"HERE, THERE AND EVERYWHERE..."

Santos bids for Peko Oil

Santos ‘takes a punt’ off NSW coast

Santos makes significant oil advance

Optimistic view of North Sea oil and gas reserves

Santos uncovers large oilfield in Cooper area

Timor Sea, PNG have potential

Major Santos role in Timor search

Santos makes oil discovery in unexplored area of SA

Santos’ Australian interests now range from onshore oil and gas production from the Cooper Basin to offshore oil production from the Timor Sea and Carnarvon Basin. Our international interests include production in both the US and UK and we are involved in exploration in four of the seven continents.

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IPA INDICATORS

Additional amount payable over a 25-year $50,000 loan by a new house buyer (at 17 per cent p.a. interest) compared with 12 months ago (at 13.5 per cent):

$41,100.

Annual interest payable on Australia's gross external debt in 1977/78: $0.6 billion. In 1987/88: $9.3 billion.


Average expenditure per head in Australia on alcoholic drinks in 1987/88: $481. Expenditure per head on gas, electricity and fuel: $233.

Percentage of mail delivered on time according to Australia Post: 89. According to a survey by the Australian Automobile Chamber of Commerce: 17.7.

Total Australian petroleum imports in 1987/88: $2,099 million. Total petroleum exports: $2,054 million.

Percentage of Australian male flight attendants who claim they have been sexually harassed: 38.

Increase in the number of wage and salary earners in Australia over the last five years: 984,000 (19.3 per cent).

Number of times more air pollution in Beijing than in New York: 16.

Deaths of coalminers per 10 million metric tonnes (Mmt) of coal mined in China's state-owned mines: 24. Deaths per 10 Mmt of coal mined in OECD countries (excluding Turkey): 0.6.


Number of new Christian denominations across the world founded each week: 5.

The Death Throes of Communism

The changes in the communist world that began in 1985 with Mikhail Gorbachev's assumption of power have gained spectacular momentum in 1989. The first few months have already witnessed the withdrawal of Soviet troops from Afghanistan; the election of the Congress of People's Deputies followed by uninhibited (and televised) debate at its first session; the re-legalization of Solidarity and semi-democratic, honest elections in Poland; the potent symbolism of the re-burial of Imre Nagy in Budapest; and Vietnam's commitment to withdraw completely from Cambodia.

Now there is China. Until recently, many alleged experts in the West held that the Chinese leaders were handling the process of change better than the Russians: moving faster and more efficiently on the economic front while keeping a tight rein on political reform. Things blew up in their faces. With bravery and tenacity, the students of Beijing have demonstrated the dangers to communist regimes of moving towards a market economy without also engaging in political liberalization.

Two questions: Is communism now dead, or at least dying, as many proclaim? And what sort of world can we expect to live in as a result of the changes taking place?

In one very real and important sense communism is indeed dead. Marxism-Leninism's claim to represent the future, to offer a blueprint for development, is utterly discredited. Seventy years after the Russian Revolution, it has only a collection of graft-ridden, grotesquely inefficient, cynical, backward regimes to its name. Outside Western universities and a few Third World cliques, the ideology's once potent hold over the imagination of intellectuals and idealists is shattered.

Modern communications and cultural exchanges have made the populations of communist countries increasingly aware of the glaring contrast between the general prosperity generated by Western capitalism and their own impoverished condition.

In the long run the death of the Marxist-Leninist Idea is likely to be fatal to communist regimes and reduce the likelihood of major international conflict. But in the meantime there are the short and intermediate runs. The regimes are still in place, and the nomenklatura and apparatchiks have a powerful vested interest in keeping them there — as well as the tools of repression necessary to do so. If the Chinese students taught one lesson, the bloody response of the Chinese leaders taught another vitally important one: it is dangerous to assume that because communist regimes are spiritually bankrupt they will relinquish their power quietly.

