, and imports and exports of aircraft.
- Allow freedom of entry into Australian coastal shipping.

- Privatize airports, Qantas, Australian Airlines and Australian National Line.

**Communications**

- Place Australia Post, Telecom, OTC and AUSSAT on wholly commercial footings.
- Require cost-based pricing for all services and oppose cross-subsidies.
- Rapidly increase the number of TV channels in the cities.
- Reduce funding for the ABC and encourage it to close Radio National.
- Hand SBS over to the ethnic communities.

**Primary Industry**

- Deregulate and privatize Commonwealth meat inspection.
- Deregulate the price and delivery requirements of wheat.
- Discontinue the super and nitrogen fertilizer bounties.
- Discontinue drought subsidies and underwrite private rainfall insurance policies.

**The Environment**

- Increase conservation areas substantially.
- Allow mineral exploration according to a standard strict code in conservation areas.
- Allow oil exploration off the Barrier Reef but require explorers to be adequately insured against clean-up costs after a spill.
- Where resistance from conservationists is politically impossible to override, consider vesting land rights in conservationist organizations.
market can ‘fail’ in various ways to bring about the best social outcomes, it doesn’t follow that government intervention will automatically remedy those deficiencies. Rational decisions about where government should intervene need to be based on careful comparisons between the performance of the market and that of the state.

These chapters are very well written and are worth reading in their own right as well as in preparation for the detailed policy proposals that follow them.

*Mandate to Govern* and *Spending and Taxing* differ also in the range of policy areas they address. As the accompanying table summarizing and comparing their main recommendations makes clear, *Spending and Taxing* confines itself to taxation and budgetary reform, especially in the high-spending areas of health, education and welfare. Its aim is to reduce public spending by $12.1 billion (about 10 per cent of the 1986-87 total), while targeting welfare more efficiently towards the genuinely disadvantaged. This would bring the public sector’s share of Gross Domestic Product down from 44.3 per cent to less than 40 per cent, which is where it was in 1981-82. Cuts of this magnitude would eliminate the budget deficit (about $4 billion) and finance income tax and business tax cuts of about $7.4 billion, with a substantial margin to allow for differences in judgments about precise costings.

The main aim of the tax cuts is to provide the opportunity for radical income tax reform, which is really the centrepiece of the study. The authors offer three income tax reform options, each of which reduces the top rate to 30 per cent and, by being integrated with social security adjustments, protects the position of low-income groups. The authors are confident that the incentive and efficiency gains from the reforms would be substantial, and generate about $2 billion of extra revenue. However, they have not taken this sum into account in calculating the cost of the reforms, treating it instead as a bonus that could in principle be used to finance additional tax cuts.

In contrast, *Mandate to Govern* avoids detailed costings of its proposals. It calls on the next government to promise not to increase public spending in real terms. The implication is that revenue increases should go primarily towards closing the budget deficit, which it wants done in three years. It also avoids offering detailed tax reform proposals, and confines its recommendations here to a government commission charged with elaborating a non-negotiable package of reforms that Parliament would have to accept or reject as a whole. It sees this as the only way of avoiding a repeat of the fiasco of the 1985 Tax Summit.

Otherwise, *Mandate to Govern* offers by far the wider range of policy prescriptions. It looks not only at the high-spending programs but also at the many ‘off-budget’ interventions in areas like transport and the environment, but above all in the labour and the import markets. Sometimes its determination to comment on every type of intervention exceeds its inspiration: for instance, in a section on regional and country television, it solemnly declares that ‘The government should ask country viewers what they want’ (p. 175). But the book is an education in the sheer scale and complexity of government intervention in Australia. Opponents of cuts in government intervention often claim that Australia’s public sector is not especially big by Western standards. That may be true of budget outlays, but not of interventions like public ownership and regulations, which permeate the economy and go far towards explaining its present stagnation and rigidity.

**The Strategies Compared**

The books differ in scope and emphasis because they are pursuing different strategies of reform. They agree that the problem is one of creating a constituency for reform that is strong enough politically to overcome the formidable coalition of vested interests that defend the status quo and collectively veto attempts to substantially cut back the public sector. *Mandate to Govern* adopts an essentially indirect approach as a way of economizing on scarce supplies of political will and capacity. It concentrates on deregulation and privatization, since in these areas at least, politicians may have a chance to isolate the special interests that oppose them, and to override them with the full political and intellectual weight of public opinion behind them. The economic growth that should follow such measures will then greatly ease the task of reforming taxation, which in the meantime will probably have to be tackled by the ‘minimal-change’ approach introduced by the Fraser governments and continued by the Hawke governments.

*Spending and Taxing*, meanwhile, aims to cut directly through the tangle of interests bound up in the major public spending programs. The authors reject the minimal-change approach to tax and spending reform because it brings plenty of across-the-board pain but very little in the way of compensating pleasure, and so is unlikely to have any

(continued on page 55)
Review's 40th Birthday

The first number of *IPA Review* appeared in March 1947. This year is therefore its 40th anniversary.

Throughout the years *Review* can claim to have played a major part in influencing official and public opinion on the leading economic controversies of the time.

Since its inception *Review* has been concerned to elucidate the economics of the market economy and to demonstrate the superiority of free competitive enterprise over government-dominated economic systems.

There is much still to be done to advance this goal. Nevertheless there has been growing recognition in recent years on both sides of politics of the essential validity of the case for a free market. *Review* has played a considerable part in bringing about this change of attitude.

In the last two years, two senior Labor politicians—Treasurer, Paul Keating, and NSW Minister for Planning and the Environment, Bob Carr—have voiced in the pages of *Review* their disillusionment with doctrinaire socialism.

In the mid 1980s under the editorship of Rod Kemp, the range of issues which *Review* covered greatly expanded. While continuing its long-standing concern with economics and industrial relations (the first *Review* was composed entirely of articles on this latter subject) *Review* took to examining cultural issues—such as education, the radicalization of the churches and media bias—and foreign policy.

This is one of three major changes to the *Review* since its foundation. The other two have been the complete revamping of the journal's size and layout in 1985 (with modifications since) accompanied by its introduction to the newsstands (encouraged by the former President, Sir James Balderstone), and the opening of *Review's* pages to experts from academia, business, the media, the professions and other sections of the community.

Until 1982 the great part of *Review* was written by the founding Director, Charles (Ref) Kemp. An exhibition-winning student of Professors Giblin and Copland at Melbourne University, Kemp played a unique role during the post-war period. At a time when academic economists were still flirting with versions of central economic planning and pump-priming development, Kemp was a leading voice on the realities (and constraints) of the free enterprise system. *IPA Review* through these years provided commentary on national policy which still reads with a freshness and relevance. Inflation, for example, was a central concern. Hardly a year has passed without several articles analyzing its causes and stressing its threat to a stable social and economic order. Ref Kemp was assisted by Maurice Williams (now a member of the Victorian State Parliament) and in later years by Jacob Abrahami.

Until recent years all *Review* material was subject to the critical scrutiny of an editorial committee before publication. Since *Review* never pulled...
REVIEW'S 40th BIRTHDAY

its punches, discussion on the committee was often marked by some strong exchanges. The first Chairman of the Committee was Geoffrey Grimwade, blunt, intelligent and altogether an admirable character. One article was so strongly critical of an arbitration court decision that it was felt it ran the risk of "contempt of court". Grimwade bluntly observed that in the event of proceedings against the IPA a member of the full-time staff and not the chairman would have to stand trial.

On his regular visits to Canberra during the 'fifties and 'sixties Ref Kemp usually visited the incumbent Secretary to the Treasury. Once, when with Sir Richard Randall they were interrupted by the number two man, the legendary Maurie O'Donnell, who kindly stated that the only worthwhile critiques of government budgets were those published in Review.

On another occasion, Ref Kemp in a visit to Canberra was granted an interview with the Prime Minister, Sir Robert Menzies. Since Review, in a number of recent articles, had been strongly critical of Government economic policies he approached it with some trepidation. The interview, however, proceeded in a friendly fashion. But when Kemp was on the point of leaving and had reached the door of the PM's office, Sir Robert called out "By the way, what about saying something nice about the Government now and then in that publication of yours?"

Review of course could not please everyone all the time, even those amongst its most prominent supporters. During the "Korean" inflation of the early 1950s it decided to advocate, among other things, a 10 per cent appreciation of the exchange rate. Sir Walter Massy-Greene, chairman of some of Australia's greatest companies, whose interests lay in the export field, was horrified and threatened to resign from the IPA if publication went ahead.

But Grimwade was adamant that the committee should not retract. He asked the Director to smooth things over with Sir Walter. It took Kemp some lengthy letters and interviews to accomplish this difficult and unenviable task.

Ref Kemp retired from full-time employment with the IPA in 1976 although he continued to contribute regularly to Review. Roger Neave and later Gerry Hampel (for one year) also assisted with the editorial and production of Review up to 1982, when Rod Kemp took over directorship of the IPA.

John Stone was appointed a Senior Fellow of the IPA from 1984 to 1987. In opening the IPA branch in Canberra in April 1987, he recalled that the April-June 1969 Review contained his first published article, entitled, "Inflation and the International Monetary System."

Dr. Ken Baker, now Editor, has guided the journal into new topics and formats. His analysis of the National Bicentennial Program in the Summer 1984-85 Review is acknowledged in the 1987 Encyclopaedia Britannica Yearbook as having spearheaded the criticisms of the Australian Bicentennial Authority's plans.

How successful Review has been must depend on the judgment of others. But over the years it has won accolades from prominent Australians, including Sir Robert Menzies, who early on said of Review: "On the documentary side of political economy no better work has been done during my 21 years of Parliamentary life."
Ideas Which Count

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

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

A subscription to IPA publications supports the enhancement of economic and political freedom and costs only $35.

Subscribe to the IPA today and receive
- IPA Review (quarterly)
- Facts (quarterly)
- Policy Issues, and occasional papers.

Please enrol me as an IPA Subscriber (Annual Subscription $35)

Name: ...........................................
Address: ......................................
Postcode: ...................................

Payment Options
□ I enclose my cheque for $ ............... made payable to the Institute of Public Affairs or charge my credit card
□ Bankcard □ MasterCard □ American Express
Card No. ...........................................
Expiry Date ................ Signature ..............

Mail to: The Administrator
Institute of Public Affairs,
83 William Street,
Melbourne 3000

or, enrol and pay by phone.
Ring (03) 614 2029
and ask for Fiona
Types of Government, LATIN AMERICA and The CARIBBEAN: 1976 and 1986

- Largely or entirely democratic and open societies
- Dictatorships or military regimes
- Not categorized

Note: Haiti was a dictatorship until February 7, 1986.

Names and boundaries are not necessarily authoritative.
The last decade has witnessed a remarkable shift in the political systems of Latin America and the Caribbean toward democracy. In ten years, ten countries have democratized. In nine of the ten, elected civilians replaced military presidents: Argentina (1983) stimulated by Britain's victory in the Falkland's War, Bolivia (1982), Brazil (1985), Ecuador (1979), El Salvador (1984), Guatemala (1986), Honduras (1982), Peru (1980) and Uruguay (1985). In the Caribbean Basin, the six former British dependencies—Antigua and Barbuda, Belize, Dominica, St. Christopher and Nevis, St. Lucia, and St. Vincent and the Grenadines—that became independent nations during the past decade did so as democracies.

Fifty nationwide elections in 24 independent countries have been conducted since 1980, with record numbers turning out to vote. Even in countries where voting is not compulsory turn-outs were often high, for example 85 per cent in Grenada in 1984 and 89 per cent in The Bahamas in 1982.