What of the second question? Many in the West assume that if the Cold War is ending we must be headed for better things. After 40 years of tension and fear it is an understandable reaction. It may also be quite wrong. The question turns not on the 'sincerity' of the motives of Gorbachev and the other communist leaders. It is rather a matter of how regimes whose only comparative advantage consists of huge military machines will react to a likely combination of internal instability, declining international status, and a continuation of poor economic performance. While welcoming the prospect of changes which weaken the grip of totalitarian states on their peoples, it would be unwise to conclude that the road ahead will be smooth.

Policy Impasse Must Be Broken

The Minister for Finance, Senator Walsh, recently acknowledged that the public does not realise fully the gravity of the economic situation facing Australia. His acknowledgment was made even in the face of a Morgan survey showing a major reduction in the proportion of those perceiving the Government to be a good economic manager. It followed immediately after the London Financial Times had concluded that "the Australian economy is mired deep in crisis and the outlook is awful."

The question that must be asked is how Australia has reached this apparent state of crisis, reflected in record or near record high interest rates and foreign debt ratios, without the community being made aware of it? In particular how is it that Australia can now be facing
serious economic difficulties at the end not of a world recession but of one of the longest ever periods of economic expansion overseas?

An important reason is that the Government has failed to provide the leadership needed to implement the required policy changes and that senior Ministers have raised unrealistic expectations of improved living standards. The contrast between Mr Keating's "Banana Republic" warning in 1986 and his more recent assurances that things are "on track" could not be more stark.

But not all of the blame rests with the Government. There are many in positions of leadership in business, the media, the bureaucracy and trade unions who have sought to protect existing positions of power and influence, or even-outdated ideological beliefs, and who have been resistant to change on anything but their own terms and timing. These — and others — have argued that the pace of change must be gradual lest social cohesion be threatened and they have labelled as confrontational those seeking more radical and rapid change. Many have consistently accepted the Government's line that the policy changes made warranted an A+ for effort and that criticism should be held back. All too often policies have been judged not by what the nation requires but by some perceived standard of what a Government could do in political terms. This or that, we have been told, was and is "out of bounds".

Surely the time has now come to recognize that this gradualist approach has failed. Those with the national interest at heart must press the Government to give the leadership which the present situation demands. The Government should, for its part, realize that Australia's economic difficulties provide a golden opportunity not only to implement the correct policies but in doing so to recoup its severely damaged credibility. Presented with the stark economic truth and the consequent need for substantial policy changes the Australian community would respond positively. Such policies should include further reductions in government expenditure and taxation reform, privatization of public trading enterprises, deregulation of the labour market and a faster reduction in the protection of private industry. Unless a program along these lines is implemented Australia could face a prolonged period of economic stagnation.

But how to get the appropriate policies into place quickly? The Prime Minister, who has in the past shown considerable ability for communicating directly to the public, now seems unable to carry his own party forward. It may be that he and other senior Ministers require an external stimulus to overcome entrenched resistance. Other countries have, on occasion, found it useful to bring in the International Monetary Fund. Another possibility might be an Economic Summit to gather widespread support for an economic reform program to raise national productivity. Whatever the mechanism the present policy impasse must be broken.

In a surprisingly little-reported speech on 14 May when introducing a bill to repeal legislation passed by the Fraser Government to facilitate the imposition of a State personal income tax (or rebate), Mr Keating seemed to endorse the IPA's advocacy of further reducing government expenditure and the burden of taxation.

Thus, on the Commonwealth side he predicted that "In the years ahead — as the ratio of Commonwealth spending to the size of the economy falls — likewise the amount of revenue needed to finance that spending will also fall." And in explaining that the States must "play their part in economic adjustment", Mr Keating emphasized that "There is no debate about the crucial need for continued public sector spending restraint. Reduced public sector spending makes an important contribution to providing scope for the increased private sector investment in new export and import replacing industries that is now taking place."

The Treasurer added "It is no use the States crying poor while at the same time their profligacy is revealed in continuing explicit or implicit industry subsidies and by sub-economic pricing of key resources, such as far outmoded rail services."