An improvement in education is one factor which has contributed to democratization. In 1960, only 35 per cent of the region's children aged 12-17 were enrolled in school; a mere 6 per cent of the university-age population attended universities and technical colleges. By 1980, these figures were 63 per cent and 26 per cent respectively. The growth of the middle classes has been a key factor in the trend toward democracy. The tradition of authoritarian centralism in much of Latin America is strong, however, and it remains to be seen whether the new democracies can achieve stability.

(Source: Democracy in Latin America and the Caribbean: The Promise and the Challenge, U.S. Department of State, Washington D.C., 1987.)
FOCUS ON FIGURES

Jacob Abrahami

1947 to 1987: Improved Living Standards & Declining Prospects

Forty years ago, in March 1947, the first issue of the *IPA Review* was published. What kind of world was it then? How different from today?

The accompanying charts and table highlight some of the changes in Australian society in the past 40 years. Of course not all changes can be condensed into a set of figures and summarized in a chart or table. In particular no set of figures can describe the changing mood of a nation. Yet there is little doubt that a marked change has taken place.

In 1947, Australia, in common with the rest of the free world, had recently emerged victorious from a global war, full of hope and expectations of a prosperous and harmonious future. Today, while there is no immediate threat of a global conflict, there is nonetheless a great deal of pessimism and uncertainty about the future.

While some of the hopes and aspirations of post-World War II Australia have been largely realized, several disturbing trends have emerged to take the glint off these achievements.

On the positive side we begin by noting that workers today earn (in real terms) 50 per cent more than they did in 1947. Pensioners are even better off with benefits twice those available 40 years ago.

After paying income tax the 1987 worker is, however, only one-third better off than his 1947 counterpart.

In 1947 53 per cent of families owned or were buying their own homes; today the figure is over 70 per cent.

While public transport may not have advanced in 40 years, private means of transport have expanded spectacularly. The number of motor vehicles over the period has risen from one for each eight Australians to one for each two. The

---

*Jacob Abrahami is Senior Economist at the IPA.*
"gadgets" of modern life have spread at a similar rate. The number of telephones, to quote one example, has increased almost tenfold from less than a million to nearly nine million, thereby increasing the ratio of telephones from ten for each 100 Australians to one for each two.

The resources devoted to education at all levels have also greatly expanded. For instance, the proportion of adults now studying at universities is almost twice that of 40 years ago. Of course it is quite another thing whether education standards have improved.

Life expectancy over the 40 years has increased by some 10 per cent to 79 years for women and 73 for men. Infant mortality at the same time has declined by two-thirds from 30 per 1,000 births to only 10 per 1,000.

Despite improved health conditions the current population growth of less than 1.5 per cent per annum is substantially below the 2.3 per cent rate of the late 1940s. Yet Australia over the 40 years has managed to more than double its population from 7.5 million to over 16 million. In no small measure this is due to the large influx of migrants. In 1947 one in 10 Australians was born overseas, today the figure is around one in five. The migrants have come from an increasingly diversified background. Whereas in 1947 about three-quarters of foreign born Australians came from the UK and Ireland, today a little more than a third were born in the UK and Ireland.

Many of the things that make life today more comfortable were not available in quantity, if at all, 40 years ago. For example, today Australian households commonly have washing machines, dishwashers and microwave ovens which enable them to devote more time to their televisions, videos, personal computers, direct interstate and international dialling and live satellite broadcasts from around the world.

At work main-frame computers, word processors, automatic bank tellers, facsimile machines and more recently robots have all improved efficiency and reduced some of the drudgery associated with what was previously mundane routine manual work.

The frontiers of medical science have also advanced with the development of organ transplants, micro-surgery, artificial joints and in vitro fertilization.

None of these improvements were available in 1947.

If Australians of the 1980s are more highly paid, better educated, healthier and more comfortably housed why is there so much gloom about the future?

The great improvements of the past four decades have been mainly of a physical or material nature. Less tangible, but no less important, aspects that make up the quality of life have in many respects deteriorated. In particular two negative developments stand out: the decline in traditional

<table>
<thead>
<tr>
<th>Adult Weekly Award Wage Rate</th>
<th>Basic Pension Rate</th>
<th>Unemployment Benefit Adult with wife &amp; child</th>
<th>Cost Portable Radio</th>
<th>Melth. to Syd. Airfare</th>
<th>Weekly Rent for House</th>
<th>Consumption of beer per head</th>
<th>Consumption of wine per head</th>
</tr>
</thead>
<tbody>
<tr>
<td>$172.86</td>
<td>$50.25</td>
<td>$67.00</td>
<td>$460</td>
<td>$148</td>
<td>$34.40</td>
<td>$6.2</td>
<td>$21.3</td>
</tr>
<tr>
<td>$289.23</td>
<td>$112.15</td>
<td>$204.00</td>
<td>$6</td>
<td>$170</td>
<td>$133.30</td>
<td>$69.7</td>
<td>$115.6</td>
</tr>
</tbody>
</table>

*All money figures are in 1987 dollars.

*Or nearest years for which figures are available.
FOCUS ON FIGURES

standards and values and the erosion in some aspects of individual freedom.

The rising crime rate, for example, is one reflection of the decline in traditional standards. The crime rate has increased more rapidly than the population despite a more than three-fold increase in the number of police.

Many people link the rise in the crime rate with the decline of the family as the basic institution of Australian society. While the traditional family is still the dominant unit, marriage is not as popular as it was in the 1940s and divorce is very much more common. The current marriage rate of 70 per 1,000 of population in the 1980s is little more than two-thirds the 101 per 1,000 of 1947. While the population has doubled in the last 40 years the divorce rate has increased almost five-fold. As a result there has been a large increase in the number of households not able to function as a traditional family and in need of State support. For example in 1987 there are 177,000 supporting parents, mostly mothers, receiving $1,300 million in financial assistance from Government at an average of $7,300 per head per year. In 1947 there was no such benefit.

In 1947, there were three private sector employees for each person receiving a pension or benefit from government. Today the ratio is five to three. If we include in “dependency” calculations people who receive wages and salaries from government and their authorities, then the dependency ratio doubled from one dependent for each two private sector income earners to one for one.

Dependence on the State involves a loss of freedom not only for the dependants but for those who foot the bill. That the loss has been substantial is easy to illustrate. Tax collected by governments increased from $828 million in 1946/47 to $78,500 million in 1986/87. Adjusted for inflation this is a seven-fold increase. Per head and adjusted for inflation tax collection has risen from $28.40 per week to $93.80 per week.

But even taxes of this magnitude are not enough to satisfy the apparently insatiable appetite of governments for spending money, which have had to resort to ever-increasing borrowings. In 1947 public sector debt stood at around $6 billion, of which at least half was associated with the then recently concluded war. Current public debt stands at $105 billion with little prospect of that figure declining noticeably in the near future. This has contributed in no small measure to the high interest rates with which Australian businesses and households are now forced to live. Housing loans, for example, cost 3.8 per cent in 1947; today the rate is around 15 per cent.

There has also been an enormous increase in business and private debt, placing further strain on the Australian economy.

In such an environment it is not surprising that many feel the prospects for the future are less than good. We are creating a divided nation; one-half dependent on government and the other half who must keep handing over an ever-increasing proportion of their income to support the increasing number of dependants. While this generation may be able to muddle along and live on the fruits of the past, we are handing over to future generations a debt-ridden economy ill-equipped to handle the problems created by this generation.
Within the Westminster system of government, the tradition has developed of an independent, professional administration responsible to the Ministry and charged with implementing government policy and administering the day-to-day affairs of State. It evolved of necessity from the past when patronage and nepotism were the order of the day and preferred appointments of relatives and friends resulted in administration characterized by incompetence and favouritism. Today the wheel is in danger of turning a full circle with political patronage replacing the royal variety.

The rise of the new breed of Labor politician, well-educated, middle-class rather than working-class, pragmatic rather than visibly ideological and more managerially-oriented than the old guard it displaced in the 1970s, is bringing about revolutionary changes to the form and machinery of government in Australia.

Impatient and often scornful of the traditions and constraints of the Westminster system of parliamentary government, Labor has 'set about expanding the power and authority of the Ministry and making the administrative arm—the Public Service—more subservient to party objectives and control. This preoccupation with exercising tighter party control over administration, personnel and the sources of advice to government is most apparent in Victoria and Western Australia but is not exclusive to those States.

The roots of the change can be traced back to the time of the Gorton Government. They spread rapidly under Whitlam, were nourished by Fraser, but have acquired wholly new dimensions in recent years.

The most disturbing aspect of this unannounced revolution is that it is making fundamental changes to the formal working relationships and the checks and balances between Parliament, Executive Government and the administrative arm, the public service, with no prior indication of objectives or public debate of the issues involved.

To some observers it is an undesirable trend towards more authoritarian government through the decline of the authority of Parliament and the politicization of the public service. The architects of the change can be heard to argue that it is no more than the process of evolution from the inherited Westminster style of government towards the US system where the elected Executive has greater control over senior appointments and therefore over the administration of government.

But the direction we are taking in Australia is towards greater control by the party in power over all sectors of Government than is the case in the US where the outworking of the balance of powers between the Executive, Congress and Senate frequently cuts across party lines.

Whatever the position taken on this issue, it is undeniable that the changes made over the last few years in some States have been far-reaching, frequently lacking regard for the rights and dignity of the individual and destructive of management authority and effectiveness.

They have generally been advanced under the cloak of administrative reform and a much needed shake-up of the public service. However, the "reforms" we have seen in recent years, though presented as such, seem to have done little to improve efficiency in public service management or in delivery of services. The outward signs are easily recognizable: reshuffling and change of name of departments, removal of senior, experienced personnel with their replacement in many cases by people regarded as more supportive of the government's aims. Ministerial offices have expanded to become mini-departments in their own right and party faithful appointed as "advisors".

Les McCarrey is Director of the IPA States’ Policy Unit in Perth and held senior posts in the public service for 25 years, rising to serve as Under Treasurer in Western Australia between 1975 and 1983.
The first objective of the “reforms” is apparently to replace public service input to Ministers by advice from people regarded as more politically in tune and more likely to give palatable advice.

There can be no valid objection to governments obtaining advice on the working of today’s complex world from wherever they can. Indeed Ministers have an obligation to seek broadly-based advice if they are to arrive at informed and balanced decisions. Also there can be little argument against the appointment by Ministers of a limited number of advisors of the same political convictions if their activities are restricted to advice that is openly given and exposed to comment and criticism from those in the public service and elsewhere with a knowledge of the subject. But that does not seem to be the case today with the new generation of advisors who tend to surround their activities and advice with secrecy and together constitute a type of closed-shop against the public service.

An advisor with executive authority is a contradiction of terms but many have substantial executive authority and mediate between the Minister and senior administrative staff who can find it difficult to penetrate to the Minister and are sometimes unsure of whose views they are hearing.

To the public and the business community the advisors become gatekeepers to the Minister, taking over in part his/her role and seemingly assuming the Minister’s authority. In many cases they are better informed of government policy and, in practice, exercise more real power than a head of department.

Professor Laffin, who conducted an extensive survey of politician—public service relationships in Victoria, quotes a senior public servant as saying that in many ways the chief administrator had become “a glorified personal assistant”.

It is significant that some advisors have moved from that role to senior public service positions by Ministerial influence. Just how their close political connections and means of accession to office can be reconciled with their responsibility as public servants to serve a subsequent government of different political persuasion has never been explained. Certainly a new government could not be expected to tolerate them in positions of trust or respect their advice. Does the whole process begin again and what are the consequences for effective continuity of administration and confidence between Ministers and senior public servants?

Peter Henderson, a career public servant for 33 years, former head of the Department of Foreign Affairs in Canberra from 1980 to 1985 and “involuntarily resigned” under new regulations introduced by the Hawke Government in 1984, expressed his concerns about politicization of the Commonwealth Public Service recently when he said, “If preferment is increasingly given to sycophants and yes men—the professionalism and quality of the public service as a whole can only suffer.”

The worst feature of this trend in both the Commonwealth and State administration is that the public servant who sticks to his/her principles and provides frank and honest advice becomes out of favour and isolated. At best further promotion is unlikely; at worst his job is at risk. As a result, middle-level executives now have real doubts whether experience, competence and diligence are enough for them to be able to aspire to the highest positions in public administration. Popularity with the Minister and being assessed as sympathetic and reliable are likely to carry greater weight in determining their career prospects.

Management

The second objective of the Labor “reforms” has been to extend the role of the Minister from policy director to department and personnel manager.

John Cain made no bones about it. In an address to the Royal Australian Institute of Public Administration, Mr. Cain said “The principle of distancing the politicians from management of personnel tended to extend to the idea that civil servants, not Ministers, should be responsible for administration generally.” In his Government, Mr. Cain said, Ministers would reject any notion that Ministers are responsible for policy and public servants for administration.

Just how far Ministers should involve themselves in the day-to-day direction of administration and how they are to obtain the capacity to exercise administrative and managerial control over several departments in addition to their Cabinet, Parliamentary and electorate responsibilities was not made clear.

Few Ministers come to Parliament and thence to the Ministry with any experience in manage-

ment of even a small office let alone of a large organization containing a multiplicity of professional skills and with, in many cases, a complex range of responsibilities. It is also rare to find a Minister appointed to a portfolio in which he/she has any relevant qualifications or experience.

The danger of Ministers being surrounded by a coterie of politically active advisors with lines of communication back into the party is that the latter are in reality non-elected politicians, unknown to and not responsible to the public, but frequently with more power and influence than backbench Members of Parliament.

This trend is just another manifestation of the downgrading of the role of Parliament. Executive Government is of the Parliament and responsible to the Parliament but increasingly we see Parliament treated with contempt by Ministers whose own authority stems solely from their party having, for the time being, a majority of seats in the House.

Question time, the traditional means by which elected members obtain information on the decisions and actions of government and the administration, has become farcical in many Australian Parliaments. Information on important issues is denied Parliament by Ministers not answering questions or providing deliberately irrelevant answers. Even questions on the use or misuse of public money can be rejected by the absurd claim that the information is commercially confidential notwithstanding the long-established convention that governments cannot deny the public information on the use of their money. This requirement is fundamental to the democratic process, but its demise has been accompanied by little resistance from Speakers who should be the watchdogs of Parliamentary rules.

Governments have been able to adopt these tactics with little concern or remark from compliant press galleries which seem to accept and even admire the triumph of politics over Parliament. Or is it that today's journalists simply do not understand how thin the line of defence is against corruption of the democratic process and that they are the forward scouts for the forces of truth and open government? To the extent that governments are increasingly able to deal in disinformation or provide no information at all with little protest from the media, the journalists are failing Australia.

The public service is, of course, subject to government direction and must implement the policies of the government of the day within the law. But traditionally it needs to have a high degree of independence of thought and advice and, most importantly, in the responsibility of providing services to the public within the policy guidelines without bias, discrimination or favouritism.

Sir Paul Hasluck, one time public servant, Minister of the Crown, politician, academic and Governor-General of Australia put this very well in a recent article in Quadrant.2

"If there is to be any discussion of the theory of Government, close attention would also have to be given to the principles on which a career public service has been developed in Australia. The advocates of changes have been concerned chiefly with the relationship between public servants and ministers and have given scant attention to the relationship of the public service to the community. For the past hundred years at least, Australians have taken it for granted that the public servant acts with probity and is incorruptible and impartial. The citizen does not expect that there will be favouritism or prejudice at the post office counter, the police station, customs barrier, permit office or at any desk where he can make a complaint or seek an entitlement. One does not expect better service from telling the clerk that one voted for the party in power.

The ideal for which we have striven is a public service which can serve the public without bias and which does not have to curry favour, fear reprisals or solicit benefits for itself. By and large we have achieved that in Australia and the achievement was founded on the idea that appointments to the service and promotion within the service was open and competitive without political patronage or class favouritism."

With the weakening of the role and authority of Parliament, governments have become increasingly autocratic in style. This impatience with the forms and traditions of government has been coupled in the case of recent Labor governments with a suspicion and distrust of the public service and an impatience with advice that might, based on knowledge and experience, differ from views formulated in the party room.

The danger that arises from subsequent moves to 'get control of the public service' and ensure appointment of amenable people in key positions is that a compliant and muzzled public service combined with an emasculated Parliament puts the government in a position to exercise autocratic

---

power with no effective checks or balances. There is a consequent temptation to ride rough-shod over proper forms and conventions and even circumvent the spirit of the law.

In the United States the powers of Congress and the Senate and their right to call on and question the administration through a well-developed committee system stands as a strong counterbalance to an Executive which seeks to exceed its traditional or constitutional authority. Events in recent years have demonstrated the effectiveness of that balancing mechanism for which we have no effective counterpart.

The Westminster system is a fragile one resting as it does on respect for and observance of the conventions and traditions developed over the centuries and upon the integrity of those elevated to power within it. An important part of that system is an independent, professional public service independent of the executive and free from nepotism and political influence.

There is a great deal of room for improvement in the operations and in the efficiency of Australian public services, but that will not be achieved by politicization. What needs to be acknowledged is that in general Australia has been well served by its public servants over the years and that on the whole their record for integrity and straight dealing has been somewhat better than that of our politicians.

The empires need to be pruned (although not all are public service creations) and management tightened. That is unlikely to occur in conditions of weakened and confused leadership, low morale and uncertainty as to the role required of public servants.

But at bottom what is at stake is the carefully constructed balance and probity of our system of government. As Sir Paul Hasluck put it, “The only sure and certain protection against authoritarian rule in Australian government is a professional, competent career public service independent of the favour of ministers and conscious of its own specialized role in the conduct of public affairs.”

IPA COUNCILS

VICTORIA
83 William Street, Melbourne, 3000
EMERITUS COUNCILLORS
SIR WILFRED BROOKES, C.B.E., D.S.O.
SIR JAMES FOOTS
W.A. INCE, C.M.G.
R.A. SIMPSON
COUNCILLORS
*CHARLES B. GOODE
(Chairman)
SIR JAMES BALDERSTONE
Past President)
*J.A. CALVERT-JONES
(Executive Committee)
SIR WILFRED BROOKES
C.B.E., D.S.O.
D.S. ADAM
F.M. BETHWAITE
M.D. BRIDGLAND, A.O.
SIR LAURENCE BRODIE-HALL.
C.M.G.
*P.G. HENDERSON, A.C.
D.M. HOCKING
SIR JOHN HOLLAND
*R.J. HORNBY
J.A. LEEKEY
DENYS L. MCCULLOUGH
J.A. MCGINTOSH
W.D. McNHERSON
L.J. MANGAN, A.O.
*HUGH M. MORGAN, A.O.
K.R. MURDOCH, A.C.
J.J. NAVE
*G.M. NIALL
HILTON J. NICHOLAS, O.B.E.
SIR IAN POTTER
J.W. PRATT
N.E. RENTON
P.D. RITCHIE
NORMAN N. ROBERTSON.
C.B.E.
PROFESSOR JOHN ROSE
NORMAN W SAVAGE, A.M.
PH. SCANLAN
P.D. SCANLON
J.T. VALDER, C.B.E.
SIR BRUCE WATSON
I.B. WEBBER
THE HON. VERNON WILCOX.
C.B.E., Q.C.
*Executive Committee

WESTERN AUSTRALIA
55 St. Georges Tce., Perth, 6000
ROD ALLEN
KERRAN CAMPBELL
MICHAEL DOVEY
DALLAS DEMPSTER
JOHN HOPKINS

DAVID MCAULIFFE
HUGH M. MORGAN, A.O.
PHILLIP MORGAN
KEVIN PARRY
DR. DONALD WATTS
PETER WESLEY
A.C.T.
Professor H.W. ARNDT
ROBERT CAMPBELL
SIR WILLIAM COLE
DR. TONY GRIFFIN
ARTHUR KENYON

N.S.W.
56 Young Street, Sydney, 2000
*J.K. BAIN, A.M. (President of
the Board of Management)
L.J. ADLER
*J.N. BARBER
J. BURROWS
J. CADWALLADER
*P. CARLTON
J.N. CREER
D. DAVIS
M. G. WILLIAMS
SIR NOEL FOLEY, C.B.E.
S. DAVIS
R. M. WYLIE (President)
*J.H. VALDER C.B.E.

QUEENSLAND
Box 2438, G.P.O., Brisbane, 4001
*R. M. WYLIE (President)
*J.C. MYERS
(Chairman Executive Committee)
V.B. ALDRICH
G.F. BERKELEY
N.H. BLUNT
K.H. DREDGE
*J.M. DYMOK
SIR JAMES FOOTS
*E. J. HOOK
*D. R. GIBSON
SIR J. D. MATHIESON
*G. GALLAGHER
*J. R. HUGHES, C.B.E.
SIR ROBERT MATHERS
*G. M. WILSON
*G. V. WADEN, C.B.E.
*PAUL LEE

IPA COUNCILS

VICTORIA
83 William Street, Melbourne, 3000
EMERITUS COUNCILLORS
SIR WILFRED BROOKES, C.B.E., D.S.O.
SIR JAMES FOOTS
W.A. INCE, C.M.G.
R.A. SIMPSON
COUNCILLORS
*CHARLES B. GOODE
(Chairman)
SIR JAMES BALDERSTONE
Past President)
*J.A. CALVERT-JONES
(Executive Committee)
SIR WILFRED BROOKES
C.B.E., D.S.O.
D.S. ADAM
F.M. BETHWAITE
M.D. BRIDGLAND, A.O.
SIR LAURENCE BRODIE-HALL.
C.M.G.
*P.G. HENDERSON, A.C.
D.M. HOCKING
SIR JOHN HOLLAND
*R.J. HORNBY
J.A. LEEKEY
DENYS L. MCCULLOUGH
J.A. MCGINTOSH
W.D. McNHERSON
L.J. MANGAN, A.O.
*HUGH M. MORGAN, A.O.
K.R. MURDOCH, A.C.
J.J. NAVE
*G.M. NIALL
HILTON J. NICHOLAS, O.B.E.
SIR IAN POTTER
J.W. PRATT
N.E. RENTON
P.D. RITCHIE
NORMAN N. ROBERTSON.
C.B.E.
PROFESSOR JOHN ROSE
NORMAN W.SAVAGE, A.M.
PH. SCANLAN
P.D. SCANLON
J.T. VALDER, C.B.E.
SIR BRUCE WATSON
I.B. WEBBER
THE HON. VERNON WILCOX.
C.B.E., Q.C.
*Executive Committee

WESTERN AUSTRALIA
55 St. Georges Tce., Perth, 6000
ROD ALLEN
KERRAN CAMPBELL
MICHAEL DOVEY
DALLAS DEMPSTER
JOHN HOPKINS

DAVID MCAULIFFE
HUGH M. MORGAN, A.O.
PHILLIP MORGAN
KEVIN PARRY
DR. DONALD WATTS
PETER WESLEY
A.C.T.
Professor H.W. ARNDT
ROBERT CAMPBELL
SIR WILLIAM COLE
DR. TONY GRIFFIN
ARTHUR KENYON

N.S.W.
56 Young Street, Sydney, 2000
*J.K. BAIN, A.M. (President of
the Board of Management)
L.J. ADLER
*J.N. BARBER
J. BURROWS
J. CADWALLADER
*P. CARLTON
J.N. CREER
D. DAVIS
M. G. WILLIAMS
SIR NOEL FOLEY, C.B.E.
S. DAVIS
R. M. WYLIE (President)
*J.H. VALDER C.B.E.