Later he elaborated that "Most States have not even begun the reform process — they need to lift their game. The State railways are another area crying out for reform", and "there is a complex web of State incentives, taxes on charges and unnecessary and inconsistent regulation within and between States."

Mr Keating also acknowledged that an important part of the case for further cuts in the public sector rests on the fact that "Frankly, Australia just cannot afford to go on accumulating debt at the rate it is at present."

The IPA endorses the Treasurer's words. The 18 May Premiers' Conference should not be the end of the matter. The Government must move in the 1989/90 Budget to implement further cuts in the Commonwealth sector and a Federation surplus of two per cent of GDP. The Government should also adopt targets for reducing the public sector in the years ahead.
Productivity the Prematurely Counted Chicken

John Brunner

The substantial wage increase (linked to award restructuring) proposed in March by the ACTU — and generally endorsed by Government — assumes a significant increase in productivity. But, as new figures released by the Australian Bureau of Statistics show, this assumption is given no support by the experience of the recent past.

One of the most extraordinary features of what passes for the economic debate in Australia (second only to the widespread indifference to the external debt problem) is the assumption that productivity is growing apace. We are continually being assured that thanks to restructuring, be it of industries or wages, productivity has improved, is improving and will continue to improve to the greater benefit of living standards. Alas, there is absolutely no statistical evidence to support this proposition.

Until recently, it is true, there was some room for argument as to how much light the available statistics threw on the question. The particular issue here concerned the traditional method of measuring productivity by reference to output per person employed. While it was conceded that productivity on this measure was barely static, it was argued with some plausibility that the growth of labour productivity was being held back by the decline of real wages. This may have been desirable on other grounds but, in so far as it meant that more labour was employed per unit of capital, it tended to depress output per unit of labour.

Recently the Australian Bureau of Statistics has greatly enhanced its coverage of productivity introducing several new measures. So far from improving the picture, these confirm that productivity is no better than suggested by the traditional measure.

As Table 1 indicates, so far from capital productivity growth accelerating in recent years, as one would expect if labour productivity was sluggish because labour was being substituted for capital due to the former's lower relative price, output per unit of capital has edged.

<table>
<thead>
<tr>
<th>Market Sector*</th>
<th>Output per Hour Worked</th>
<th>Output per Unit of Capital</th>
<th>Output per Unit of Capital and Labour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Per Person Employed</td>
<td>Output Per Hour Worked</td>
<td>Output Per Hour Worked</td>
<td>Output Per Hour Worked</td>
</tr>
<tr>
<td>1979/80</td>
<td>92.4</td>
<td>91.0</td>
<td>88.3</td>
</tr>
<tr>
<td>1980/81</td>
<td>93.0</td>
<td>91.9</td>
<td>89.7</td>
</tr>
<tr>
<td>1981/82</td>
<td>95.5</td>
<td>95.1</td>
<td>93.1</td>
</tr>
<tr>
<td>1982/83</td>
<td>94.0</td>
<td>95.2</td>
<td>91.5</td>
</tr>
<tr>
<td>1983/84</td>
<td>97.0</td>
<td>97.4</td>
<td>95.1</td>
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<tr>
<td>1984/85</td>
<td>100.0</td>
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<tr>
<td>1985/86</td>
<td>101.0</td>
<td>101.5</td>
<td>101.7</td>
</tr>
<tr>
<td>1986/87</td>
<td>101.0</td>
<td>101.6</td>
<td>101.4</td>
</tr>
<tr>
<td>1987/88</td>
<td>101.0</td>
<td>101.0</td>
<td>101.3</td>
</tr>
<tr>
<td>1988/89 (Sept. Quarter)</td>
<td>101.0</td>
<td>101.0</td>
<td>101.3</td>
</tr>
<tr>
<td>1988/89 (Dec. Quarter)</td>
<td>101.0</td>
<td>101.0</td>
<td>101.3</td>
</tr>
</tbody>
</table>

*The so-called market sector excludes finance, property and business services, public administration and defence and community services.