QUEENSLAND
Box 2438, G.P.O., Brisbane, 4001
*R. M. WYLIE (President)
*J.C. MYERS
(Chairman Executive Committee)
V.B. ALDRICH
G.F. BERKELEY
N.H. BLUNT
K.H. DREDGE
*J.M. DYMOK
SIR JAMES FOOTS
*E. J. HOOK
*D. R. GIBSON
SIR J. D. MATHIESON
*G. GALLAGHER
*J. R. HUGHES, C.B.E.
SIR ROBERT MATHERS
*G. M. WILSON
*G. V. WADEN, C.B.E.
*PAUL LEE

IPA COUNCILS
Ten Conservative Principles

Russell Kirk

Russell Kirk is one of the great intellectual figures of post-World War II America. His best known book, The Conservative Mind (now in its seventh edition) on the nature and historical sources of conservatism, is acclaimed for the subtlety and breadth of its analysis. He is also author of Roots of the American Order, Eliot and his Age and editor of The Portable Conservative Reader. For twenty-five years he wrote a column, “From the Academy”, for National Review, and founded two journals, Modern Age and The University Bookman. His intellectual inspiration clearly owes more to the great scholars of old than the cultural winds which have prevailed over recent decades. He has been called “The American Cicero”.

This paper was delivered at The Heritage Foundation in Washington D.C., at which Dr. Kirk is now a Distinguished Scholar.

Being neither a religion nor an ideology, the body of opinion termed conservatism possesses no Holy Writ and no Das Kapital to provide dogmata. So far as it is possible to determine what conservatives believe, the first principles of the conservative persuasion are derived from what leading conservative writers and public men have professed during the past two centuries.

Perhaps it would be well, most of the time, to use this word “conservative” chiefly as an adjective. For there exists no Model Conservative, and conservatism is the negation of ideology: it is a state of mind, a type of character, a way of looking at the civil social order.

In essence, the conservative person is simply one who finds the permanent things more pleasing than Chaos and Old Night. (Yet conservatives know, with Burke, that healthy “change is the means of our preservation.”) A people’s historic continuity of experience, says the conservative, offers a guide to policy far better than the abstract designs of coffee-house philosophers. But of course there is more to the conservative persuasion than this general attitude.

It is not possible to draw up a neat catalogue of conservatives’ convictions; nevertheless, I offer you, summarily, ten general principles. It seems safe to say that most conservatives would subscribe to most of these maxims, although the diversity of ways in which conservative views may find expression is itself proof that conservatism is no fixed ideology. What particular principles conservatives emphasize during any given time will vary with the circumstances and necessities of that era. The following ten articles of belief reflect the emphases of conservatives nowadays.

First, the conservative believes that there exists an enduring moral order. That order is made for man, and man is made for it: human nature is constant, and moral truths are permanent.
TEN CONSERVATIVE PRINCIPLES

This world order signifies harmony. There are two aspects or types of order: the inner order of the soul and the outer order of the commonwealth. Twenty-five centuries ago, Plato taught this doctrine, but even the educated nowadays find it difficult to understand. The problem of order has been a principal concern of conservatives ever since conservative became a term of politics.

Our twentieth century world has experienced the hideous consequences of the collapse of belief in a moral order. Like the atrocities and disasters of Greece in the fifth century before Christ, the ruin of great nations in our century shows us the pit into which fall societies that mistake clever self-interest, or ingenious social controls, for pleasing alternatives to an old-fashioned moral order.

It has been said by liberal intellectuals that the conservative believes all social questions, at heart, to be questions of private morality. Properly understood, this statement is quite true. A society in which men and women are governed by belief in an enduring moral order, by a strong sense of right and wrong, by personal convictions about justice and honour, will be a good society—whatever political machinery it may utilize; while a society in which men and women are morally adrift, ignorant of norms, and intent chiefly upon gratification of appetites, will be a bad society—whatever political machinery it may utilize. It is old custom that enables people to live together peaceably; the destroyers of custom demolish more than they know or desire. It is through convention—a word much abused in our time—that we contrive to avoid perpetual disputes about rights and duties: law at base is a body of conventions. Continuity is the means of linking generation to generation; it matters as much for society as it does for the individual; without it, life is meaningless. When successful revolutionaries have effaced old customs, derided old conventions, and broken the continuity of social institutions—why, presently they discover the necessity of establishing fresh customs, conventions, and continuity; but that process is painful and slow; and the new social order that eventually emerges may be much inferior to the old order that radicals overthrew in their zeal for the Earthly Paradise.

Conservatives are champions of custom, convention and continuity because they prefer the devil they know to the devil they do not know. Order and justice and freedom, they believe, are the artificial products of a long social experience, the result of centuries of trial and reflection and sacrifice. Thus the body social is a kind of spiritual corporation, comparable to the church; it may even be called a community of souls. Human society is no machine to be treated mechanically. The continuity, the life-blood, of a society must not be interrupted. Burke's reminder of the necessity for prudent change is in the mind of the conservative. But necessary change, conservatives argue, ought to be gradual and discriminatory, never unfixing old interests at once.

Third, conservatives believe in what may be called the principle of prescription. Conservatives sense that modern people are dwarfs on the shoulders of giants, able to see farther than their ancestors only because of the great stature of those who have preceded us in time. Therefore conservatives very often emphasize the importance of prescription—that is, of things established by immemorial usage, so that the mind of man runneth not to the contrary. There exist rights of which the chief sanction is their antiquity—including rights to property, often. Similarly, our morals are prescriptive in great part. Conservatives argue that we are unlikely, we moderns, to make any brave new discoveries in morals or politics or taste. It is perilous to weigh every passing issue on the basis of private judgment and private rationality. The individual is foolish, but the species is wise, Burke declared. In politics we do well to abide by precedent and prescription. The great mysterious incorporation of the human race has acquired a prescriptive wisdom far greater than any man's petty private rationality.

Fourth, conservatives are guided by their principle of prudence. Burke agrees with Plato that in the statesman, prudence is chief among virtues. Any public measure ought to be judged by its probably long-run consequences, not merely by temporary advantage or popularity. Liberals and radicals, the conservative says, are imprudent: for they dash at their objectives without giving much heed to the risk of new abuses worse than the evils they hope to sweep away. As John Randolph of Roanoke put it, Providence moves slowly, but the devil always hurries. Human society being complex, remedies cannot be simple if they are to be efficacious. The conservative declares that he acts only after sufficient reflection, having weighed the consequences. Sudden and slashing reforms are as perilous as sudden and slashing surgery.

Fifth, conservatives pay attention to the principle of variety. They feel affection for the
proliferating intricacy of long-established social institutions and modes of life, as distinguished from the narrowing uniformity and deadening egalitarianism of radical systems. For the preservation of a healthy diversity in any civilization, there must survive orders and classes, differences in material condition, and many sorts of inequality. The only true forms of equality are equality at the Last Judgment and equality before a just court of law; all other attempts at levelling must lead, at best, to social stagnation. Society requires honest and able leadership; and if natural and institutional differences are destroyed, presently some tyrant or host of squalid oligarchs will create new forms of inequality.

**Man being imperfect, no perfect social order ever can be created. Because of human restlessness, mankind would grow rebellious under any utopian domination, and would break out once more in violent discontent—or else expire of boredom.**

Sixth, conservatives are chastened by their principle of imperfectibility. Human nature suffers irremedially from certain grave faults, the conservatives know. Man being imperfect, no perfect social order ever can be created. Because of human restlessness, mankind would grow rebellious under any utopian domination, and would break out once more in violent discontent—or else expire of boredom. To seek for utopia is to end in disaster, the conservatives say: we are not made for perfect things. All that we reasonably can expect is a tolerable, ordered, just and free society, in which some evils, maladjustments, and suffering will continue to lurk. By proper attention to prudent reform, we may preserve and improve this tolerable order. But if the old institutional and moral safeguards of a nation are neglected, then the anarchic impulse in humankind breaks loose: "the ceremony of innocence is drowned." The ideologues who promise the perfection of man and society have converted a great part of the twentieth century world into a terrestrial hell.

Seventh, conservatives are persuaded that freedom and property are closely linked. Separate property from private possession, and Leviathan becomes master of all. Upon the foundation of private property, great civilizations are built. The more widespread is the possession of private property, the more stable and productive is a commonwealth. Economic levelling, conservatives maintain, is not economic progress. Getting and spending are not the chief aims of human existence; but a sound economic basis for the person, the family and the commonwealth is much to be desired.

Sir Henry Maine, in his *Village Communities,* strongly puts the case for private property: "Nobody is at liberty to attack several property and to say at the same time that he values civilization. The history of the two cannot be disentangled." For the institution of several property—that is, private property—has been a powerful instrument for teaching men and women responsibility, for providing motives to integrity, for supporting general culture, for raising mankind above the level of mere drudgery, for affording leisure to think and freedom to act. To be able to retain the fruits of one's labour; to be able to see one's work made permanent; to be able to bequeath one's property to one's posterity; to be able to rise from the natural condition of grinding poverty to the security of enduring accomplishment; to have something that is really one's own—these are advantages difficult to deny. The conservative acknowledges that the possession of property fixes certain duties upon the possessor, he accepts those moral and legal obligations cheerfully.

Eighth, conservatives uphold voluntary community, as they oppose involuntary collectivism. In a genuine community, the decisions most directly affecting the lives of citizens are made locally and voluntarily. Some of these functions are carried out by local political bodies, others by private associations; so long as they are kept local, and are marked by the general agreement of those affected, they constitute healthy community. But when these functions pass by default or usurpation to centralized authority, then community is in serious danger. Whatever is beneficent and prudent in modern democracy is made possible through co-operative volition. If, then, in the name of an abstract democracy, the functions of community are transferred to distant political direction—why, real government by the consent of the governed gives way to a standardizing process hostile to freedom and human dignity.

For a nation is no stronger than the numerous little communities of which it is composed. A central administration, or a corps of select managers and civil servants, however well-intentioned and well-trained, cannot confer justice and prosperity and tranquility upon a mass of men and women deprived of their old responsibilities. That experiment has been made before; and it has been disastrous. It is the performance of our duties in
community that teaches us prudence and efficiency and charity.

Ninth, the conservative perceives the need for prudent restraints upon power and upon human passions. Politically speaking, power is the ability to do as one likes, regardless of the wills of one's fellows. A state in which an individual or a small group are able to dominate the wills of their fellows without check is a despotism, whether it is called monarchical or aristocratic or democratic. When every person claims to be a power unto himself, then society falls into anarchy. Anarchy never lasts long, being intolerable for everyone and contrary to the ineluctable fact that some persons are more strong and more clever than their neighbours. To anarchy there succeeds tyranny or oligarchy, in which power is monopolized by a very few.

The conservative endeavours to so limit and balance political power that anarchy or tyranny may not arise. In every age, nevertheless, men and women are tempted to overthrow the limitations upon power, for the sake of some fancied temporary advantage. It is characteristic of the radical that he thinks of power as a force for good—so long as the power falls into his hands. In the name of liberty, the French and Russian revolutionaries abolished the old restraints upon power; but power cannot be abolished; it always finds its way into someone's hands. That power which the revolutionaries had thought oppressive in the hands of the old regime became many times as tyrannical in the hands of the radical new masters of the state.

Knowing human nature for a mixture of good and evil, the conservative does not put his trust in mere benevolence. Constitutional restrictions, political checks and balances, adequate enforcement of the laws, the old intricate web of restraints upon will and appetite—these the conservative approves as instruments of freedom and order. A just government maintains a healthy tension between the claims of authority and the claims of liberty.

Tenth, the thinking conservative understands that permanence and change must be recognized and reconciled in a vigorous society. The conservative is not opposed to social improvement, although he doubts whether there is any such force as a mystical Progress, with a Roman P, at work in the world. When a society is progressing in some respects, usually it is declining in other respects. The conservative knows that any healthy society is influenced by two forces, which Samuel Taylor Coleridge called its Permanence and its Progression. The Permanence of a society is formed by those enduring interests and convictions that give us stability and continuity; without that Permanence, the fountains of the great deep are broken up, society slipping into anarchy. The Progression in a society is that spirit and that body of talents which urge us on to prudent reforms and improvement; without that Progression, a people stagnate.

Therefore the intelligent conservative endeavours to reconcile the claims of Permanence and the claims of Progression. He thinks that the liberal and the radical, blind to the just claims of Permanence, would endanger the heritage bequeathed to us, in an endeavour to hurry us into some dubious Terrestrial Paradise. The conservative, in short, favours reasoned and temperate progress; he is opposed to the cult of Progress, whose votaries believe that everything new necessarily is superior to everything old.

Change is essential to the body social, the conservative reasons, just as it is essential to the human body. A body that has ceased to renew itself has begun to die. But if that body is to be vigorous, the change must occur in a regular manner, harmonizing with the form and nature of that body; otherwise change produces a monstrous growth, a cancer, which devours its host. The conservative takes care that nothing in a society should ever be wholly old, and that nothing should ever be wholly new. This is the means of the conservation of a nation, quite as it is the means of conservation of a living organism. Just how much change a society requires, and what sort of change, depends upon the circumstances of an age and a nation.

Who are today's Conservatives?

Who affirms those ten conservative principles nowadays? In practical politics, a body of general convictions is commonly linked with a body of interests. Marxists argue, indeed, that professed political principle is a mere veil for advancement of the economic interests of a class or faction: that is, no real principle exists—merely ideology. Such is not my view; but we ought to recognize connections between political doctrines and social or economic interest groups, when such connections exist; they may be innocent enough, or they may make headway at the expense of the general public interest. What interest or group of interests back the conservative element in politics?

That question is not readily answered. Many rich people endorse liberal or radical causes, affluent suburbs frequently vote for liberal men and measures; attachment to conservative
sentiments does not follow the line that Marxist analysts of politics expect to find. The owners of small properties, as a class, tend to be more conservative than do the possessors of much property (this latter often in the abstract form of stocks and bonds). One may remark that most conservatives hold religious convictions; yet the officers of main-line Protestant churches, together with church bureaucrats, frequently ally themselves with radical organizations; while some curious political affirmations have been heard recently among the Catholic hierarchy. Half a century ago, it might have been said that most college professors were conservative; that could not be said truthfully today; yet physicians, lawyers, dentists, and other professional people—or most of them—subscribe to conservative journals and generally vote for persons they take to be conservative candidates.

In short, the conservative interest appears to transcend the usual classification of most voting blocs according to wealth, age, ethnic origin, religion, occupation, education, and the like. If we may speak of a conservative interest, this appears to be the interest bloc of people concerned for stability: those citizens who find the pace of change too swift, the loss of continuity and permanence too painful, the break with the past too brutal, and inhumane. Certain material interests are bound up with this resistance to insensate change: nobody relishes having his savings reduced to insignificance by inflation of the currency. But the moving power behind the renewed conservatism of the American public is not some scheme of personal or corporate aggrandizement; rather, it is the impulse for survival of a culture that wakes to its peril near the end of the twentieth century. We might well call militant conservatives the Party of the Permanent Things.

Perhaps no words have been more abused, both in the popular press and within the Academy, than conservatism and conservative. The New York Times, not without malice prepense, now and again refers to Stalinists within the Soviet Union as conservatives. Silly anarchistic tracts, under the label libertarian, are represented in some quarters as conservative publications—this in the United States of America, whose Constitution is described by Sir Henry Maine as the most successful device in the history of politics! Even after more than three decades of the renewal of conservative thought in this land, it remains necessary to make it clear to the public that conservatives are not merely folk content with the dominations and powers of the moment; nor anarchists in disguise who would pull down, if they could, both the political and the moral order; nor persons for whom the whole of life is the accumulation of money, like so many Midases.

Therefore it is of importance to know whereof one speaks, and not to mistake the conservative impulse for some narrow and impractical ideology. If the trumpet give an uncertain sound who shall go forth to battle? For intellectual development, the first necessity is to define one's terms. If we can enlarge the understanding of conservatism's first principles, we will have begun a reinvigoration of the conservative imagination.

The great line of demarcation in modern politics, Eric Voegelin used to point out, is not a division between liberals on one side and totalitarians on the other. No, on one side of that line are all those men and women who fancy that the temporal order is the only order, and that material needs are their only needs, and that they may do as they like with the human patrimony. On the other side of that line are all those people who recognize an enduring moral order in the universe, a constant human nature and high duties toward the order spiritual and the order temporal.

Conservatives cannot offer the fancied Terrestrial Paradise that always, in reality, has turned out to be an Earthly Hell. What they can offer is politics as the art of the possible; and an opportunity to stand up for that old lovable human nature; and conscious participation in the defence of order and justice and freedom.
The main object of any welfare system is to improve the well-being of those who are particularly disadvantaged, or suffer misfortune. But as our experience with the welfare state shows, those who benefit from the system are often not those most in need.

One major source of the welfare state’s problems is the fact that the process of democratic government is one readily captured by interest groups. Successful groups are typically articulate, narrowly focused in electoral terms, keen on rhetoric regarding the benefits to the needy, but far from poor themselves.

Because the costs of individual government programs are spread thinly, through taxes and government borrowing (future taxes), or through cross-subsidies via state enterprise, while the benefits are concentrated on particular interest groups, the public at large rarely has any capacity or indeed incentive to attempt to undo a government program. Over time, a wide range of projects gains approval, with the size of government growing and with the government becoming increasingly beholden to narrow interest groups, all in the name of redistribution and the “welfare state”. But the welfare which is being enhanced is rarely the welfare of those with real disadvantage. What is more, the tax burden of redistribution to the powerful deters the very activity which is capable of employing and benefiting the disadvantaged.

A second process which often undermines the good intentions of the welfare state is that many of those requiring support are in difficulties largely because of the operation of other policies of government, not least in the area of labour markets, education and training, and because of the structure of benefit levels relative to award wages. Policies which impose artificial minimum standards have the effect of precluding others from competing for jobs, in particular those with less skills and experience. Thus any package which looks at the fundamentals of welfare reform needs also to look beyond issues of delivery of welfare services, and to reassess the strategic issues related to why, despite our affluence, the number of persons in disadvantaged situations has grown out of all proportion, despite growth in community income and the imposition of high minimum incomes for those in employment.

Finally, the welfare state is undermined by the growth of transfers to persons who are not disadvantaged, in forms such as family allowances, dependent spouse rebates, tax-free thresholds, compulsory medicare arrangements and subsidized education. All of these have created a sizable expansion of “middle-class welfare” and an associated escalation of marginal tax rates. The higher marginal tax rates resulting from universal benefits are counter-productive, in part because they impose high marginal tax rates on the people receiving the benefits.

The Persistence of Welfare Problems

Despite the fact that per capita real expenditures (1986 dollars) on social security have risen from $514 in 1970/71 to $1,300 in 1986/87, and with similar escalations in spending on health and education, serious problems for disadvantaged groups have persisted. A number of major and loosely related causes seem relevant.

- The very growth of government spurred on by the capacity of interest groups to exploit the democratic process has left little room for manoeuvre in government, with the relatively powerless and less influential members of the community simply failing to gain a hold owing to the escalation of all the other claims on govern-

Delia Hendrie is Research Assistant at the Centre of Policy Studies.
Michael Porter is Professor of Economics at Monash University and Director of the Centre of Policy Studies.
ment. Furthermore, governments are increasingly preoccupied in fighting powerful interest groups whenever they do try to cut ineffective and largely wasteful items of government spending. They thus have little time or resources for those who really do need help, or who would respond to greater incentives.

- It is now essentially illegal to employ and train young persons on terms they would accept. This is the outcome of the imposition of wage minima and conditions which create costs of employing young persons far in excess of those which applied when youth unemployment was not a problem. As a result, young people do not get a “toe in the door” and fail to accumulate one of the most valuable assets—work experience. Instead, they accumulate the quite distorting and disspiriting experience of life on welfare. The lesson of Hong Kong, which, despite the absence of a welfare state, has greatly enriched the standard of living for millions of (initially) unskilled Chinese peasants, without the assistance of unions, or minimum wages, is a reminder that we do not have a monopoly of wisdom when it comes to devices for looking after low income groups.

- Those allegedly caring for the interests of the unemployed, including groups such as the ACTU, typically focus on raising minimum conditions which preclude the less skilled, and then advocate increased welfare spending on those displaced. When they do focus on reasons for unemployment they often emphasize “red herrings”, such as technological change, failing to note that there is no significant connection between unemployment trends and technological change—with new technology simply allowing us, if we invest, to obtain higher incomes and so meet more of our essentially insatiable wants. There is no evidence of “demand failure” to prop up notions of persistent unemployment.

- The design and level of welfare benefits have made it less unattractive to be a single parent or unemployed, and have created an apathetic attitude on the part of many individuals towards productive employment. Bernstam and Swan have argued that in the USA there is a marked positive responsiveness of both unemployment and the numbers on supporting parent’s benefit to the levels of both real minimum wages and single parent benefits.

- Government is increasingly taxing Peter to pay Peter, not Paul. When we tax $1 away, the economics of the process are such that we are forced to raise marginal tax rates and generate a loss of economic efficiency—with the effect that, as a community, we only have a net 70c—80c of income to give back, once we allow for the direct and indirect effects, at the margin, of such taxes on effort, investment and savings and the resulting loss of community income.

Interest Groups and Middle-Class Welfare

The above problems reduce to (1) interest group capture of government process; and (2) the connected point, the growth of middle-class welfare, or the “churning” of taxation and social security payments throughout the community, such that we are taking dollars out of one pocket of (low income) workers and putting in the other pocket access to services and allowances, thresholds, rebates, subsidized education and health, which are typically worth far less than the taxes extracted. A consequence of such widespread policies is the high probability of such a worker spending most of his or her working life paying marginal tax rates in the 40 per cent to 50 per cent bracket, and an even higher probability that he or she will be discouraged from productive activity by the burden of having to support similar people in similar situations.

The vast bulk of well-intentioned transfers for unemployment benefits, education, health insurance and other areas of policy are made necessary by the malfunctioning of the system, indeed by the operation of government and regulatory rules regarding employment and education and training. We are probably spending over $5 billion per annum compensating for the consequences of an Arbitration Commission process and a labour market and training “system” which put huge barriers in the way of young people wishing to work and train. And when we realize that the same tendency to churn taxes through the welfare system and to redistribute to those paying such taxes, had before July 1 pushed top marginal tax rates to around 55 per cent or 60 per cent, when they need only be around 25-30 per cent, it becomes clear that

the system is indeed in need of fundamental reform. A society in which the average industrious worker faces 50 per cent to 60 per cent (direct and indirect) tax rates at their earnings peak is one in which such persons are encouraged to become creative in precisely the wrong ways, that is to avoid and evade taxes (often by not doing the productive things they would otherwise do), resulting in a smaller pie and a greater difficulty in achieving desirable distributional goals.

The more government is caught up in actual production and distribution, the more it becomes beholden to interest groups. The resulting inefficiencies of state provision are such that there will be less capacity to help those that most of us really wish to help.