John Brunner was formerly Chief Economist of BHP. He is now living in Perth. A more technical version of this article is published as IPA Economic Paper No. 7, available from the IPA for $6 (subscribers $4).
up over the last three years at the same miserable 0.4 per cent a year as output per unit of labour.

Nor does this table lend any support to other comforting explanations for our parlous productivity performance. Thus the suggestion that the static nature of output per person employed might owe something to the above average increase in the number of part-time employees is not borne out. Output per hour worked has not inched up any faster than output per person employed, which is not particularly surprising given the rise in overtime.

It is difficult, too, to detect any pipeline effect in these figures. Certainly some of the reforms in recent years might only have been expected to boost productivity after a lag. One might, however, have hoped to see some evidence by now in the quarterly figures of the much-heralded four per cent second-tier wage increase which was supposed to be self-funding. It was, after all, introduced two years ago. And yet there is no more sign of labour productivity benefiting on this account than from the work value awards before it.

There remains as a possible explanation for this miserable overall achievement what is known to statisticians as the composition effect. It is at least theoretically possible that productivity in each industry continues to forge ahead but this trend is hidden because the growth sectors of the economy are those with below average productivity. Again, however, the latest ABS figures provide little reassurance on this score. Except for electricity, gas and water, where there was particular scope for improvement as is now generally recognized in Queensland and elsewhere, labour productivity in each of the broad industrial sectors identified by the ABS has been growing of late at or below its historical trend.

To the extent that the composition effect does help to drag down average productivity, it is obviously desirable that nothing should be done, e.g. by a less than neutral tax policy, to discourage resources from moving towards sectors with high value added per employee such as mining. Likewise, within manufacturing it makes little sense to encourage industries with low value added per employee such as clothing and footwear by offering them much higher protection than industries with high value added such as chemicals. If, however, Australia's miserable productivity record is to be improved, the main effort is going to have to be directed at lifting the efficiency with which each and every individual industry and sector uses its labour and capital.

### Microeconomic Reform

Many of the areas where the potential for raising labour productivity is greatest have been identified in the course of recent discussion of the need for microeconomic reform. Thus a study sponsored by the Business Council of Australia and using the IAC's economic model suggested that transport reform alone could add $6 billion or 2.3 per cent to GDP in the long run. By moving towards best international practice labour productivity could be boosted by 50 per cent on the railways and 20 per cent in water transport. In many other service areas including construction and telecommunications labour productivity falls below best international standards and the same goes for many manufacturing industries such as motor vehicles. Much of the problem is due to work practices which lead to overmanning, e.g. restrictive demarcation rules, but output per employee has also been held back by lack of suitable investment.

In the six years to 1987/88 the average annual growth of Australia's stock of fixed capital was significantly lower than in the previous seven years and the average age of the stock continued to increase. Nonetheless with capital productivity still lower in 1987/88 than it was in 1981/82 (see table 1) it is not easy to justify stepping up capital expenditure. And this illustrates the point that just as labour productivity is partly a function of capital so capital productivity is also influenced by the performance of labour.

If, for instance, labour tries to limit the hours in which operations can take place by not allowing shifts or weekend working or insisting on total shutdowns during holiday periods as was the traditional practice in the NSW coal mines until very recently, capacity utilization will suffer and with it capital productivity. Likewise if work norms are such as to limit output artificially during
working hours. Not all the failure to utilize capacity fully can, however, be blamed on labour.

Capital productivity can also suffer from pricing policies which militate against higher capacity utilization such as the failure to time local calls and thus even out demands on the telephone system. Or better use of capacity may be frustrated by government regulations which seek to limit competition and thus encourage over-capacity, a case in point being restrictions on shop trading hours.

Another serious constraint on capital productivity in the last decade has been the amount of capital expenditure, particularly in heavy industries, which has had to be devoted to pollution controls. Such investment makes no contribution to recorded output.

All these factors influence the productivity of capital as indeed does the quality of the investment decision itself. If this is ill-judged because, say, market prospects are miscalculated, the productivity of capital will suffer as it will if investment is undertaken for reasons that are not altogether commercial. (In this connection there may be reason to doubt whether the extraordinary increase in the value of work done on new office buildings, which rose from 18.6 to 31.6 per cent of the value of all new buildings other than housing between 1981-82 and 1987-88, is being matched by the value of work being done in them.)

That private business investment has risen so strongly in the last two years is slightly surprising in the light of the weak trend in capital productivity — one explanation is that it is not the same as profitability — but well-judged investment can only be welcomed. (There are certainly no grounds for curtailing it to accommodate an upsurge in consumption.) Unless, however, other steps are taken to lift labour productivity, we are not likely to see a sufficient increase to rectify Australia's problems. After all for some years past business has supposedly been investing primarily with a view to increasing productivity, and though there have been individual success stories, overall there is little to show for it.

In the long run investment may be the principal determinant of labour productivity, but without an increase in capital productivity it is hard to see a high level of investment being sustained for any length of time. Capital productivity, as we have seen, depends on a host of factors for which labour and capital as well as the community at large bear responsibility. If it places restraints on the growth of capital productivity, the community should not be surprised to see the scope for increased living standards correspondingly reduced.

And on the evidence of the figures cited earlier there really is no scope for any increase in Australian living standards and it is time for politicians of all parties to face up to this unpalatable fact. If, contrary to recent trends, a significant increase in productivity is about to emerge (perhaps because of the pipeline effect of the recent burst of business investment) it will need to be earmarked for containing the growth of the external debt. As for pre-empting a productivity increase from the forthcoming award restructuring, that, on the strength of the fate of the work value and second-tier wage increases, would be a case of chicken counting before the eggs were even laid, let alone hatched.

### Director, Institute of Public Affairs

Applications are sought from energetic individuals interested in becoming Director of the IPA. The Director is responsible for the overall management and development of the Institute. This includes contributing to and coordinating the policy work and publishing program and planning the future development of the Institute.

The Institute is accordingly seeking a senior person with strong management capacities and with an ability to contribute to public debate on major public policy issues. An attractive salary package is available.

The IPA, Australia's leading private sector think-tank, has no political affiliations and receives no government funding. It supports competitive private enterprise, individual responsibility and political freedom. The head office is located in Melbourne and there are offices in Sydney and Perth. The IPA is supported by over 1,000 companies and 3,500 individuals.

The IPA has separate Policy Units in the areas of economic policy, State finances and education which are directed by Senior Fellows. These are Des Moore (former Deputy Secretary of the Commonwealth Treasury), Les McCarrey (former head of the WA Treasury) and Dame Leonie Kramer (Professor of Australian Literature at the University of Sydney). In addition the IPA operates the Pacific Security Research Institute which undertakes research into defence and foreign policy issues. The President of the PSRI is Professor Owen Harries (former chief foreign policy adviser to the Fraser Government) and the Executive Director is former senior diplomat, David Anderson. The IPA has an extensive publishing program. Its flagship publication is *IPA Review*.

Individuals who are interested in the position are invited to apply to Mr C. B. Goode, President, IPA, 83 William Street, Melbourne, 3000 giving details of experience and two referees. Mr. Goode can be contacted on (03) 655 2115.
Keating’s April Statement

Has the love affair died?

In his article, "The Rat Pack", (IPA Review, August-October 1987) Gerard Henderson argued that the Canberra Press Gallery was "infatuated with Paul Keating." Eighteen months later the romance looks like it’s over. The turning point was Mr Keating’s April Statement.