There is a need to move away from middle-class welfare towards withdrawal of the government from the production and management of most goods and services (activities at which it has a proven disadvantage in providing efficient service), so that government may concentrate in administering a more generous and targeted welfare system which is capable of looking after the disadvantaged without discouraging the efforts of both the disadvantaged and the rest of the community. We believe that the major implication of most research on state enterprises and other ultimately politically controlled corporations is that government should not be running school systems, airlines, electricity or even communications, but rather should use its taxing and subsidy powers to tilt the terms on which some individuals may gain access both to key services and to income. The more government is caught up in actual production and distribution, the more it becomes beholden to interest groups. The resulting inefficiencies of state provision are such that there will be less capacity to help those that most of us really wish to help.

If taxpayers did not have to fund whatever education package is chosen by students in the artificial world of unpriced and bureaucratically run tertiary education, they, like their parents, would have far greater post-tax income than higher quality education would cost. (Those who enjoy not paying for the education services they use, should realize that the subsidy increases, on average, the total cost they pay for everyone else!)

Parent and student discretion exercised in choosing courses, and more accountability on the part of teachers and researchers, mean that costs of fee-charging and competitive tertiary education will be less than current costs, just as private schools in Australia cost significantly less than government schools.

We should also stress that the general point regarding the capacity of interest groups to capture the governmental process does not stop with areas such as education, but extends into the whole range of state enterprises, enterprises which are largely there because of their capacity to disguise the cross-subsidies which they facilitate. If state enterprise were not simply about the desire to disguise and conceal cross-subsidies from the taxpayers at large to narrow groups, then by and large they would be replaced by private enterprises subject to the usual private incentive structures and takeover possibilities, tending to make them more efficient. Such private enterprises could still receive (explicit) subsidies and transfers from the government in order to help those deemed worthy of subsidy or privileged access, but the key advantage is that there would now be a management structure with an incentive to keep the value of services up and costs down.

Airlines are another example of capture of the welfare state in the interests of the privileged. If the consumers who face excessive air fares, and who are offered very limited access to airline schedules and innovative packages, had the opportunity to understand the extent to which they cross-subsidize groups of aviation workers, none of whom are in particular need or suffering deprivation, then they would have contempt for the current regulation of airlines, including by means of state ownership of Australian Airlines and Qantas. Similarly, if the taxpayers of Victoria were aware of the extent ($40 million in 1986/87) to which their government is currently redistributing towards the State Electricity Commission and selected customers, and if they were aware of the extent to which certain unions captured the profitability of power generation by delaying the construction of Loy Yang and so almost doubling its capital cost (see studies by Hartley and Rheinbraun), then they too would be fairly indignant. It follows that if one is genuinely concerned in Australia to increase the capacity to look after low income persons, one almost certainly wishes to reduce the capacity of government to look after privileged lobby groups.

and this implies far less state enterprise, far less regulation by government and its agencies, and a far more open and competitive market process in Australia. The point here is that while market outcomes may not be perfect, they are intrinsically open, and not conducted behind regulatory doors.

If market outcomes do not conform to political preferences, government can, through taxing and subsidy mechanisms, make sure that even under full private ownership of various organizations and institutions they can achieve a large measure of change in the distribution of benefits and costs, but openly in the full gaze of Parliament. However, it is a major point that interest groups typically do not wish such an open process, and nor do most politicians. Politicians are not rewarded, electorally, for their cost-saving efficiency in meeting social objectives, but for handing out benefits and opportunities to those whose favour they seek. State enterprises fit nicely into this scheme of things, as all political parties demonstrate. It is only when budgetary times are tough, as in New Zealand and Australia at present, that we tend to see the more courageous finance ministers become willing to face facts and attempt to undo the capture of the welfare state.

It should also be accepted that where there is actual "redistribution", much of it is received by the same persons complaining about high taxes, yet receiving education subsidies, family allowances, large tax exempt thresholds for husband and wife, compulsory health insurance and so forth. A key question in 1987 is whether it is possible to restructure this system before the excess of government spending, and the resulting external deficits and debts, convert us into a third-rate nation.

Two Handbooks for Smaller Government–Michael James
(continued from page 34)

long-term effect on the upward trend of government spending. Their answer is to package cuts in taxes and spending so as to deliver the lasting gains of lower public spending along with the temporary losses. The reasoning runs like this: the only way to get taxes down is to cut spending, but the only way to make spending cuts acceptable to welfare recipients is to compensate them with substantial tax cuts. Most taxpayers would find themselves with more after-tax income; they would have to spend much of this on services like health and education that the state used to provide ‘free’ for everyone; but they would appreciate the greater scope for consumer choice allowed by higher incomes and by greater competition between producers.

Mandate to Govern has already been criticized for demanding less, and Spending and Taxing for demanding more, than the political system can deliver. Which of the two strategies is likely to be more successful? Treasurer Paul Keating’s Expenditure Statement of last May leaves the question open. As an exercise in minimal change, it was not large enough even to eliminate the budget deficit, let alone finance a tax cut. It was accompanied by no revised trilogy-style promise that overall spending would not be allowed to creep up again to previous levels. Yet it was more than just an ‘across-the-board’ exercise. By means testing family allowances, abolishing the Community Employment Program, and raising eligibility for the dole to age 18 (all recommended by one or both handbooks) it began the slaughter of sacred cows that must continue if public spending is ever to be brought under control and targeted to appropriate groups of beneficiaries. Australia’s economic condition is such that politicians have no option but to proceed in the direction indicated by Mandate to Govern and Spending and Taxing; but how far and how fast they go depends very largely on the imagination they display in appealing for popular support and focusing public opinion against the tyranny of special interests.

Whatever the strengths and weaknesses of their respective strategies, these books contribute greatly to the indispensable task of informing public opinion about the often self-defeating and illusory nature of many of the ‘benefits’ of big government. By helping to articulate the public demand for a more rational and discriminating public sector, they reduce the risks politicians face in trying to deliver one. In a democracy, detailed agenda for reform may have a greater effect through their long-run influence on public opinion than through their immediate impact on the politicians to whom they are addressed in the first instance.
Privatization a la Francaise

Since the time of Louis XIV the French have made a virtue of the State regulating and controlling industry. Under Prime Minister Chirac, according to this report by a special European correspondent, all this has changed.

Jean-Baptiste Colbert, the illustrious French statesman, is reported to have muttered on his deathbed in 1683: "Si j'avais fait pour Dieu ce que j'ai fait pour cet homme, je serais sauve dix fois". ("If I had done for God what I have done for this man, my soul would have been redeemed ten times over").

"This man" was Louis XIV, the Sun King, and Colbert may not have been exaggerating. From the various strategic posts which he occupied at one time or another in Louis' administration, including that of intendant of finances, Colbert devoted himself single-mindedly to fostering a strong French industrial and commercial presence. The country's colonial resources were harnessed and, where necessary, resort made to skilled foreign artisans to found royal manufactures. The entire undertaking was pursued within a framework of strict government regulation.

Although Colbert was scarcely a pioneer—Louis XI's royal backing for the creation of a silk industry in the fifteenth century could be cited as an earlier example—he remains a symbol of State dirigism and his spirit has permeated French official attitudes toward economic management ever since. Laurent Fabius, the then Prime Minister, asserted in late 1983: "In this context I hear that some people would like to denationalize what was nationalized not only in 1981, but carried away by their enthusiasm, even in 1945—poor General de Gaulle—and even under Colbert—poor Colbert! That conflicts with both economic reality in our country and French economic tradition".

Francois Mitterrand himself had earlier confirmed in 1977: "We believe in the superiority of the Plan over the market. This is not merely a pledge or a wish, but a fact. ...we think that fundamental decisions concerning the well-being of our nation should be made on the basis of knowledge and the confrontation of interests, needs and aspirations democratically debated at all levels, and not be subject to the law of those who, under the pretext of market forces, exercise a dictatorship: monopolies, multinational corporations and bankers".

The Plan referred to by President Mitterrand (which still exists, but deprived of its operational significance) is an obvious, but not unique, manifestation of this tradition. The movement of top French public servants, typically the products of elite tertiary educational establishments ("grandes ecoles") and moulded in a civil servant interventionist attitude, into top business positions is a not unusual phenomenon.

Right-wing Governments have lived happily with this heritage. General de Gaulle himself instigated a wave of nationalizations in the immediate post-war period, although he was inspired by a desire not only to increase control over the allocation of resources (via major banks and insurance companies) but also to punish wartime collaboration (Renault). The Socialists nationalized 47 enterprises in 1982 at an estimated cost (shareholder compensation plus interest accrued on the debt thereby incurred) of close to FFr 35 milliards, bringing close to 90 per cent of banking and important sections of industry under State control. During 1981-84 a further FFr 49 milliards of equity was injected into the nationalized sector. Belief in the omniscient State's ability to allocate resources for the greatest good of its citizens reached a high point in the industry plans devised within the Ministry of Industry and Research under its Socialist Minister Jean-Pierre Chevenement in which the nationalized industries were allocated a key role. Industry was rationalized into neatly drawn vertically-integrated industrial groupings ("filieres"). "Untidy" diversification was not tolerated.

Prime Minister Chirac's Government's program of privatization consequently represents a radical break with tradition. Yet, timid privatization straws were already in the wind during the later stages of the Socialist administration which

1. This is not to imply that the French enjoy a monopoly of infatuation with the States’ mystical omniscience and superiority. Lord Stockton, formerly Prime Minister Macmillan, as an old man, deplored Margaret Thatcher’s selling off of (somewhat tarnished) "family silver".
had begun to realise that centralized State control over virtually the entire financial sector and large sections of industry was stifling the competitive pressures which alone could ensure the necessary adaptation of French industry to rapidly-changing world markets. Furthermore, resort to private capital would ease the burden on the public purse at a time of burgeoning fiscal deficit. A law passed in January 1983 provided for nationalized companies to issue non-voting, negotiable investment certificates (certificats d'investissement) and participatory titles (titres participatifs). However, the present Government's program is of a quite different order of magnitude, and represents a clear break with traditional attitudes, being inspired by reaction to the demonstrable failure of Socialism with which the more recent nationalizations and, more generally, State intervention were identified.

Privatization is governed by two acts of the French Parliament:

Law 86-793 of 2nd July 1986 authorizes, in conformity with the Government's election platform, the sale to the private sector by at latest 1st March 1991 (that is, within the 5-year life of the present Parliament) of 65 groups in which the Government holds, either directly or indirectly, a majority interest. These are distributed by sector as follows: 9 industrial, 13 insurance, 38 banks, 4 finance companies and one communications. In all, 1,454 companies (57 per cent of all firms in which the government has a majority shareholding) with 755,000 employees are concerned.

However, the present Government's program is of a quite different order of magnitude, and represents a clear break with traditional attitudes, being inspired by reaction to the demonstrable failure of Socialism with which the more recent nationalizations and, more generally, State intervention were identified.

Legislation enacted on 6th August 1986 lays down the detailed procedures to be followed:

- A Privatization Commission (created in September 1986)—consisting of seven members chosen for their economic, financial or legal competence and experience—evaluates the company after audit of the latest accounts and evaluation by the bank retained as advisor to the Government. The criteria laid down are: stock market quotation of shares or investment certificates (where applicable), value of assets, profits, subsidiary holdings and future prospects. On the basis of this opinion, which is made public, the Minister of Finance takes the final decision as to the price, which may not be below the Commission's estimation.

- A public information bulletin, prepared by the company to be privatized and checked by the Commission des Opérations de Bourse (the French Securities Exchange Commission), sets out its activities, past and projected financial results, as well as the share offer conditions.