The April Statement promised a $40-a-week tax cut for families on average income and $30 average wage rise over the next year for Australia’s workers. Followed only a week afterwards by a bad current account figure, the question the critics asked was "Can Australia afford it?". Robert Hadler, in the West Australian, warned that "our debt levels hover around international 'danger' levels."
The Canberra Times lamented that Mr Keating had not told Australians "the real story about the economy – how Australia is in deep trouble because of high demand and a worsening balance-of-payments problem."

Max Walsh, who in 1987 played a key role in discrediting the Opposition’s tax policy, this time turned on Mr Keating, accusing him of "an absence of understanding about the most fundamental aspects of economics."

Hell hath no fury like a world-class Treasurer scorned, as Ross Gittins found out when he joined Max Walsh in criticizing the mini-budget. "It highlights," Mr Gittins argued, the Treasurer’s "persistent refusal to acknowledge the seriousness of our position." And his failure to face up to the necessity of cutting more from Government expenditure. Mr Keating felt betrayed by a former supporter and responded by attacking Ross Gittins in Parliament.

Many commentators agreed that the April Statement was a pre-election budget, responding more to political considerations than economic realities.

The strongest argument for the mini-budget was that, as The Age in Melbourne put it, "...politically and even economically, what would be a sustainable alternative? The government believes, with the justification of experience, that without the promised tax-cuts and social security measures, it could not have secured wage restraint..." This might sound fatalistic but it was a common view, found in papers such as the West Australian and among leading journalists including Michelle Grattan and Paul Kelly. "At face value," Paul Kelly argued, the April Statement "is folly. The political reality, however, is that Labor had little choice. It has lived by the Accord. It will either succeed with the Accord or die with it."

Macphee wins hearts

...but loses the game

Leader of the small 'I' Liberal left Ian Macphee was not the only Victorian backbencher to face a preselection challenge in the last three months, but he was the most outspoken and the one on whom the media focused. The challenger was Professor David Kemp, former Director of the Prime Minister’s office under Mr Fraser.

Two versions of the challenge emerged. One, that it was an ideologically-motivated putsch by right-wingers in the Party; the other, that the move was coming from the rank and file in Mr Macphee’s electorate, Goldstein, who were discontented with a Member seen as a maverick who too often, and too publicly, was at odds with the Party.

In support of the latter interpretation Robert Manne wrote in the Melbourne Herald "...Mr Macphee is no longer merely an ideological wet. He gives every indication that he has now lost all sympathy for the party he once served with distinction. He has become a comfort to his political enemies and a threat to his former friends."

The hardest blow to Mr Macphee’s version of events came from Press Gallery leader Paul Kelly in an article in The Australian which argued "It seems that Macphee’s penchant for frank talk cast him as a figure of disunity. A maverick for too long. The branches were unhappy. Kemp felt that if he did not nominate then somebody else would, and win."

But overall, sympathy in the media for Mr Macphee’s fight to stay the Member for Goldstein was strong. Many saw him as the conscience of the Liberal Party, the face of tolerance and compassion in a party which in Claude Forell’s words, is "increasingly dominated by a harsh, blinkered and arid cash register conservatism that is more adept at counting costs than upholding values."

Fiona Whitlock from The Age spent a day with Mr Macphee, and though she looked, could find nothing at all to fault about him. She describes him variously as "courteous", "eloquent", "kind", "decent", "a consummate politician" and having a "brilliance at communication". Without Mr Macphee, most argued, the Liberals would lose votes.