- Generally speaking, the distribution of shares is made according to the following pattern:
  - 70 per cent is subject to a public offer of sale (offre public de vente—OPV), which sets out the number and price of shares on offer as well as the period of sale (about two weeks). French citizens and residents are accorded certain privileges including priority allocation of up to 10 shares per person and one free share (up to a limit of five) per 10 purchased if held for at least 18 months.
  - Maximum 10 per cent is reserved for present and former employees of the company, who also benefit from preferential terms—a reduction of up to 20 per cent on the announced OPV price (but where greater than 5 per cent, the shares must be held at least 2 years), up to 3 years to pay, and the attribution of one free share for each purchased (subject to certain limitations) if held for at least a year.
  - Maximum 20 per cent (which may be reduced in the national interest) is allocated to foreigners.

- The Finance Minister may set a 5 per cent limit on the acquisition by any single purchaser at the time of issue, and may also arrange for the private placement of shares. This latter provision has been used in order to reduce the volatility of shareholding by selecting a small group of stable investors (groupe d'actionnaires stable—GAS). Furthermore, the State may acquire a "golden share" (action spécifique) where such is deemed in the national interest, but this right has so far been exercised only once.

Share applications are transmitted to the Chambre syndicale des agents de change (Stock Brokers' Association) which, where demand exceeds supply, makes a pro-rata allocation, subject to the priorities indicated above.

The proceeds of issues are paid into a special Treasury account. The FFr 30 milliards of receipts budgeted for this year are allocated as follows: reduction of the debt incurred by the 1982 nationalizations (FFr five milliards), capital injections to
public-sector enterprises (FFr nine milliards) and reduction of the Government's fiscal deficit (FFr 16 milliards). In fact, after the privatization of the Societe Generale in mid-1987 an estimated FFr 52 milliards will already have been collected.

Choice of the first candidate was critical for the success of such a major undertaking which is variously evaluated at upwards of FFr 200 milliards over five years. The selection of Saint-Gobain for this role was based on sound technical considerations (well-known, blue-chip, profitable and in a relatively stable industry), but is not without historical irony since the company can trace its very origin to Colbert's desire to break the then Venetian monopoly in glass making. In 1665 he installed four artisans in Paris after having smuggled them out of Venice and then proceeded to close the frontier to Venetian glass in order to ensure the success of his venture. From this humble beginning gradually emerged the Manufacture de Saint-Gobain which subsequently survived the vicissitudes of French history and in the process assumed a multinational dimension. In 1982 it was nationalized by the Socialist Government.

The Saint-Gobain privatization, the hitherto largest single operation on the Paris Bourse, entailed the offer during the period 24 November to 5 December 1986 of 28 million shares at a unit price of FFr 310 (net of costs). The French Treasury retained Kleinwort-Benson, which has accumulated considerable experience from the British privatization program, as well as a French bank as advisors. A special price reduction of five per cent was offered to employees without restriction as to holding period or of 20 per cent if shares were held for at least two years. The 50-60 thousand certificats d'investissement issued in June 1986 could be exchanged for shares. The offer proved a great success, being 14 times oversubscribed. The percentage attributed to foreigners was reduced to 18, giving the final distribution of holdings:

<table>
<thead>
<tr>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>French public</td>
</tr>
<tr>
<td>Foreigners</td>
</tr>
<tr>
<td>St. Gobain employees</td>
</tr>
</tbody>
</table>

Paribas, the first of the financial institutions to be offered, was oversubscribed nearly 40 times and now has 3.8 million shareholders. The Societe Generale, a major retail bank, being brought to market in June this year, is the first of the immediate post-war vintage nationalizations to be (re) privatized.

The Government hopes to create a broadly-based share-owning public. A survey ordered by a leading French business magazine indicated that 55 per cent of persons interviewed approved of privatization, and Socialist Party threats to renationalize have been limited to the TV station TF1. So far, the program has been extremely successful, the initial responses having far exceeded the Government's expectations. About one-half of Saint-Gobain employees took up shares. In addition, over one and one-half million individuals became shareholders, about seven times the pre-nationalization figure, of whom probably at least 300,000 had never before held shares either directly or via mutual funds. Of domestic holdings, 85 per cent are in the hands of individuals and 15 per cent with institutions. How enduring this pattern will prove remains to be seen. As indicated above, incentives have been provided for retaining holdings for periods of up to two years and in the cases of Saint-Gobain and Paribas studies indicate that about 15 per cent of the issues changed hands rapidly. Handsome profits have been made in many cases; Saint-Gobain's price soared after its initial SE quotation of FFr 369, peaking at FFr 467.5; it has since slipped to FFr 416 (early June) which still represents a one-third gain over its offer price. But perhaps the first major market downturn must be awaited in order to better judge how profoundly mentalities have changed.

2. As at end-1986, the value of all shares listed on the Paris Bourse amounted to FFr 1,150 milliards, and 7.6 per cent of French households owned shares.

58
In shaping their budgets each year, State Governments have their room to manoeuvre confined by the dominance of Commonwealth Grants over their revenue and the huge expenditure demands of education and health services which together account for about 45 per cent of recurrent expenditure.

Consolidated data on State budget revenue and expenditure are not available on a uniform basis. However the overall pattern does not vary substantially from State to State and the New South Wales figure may be taken as representative, at least for the larger States.

The following graphs show the breakdown of recurrent revenue and expenditure for the New South Wales 1986/87 budget.

The demands of education, which weighed heavily on State budgets in the 1960s and 1970s, have eased with declining enrolments in State schools (see below) but have been replaced by pressures from health services and law and order (police and law courts) as crime escalates throughout Australia.

Although the Commonwealth takeover of income taxation during World War II and High Court rulings on the nature of Excise Duty are the principal causes of the revenue imbalance, the dependence of the States on Commonwealth assistance has its roots in the division of powers between the Commonwealth and States at the time of Federation. Social services expenditure, particularly on education and health, was a relatively minor aspect of colonial expenditure at the turn of the century and access to revenue sources between the Commonwealth and the States was determined accordingly.

The founding fathers could not have foreseen the enormous upsurge of spending on social services that has occurred in more recent years and the way it would come to dominate State Government spending and taxation. Had they been able to do so, it is certain the division of taxing powers in the Constitution would have been very different. Indeed it is possible that, faced with a future of burgeoning expenditure demands and inadequate revenue resources dooming the States to increasing dependence on the Commonwealth Government, the colonies would have gone their separate ways—as did New Zealand—and the Australian nation would not have been born.

Les McCarrey is Director of the IPA States' Policy Unit based in Perth.
Education Exodus

A government-sponsored report recently released in Western Australia claims that teachers are suffering from severe stress because of long working hours, isolation in the classroom and lack of support. Teachers in that State are also up in arms over the confusion created by what they claim is the too rapid introduction of the State Government's "Better Schools" program which among other problems, has thrown a significant additional burden of curriculum development on to senior teachers.

The WA 'reforms' and the resulting turmoil seem to be direct transplants from Victoria where a recent Education Ministry project team reported that, after four years of 'reform' and 'restructuring' of the State education system, "a managerial fog has settled over large sections of the educational enterprise. Executives have become increasingly uncertain about their authority, decisions have been deferred or not taken, delays have become institutionalized and a great deal of time and money has been wasted."

It is also reported that in New South Wales, spelling bees are causing children to feel inferior and depressed because of competition in the classroom. To overcome this, the curriculum is to be amended to move the emphasis from spelling and grammar in teaching language to a more holistic approach—whatever that means.

In a recent national television program, a senior official of the NSW Education Department claimed that "we are not in the business of preparing people for the work place."

A curriculum consultant to the same department is reported as saying "we live in a post-literate society—there is no need to teach spelling and grammar any more."

An ABC current affairs interviewer chides an employer group spokesman by reminding him that education is about providing children with life skills rather than employment skills.

David Clark, writing in the Financial Review reports a primary school teacher telling him "It goes against the grain when I am told that I don't have to correct spelling and grammar any more."

In Western Australia, a teacher writing to a daily newspaper claims that the main role of teaching is being eroded by enforced additional roles and by a requirement to implement education policies which fluctuate constantly, creating confusion, disillusionment and a sense of futility. The same correspondent pointed to the injustice of teachers being sandwiched between the unrealistic demands of the educational authority and the degeneration of society.

So there it is. Pity the dedicated teacher, of which there remain many, trying to teach kids in classrooms which have been turned into social laboratories by the education trendoids (thanks to David Clark for that expressive word) and working in a sea of confusion as to educational aims and management with precious little support from above.

That there is widespread concern among parents throughout Australia can no longer be dismissed by the politicians and teachers' union trendies. Enrolments in State schools have been falling in recent years in all States except Queensland where they appear static. Although there has been an overall drop in school enrolments due to the demographic trough of school-aged children, a key factor has been the swing to non-government schools in all States as the following table shows.

<table>
<thead>
<tr>
<th>Increase/(Decrease) in Enrolments Government vs Private Schools 1984—1986 Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Govt Schools</td>
</tr>
<tr>
<td>NSW (2.1)</td>
</tr>
<tr>
<td>Vic (4.6)</td>
</tr>
<tr>
<td>Qld --</td>
</tr>
<tr>
<td>SA (4.4)</td>
</tr>
<tr>
<td>WA (1.0)</td>
</tr>
<tr>
<td>Tas (2.6)</td>
</tr>
<tr>
<td>Australia (a) (2.4)</td>
</tr>
</tbody>
</table>

(a) Includes ACT and NT.
Source: Commonwealth Department of Education National Schools Statistics Collection Australia 1986.

While an elitist attitude no doubt contributes to some parents' decision to enrol their child at a private school, a number of other reasons are given. The private school system is seen as promoting competition and encouraging the children to achieve, although the cancer of a non-competitive academic environment is also permeating the private school body. Discipline is tighter, imposed in
part by the children themselves who are made aware of the monetary value placed on their education by the household sacrifices required to meet high school fees.

The debate on government funding of private schools waxes and wanes. Federal and State Government funding for private schools currently amounts on average to about $1,580 per student and there is no doubt that if this funding were withdrawn many schools would be forced to close. But the political reality is for even greater government support of the private school system with over 26 per cent of school children now attending non-government schools and the potential for substantial budget savings if government schools are relieved of enrolment pressures.

Australia has an enormous investment and a great deal of talent and integrity in the government school system. Perhaps one answer to the perceived decline in education standards is to find ways of enabling the voice of the experienced classroom teacher to be heard over the trendoids and social engineers. In the meantime, the exodus will continue.

---

Is it Time for Another Niemeyer Statement?

In July 1930, faced with the crisis of the depression and a 19 per cent unemployment rate, the Federal Government invited the Governor of the Bank of England, Sir Otto Niemeyer and his colleague T. E. Gregory to Australia to advise on measures to combat the crisis.

Their principal recommendations for a balanced budget and an across-the-board wage cut of 10 per cent and the subsequent effects of those measures in the circumstances of the time are well-known. Perhaps less well-known was a recommendation for monitoring the financial position of the States which led to production by each State on a standardized basis of a monthly statement of financial transactions on the public account. This statement, known to this day as the Niemeyer Statement, is supplied to the Federal Government to enable some limited monitoring of State finances.

The Niemeyer Statement is restricted in scope and is of little value in terms of providing an overall assessment of the impact of the State sector on the economy.

The controversy earlier this year over the accuracy of ABS estimates of the net public sector borrowings of the States points to a major deficiency in the compilation and reporting by State Treasuries of total public sector receipts and outlays in National Accounts format. It is a safe bet that no State Cabinet has before it at budget time even rough estimates of the net public sector borrowing requirement (PSBR) resulting from planned expenditure programs, including those of its major statutory authorities. In the critical economic circumstances of today, State Governments as members of the Loan Council, should subject themselves to the discipline of at least knowing the economic effect of their aggregate financial transactions and be prepared to pool that information.

To this end, Loan Council should call for a return from State Treasurers of public sector receipts and outlays on the ABS format following completion of State budgets and quarterly thereafter. (No doubt the Bureau would be grateful for the involvement and assistance of State Treasuries in tightening up the initial PSBR estimates).

Admittedly that would seem to be locking the door after the horse is well down the road but it should at least ensure that State Governments make an attempt to look at a wider perspective of State public transactions than they do at present.
**Disarming the Cynics** “The cynics who think peace is passe, or that International Year of Peace was just window dressing, should have been at the Peace Education Resource Centre last week . . . the Journal was!” enthuses the Journal of the Victorian Teachers’ Union. “A delegation of school children who had written to the leader of the Soviet Union pleading for peace received an official letter from the Ambassador of the Soviet Union in Australia and a visit from the Secretary of the Soviet Embassy,” the VTU Journal continues. “The Secretary, Yuri Velobrou, read out the letter which expressed understanding of the sentiments of the children and stated the Soviet Union’s commitments to the cause of peace and disarmament.”

The Journal also reprints a sample of the letters sent to Mr. Gorbachev by Victorian school children. “You should take notice of the ‘International Year of Peace.’” says one. “for in Australian schools, children are making things for peace, things like paper crane making, peace posters and dancing and music for peace. Peace is a different thing to war, a much different thing.” If only the teachers of the 1930s had taught their children how to dance for peace, make paper cranes and write nice letters to Mr. Hitler the Second World War might never have happened.

**Big Sibling is Watching** “Clayton’s sexism is the sexism you practise when you’re not being sexist,” according to The University of Melbourne’s “Guide to Gender-Neutral Speech and Writing,” devised by a committee set up in response to the University’s Equal Opportunity Policy. Clayton’s sexism, the booklet informs us disapprovingly, “is displayed by people who know what sexist usage is, but don’t think it a serious problem. Although reluctant to be seen as impenitent sexists, they reveal their sexism nevertheless by mocking a caricature of non-sexist usage. For example: ‘He’s very manly. Oops! Should I say ‘personly’?”

Meanwhile at La Trobe University official Selection Procedures for the filling of academic staff vacancies insist that a sex count be done of those shortlisted, by a committee on which “both sexes should normally be represented”.

“After the shortlist has been drawn up, the meeting will consider whether both sexes are represented on the shortlist. If one sex is not represented, the meeting will review the applicants and take one of the following steps:

a) the best-qualified applicant of the unrepresented sex will be included in the shortlist; OR

b) document the reasons for the non-inclusion of one sex on the shortlist for the Staff Office to collate and forward to the Equal Opportunity Committee”.

No prizes for guessing which is the line of least resistance.

Big Brother—oops! Big Sibling—is watching. (Please excuse the Clayton’s sexism.)

**Class Oppression** Despite efforts to reform the system in recent times, the insidious practice of grading students according to merit apparently still persists in some classrooms. Michael Read, in The Victorian Teacher, the journal of the Victorian Secondary Teachers’ Association, hits out at the injustice of it all:

“Children under fifteen are compelled by law to attend school. When they get there they may discover that their efforts to master new disciplines, their productions and their creations are treated as performances subject to measurement and classification. They may be compared with other children and ranked in order of merit. Some may even be labelled as ‘failures’ if their performance does not conform to certain criteria of which they may have little or no ken. Such students must find school profoundly alienating. My point here though is that it is unjust: compulsion to attend allied with grading is tantamount to double jeopardy.”

**You Can’t Think When You’re Angry** Angry Anderson, lead singer of the rock band “Rose Tattoo” and recipient of an Advance Australia Award, reveals, in the glossy pages of New Age magazine, Simply Living, his deep compassion for the victims of man’s cruelty to animals. Not so, apparently, the thousands of victims, including refugees, of Cuba’s and Vietnam’s communist despots. “. . . some of my greatest heroes have been revolutionaries”, Angry says in the interview. “But before that they were visionaries. I’ve stayed away from the Marxist-Leninists and gone for the more exotic and colourful characters like Che Guevara, Fidel Castro and Ho Chi Minh.”

“But”, interrupts the interviewer, “they were all Marxist-Leninists”.

“Yes”, says Angry, determined not to let reality cloud his vision, “but not dogmatic; they liberated to liberate, not to suppress.”

**Present Education** For the person who has everything Box Hill TAFE (Technical and Further Education) in Melbourne offers a course in “Creative Gift Giving”. For the person who doesn’t have everything, a course is run in “Assertiveness”.

IPA Review, August–October 1987 62
If You Can’t Beat Them (1) While in the left-wing weekly, The New Statesman, Britain’s socialists theorize on the possibilities of “market socialism”, Italy has seen the establishment of a communist merchant bank. The bank called Finec is 70 per cent owned by the Communist “Lega della Co-operative” (National Co-operative League), reports the Financial Times. And in the United States, Nuclear Free America has launched its own credit card, the Working Assets Visa Card. Every time someone new signs up for the card five dollars goes to Nuclear Free America and after then five cents every time the card is used to make a purchase. The interest rate is not low, but then it’s only fair that card carrying socialists should pay for their principal as well as for their principles.

If You Can’t Beat Them (2) Psychologist and spokesman for the Victorian Association of Mental Health, Stephen Wallace, has condemned what he claims is the continued use of corporal punishment in Victorian State schools. Referring to the teachers who use corporal punishment, Wallace said: “Our major concern is that these red-necked Rambo’s will produce yet another generation of violent, aggressive children, not just in the classroom but outside the classroom.” At the same time, according to the report in The Age, “Mr. Wallace said corporal punishment was generally useless in stopping undesirable behaviour because the punishments normally advocated, such as the strap, were not powerful enough.”

On the Nose Workers on a building site near Sydney’s Chinatown objected to having to work with the smell of Chinese cooking in the air. It was not that they did not like the aroma, but that it made them hungry for Chinese food. The employees demanded—and received—a ‘dim sim’ allowance for Chinese food. (From the Liberal Party “Rort Report” on the Building Industry).

Terror Australis In the aftermath of Tasmanian Aboriginal lawyer Michael Mansell’s visit to Libya in April, the Rev. Charles Harris, leader of the Uniting Aboriginal and Islander Christian Congress reflects on the subtle differences which distinguish Australia from Gadaffi’s Libya. “I am not sure which is the worst,” ponders Rev. Harris in Land Rights News, “having to face Gadaffi style terrorism which gives instant death, or the kind of terror and degradation which has been inflicted on the Aboriginal people for over 200 years and continues to be waged in this country by the present Hawke Labor Government. Both mean Aboriginal people die a death less than human.” The terrorism of which the Hawke Government, indeed the whole country, is guilty, according to Rev. Harris, is “sophisticated terrorism”, whereas, presumably, Gadaffi’s is gauche.

Australia’s Handicap “Here is a single mother, who has a graduate diploma in outdoor studies, and experience in ‘non-sexist teaching’, sending in a complaint to a government unit about ‘discrimination’ because she can’t get a job. The reason could be many things: real wages may be too high, imposing structural unemployment, or as a person the single mother may be a pain in the neck. But she is certain that she is unemployed because she’s a woman, and one who ‘took the trouble to be a mother’. She now asks the Government to ‘compensate’ for these twin ‘handicaps’. And the Government does compensate her.” (From The Australians by Ross Terrill).

Will They Ever Learn? In April 1970 Current Affairs Bulletin introduced an article headed “USSR—and the Indian Ocean” with this extraordinary comment on the state of foreign policy at the time. “In August last year, Mr. Gordon Freeth, then Australian Minister for External Affairs, said that the Government would consider with close interest any Soviet proposals that seemed to be in line with the collective security of the South-east Asian region. In the context of a Soviet naval presence in the Indian Ocean this was widely interpreted to mean that Australia was perhaps ready to co-operate, in military terms, with the Soviets in some form of regional security system.”

Awareness of the threat posed by a Soviet presence in our region has come a long way since then... or has it? In June this year, our current Minister for Foreign Affairs, Mr. Hayden, was quoted in The Australian as describing Mr. Gorbachev’s 1986 Vladivostok speech heralding greater Soviet involvement in the Pacific as “an extremely important and encouraging statement—my inclination would be to encourage the Soviets to be drawn more and more into productive and harmonious economic involvement through the Pacific basin.”

Current Affairs Bulletin in its 1970 piece notes that “subsequent election results... suggest that Mr. Freeth’s speech was politically disastrous for him.” To this extent, times have changed.
An Economic “Bill of Rights”


Freedom is not created by Government, nor is it a gift from those in political power. It is, in fact, secured, more than anything else, by limitations placed on those in Government authority. It is absence of the Government censor in our newspapers, broadcast stations, and universities. It is the lack of fear by those who gather in religious services. It is the absence of official abuse of those who speak up against the policies of their Government.

Inextricably linked to these political freedoms are protections for the economic freedoms envisioned by those Americans who went before us. There are four essential economic freedoms.

In the same vein, regulation of an individual’s business or property can reach a degree where ownership is nullified, where value is taken. Property rights are central to liberty and they should never be trampled upon.

It is time to protect our people and their livelihoods with restrictions on Government that will ensure the fundamental economic freedom of the people, the equivalent to an Economic Bill of Rights.

The centrepiece of the Economic Bill of Rights, the policy initiative we launch today, is a long overdue constitutional amendment to require the Federal Government to do what every family in America must do, and that is to live within its means and balance its budget.

Raising taxes, should not be done without a broad national consensus. We propose that every American’s paycheque be protected—as part of a balanced budget amendment—by requiring that tax increases must be passed by both Houses of Congress by more than a mere majority of their members.

We must also re-examine Federal policies to ensure that they help, not hinder, all Americans to participate fully in the opportunities of our free economy. We need to replace a welfare system that destroys economic independence and the family with one that creates incentives for recipients to move up and out of dependency.

We propose changes that will ensure “Truth in Spending” by requiring every new program to meet this test: if congressional passage of a new program will require increased spending, it must be paid for at the same time, either with offsetting reductions in other programs or new revenues.

Ours is a vision of limited Government and unlimited opportunity, of growth and progress beyond what anyone can see today.
You can go through any of our checkout without handing over a cent.

Of course you will pay. But not in cash.

Instead, you will use the Electronic Fund Transfer (EFT) terminals at our checkouts.

EFT terminals have now been installed across Australia in every Woolworths supermarket and BIG W store as well as selected stores in other divisions.

Which means we have more EFT terminals than any other retailer in Australia.

In fact, with terminals in more than 540 stores, we have more than any other retailer in the world.

And considering we turn over more than $100 million every week, it's nice to know it's not all floating around in cash.

As seven million cardholders will no doubt testify, Electronic Fund Transfer is an efficient, foolproof system.

And for us, it's paying off. Even if we don't see a cent.

Woolworths Ltd.

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 is amongst
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.

Old Government House, George Street, Brisbane
was constructed in 1860/62 as the residence for the first Governor
of Queensland. The exterior has been restored by
the Queensland Government and through The Gift
the interior will be returned to its former glory.

AMATIL markets leading consumer brands in the tobacco,
beverages, snack foods, poultry and packaging industries.
Our activities cover all of Australia and extend to
markets in the Pacific, South East Asia and Europe.
As well as serving consumers of our products, AMATIL
makes a significant contribution to community life.
This takes the form of sponsorship of community
activities and donations to voluntary groups.
For Australia’s Bicentenary AMATIL is pleased to be the
sole sponsor of such an important heritage programme
as A Gift to the Nation.

AMATIL LIMITED