The preselectors were of different mind. On 6 May Mr Macphee lost preselection for Goldstein and on 10 June, after becoming temporarily airborne again as Spokesman for Foreign Affairs in Mr Peacock’s Shadow Cabinet, was shot down by the preselectors of Deakin.
<table>
<thead>
<tr>
<th>Editorial Source</th>
<th>Mr Keating's April Statement</th>
<th>Mr Macphee's battle for preselection in Goldstein</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support</strong></td>
<td><strong>...the cuts should have been accompanied by much larger offsetting cuts in government spending than Mr Keating was prepared to make.</strong></td>
<td><strong>&quot;It also confirms a narrowing of the Liberal Party's base which it may well come to regret.&quot;</strong></td>
</tr>
<tr>
<td><strong>Oppose</strong></td>
<td><strong>A calculated gamble.&quot; &quot;So far, with qualifications, both its luck and its intentions have generally held good.&quot;</strong></td>
<td><strong>&quot;Mr Kroger's push was inspired more by ideological obsession than by genuine desire for political success.&quot;</strong></td>
</tr>
<tr>
<td><strong>Neutral or Ambivalent</strong></td>
<td><strong>&quot;Last night the Government disqualified itself from running the Australian economy.&quot;</strong></td>
<td><strong>&quot;As unpalatable and unfair as he would find such a solution, Professor Kemp should consider seeking endorsement for another electorate.&quot;</strong></td>
</tr>
<tr>
<td><strong>Sydney Morning Herald</strong></td>
<td><strong>&quot;But politically, and even economically, what would be a sustainable alternative?&quot;</strong></td>
<td><strong>&quot;The depth of division in the Liberal Party is clear...[Macphee is] one of the most talented and moderate members of the opposition.&quot;</strong></td>
</tr>
<tr>
<td><strong>Australian Financial Review</strong></td>
<td><strong>&quot;...the solution lies in more restraint...The April statement could worsen the situation.&quot;</strong></td>
<td><strong>&quot;Blinded by ideology, they appear to be throwing out someone who is first-rate, someone whom the Liberal Party cannot afford to lose.&quot;</strong></td>
</tr>
<tr>
<td><strong>The Australian</strong></td>
<td><strong>&quot;Mr Keating will be hard put to defend the Government's approach to economic management&quot;</strong></td>
<td><strong>&quot;Unfortunately the foes are on the same team.&quot;</strong></td>
</tr>
<tr>
<td><strong>The Age (Melbourne)</strong></td>
<td><strong>&quot;...the economic future of Australia has been thrown into limbo.&quot;</strong></td>
<td>Perception that dumping Macphee will narrow the base of the Liberal Party &quot;does not necessarily imply an electoral backlash.&quot;</td>
</tr>
<tr>
<td><strong>Canberra Times</strong></td>
<td><strong>&quot;To have welched on [the tax-cut pledge] would have been political suicide and would have sunk the wages accord.&quot;</strong></td>
<td><strong>&quot;Competition is healthy [but] the ideologically-prompted move against Mr Macphee...is highly damaging.&quot;</strong></td>
</tr>
<tr>
<td><strong>Herald (Melbourne)</strong></td>
<td><strong>&quot;Perhaps he is right...but if he is not [Mr Keating will have produced] the worst possible mix of inflation and recession.&quot;</strong></td>
<td><strong>&quot;The Liberal Party appears to be taking immense risks in dropping Mr Ian Macphee...Mr Macphee is rather the architect of his own misfortunes.&quot;</strong></td>
</tr>
<tr>
<td><strong>Mercury (Hobart)</strong></td>
<td><strong>&quot;...has essentially failed the economic health of Australia while hoping to purchase the Labor Party's re-election.&quot;</strong></td>
<td><strong>&quot;...democratically questionable preselection procedures with...centrally imposed candidates.&quot;</strong></td>
</tr>
<tr>
<td><strong>West Australian</strong></td>
<td><strong>&quot;...the Treasurer's generous handouts will, in the long-run, do Australia no favours.&quot;</strong></td>
<td>The Liberal Party's loss of Mr Macphee &quot;could even cost it the chance of victory...will the party apparatchiks ever learn?&quot;</td>
</tr>
</tbody>
</table>
CRA is a world leader in the production of aluminium, iron ore, lead, zinc, silver, copper, gold, coal, diamonds and salt.

For example, CRA subsidiary Comalco, with operations in Australia, New Zealand and the United States, contributes 18% of the aluminium metal produced in Australia.
Reassessing China

The events in Beijing have thrown into sharp relief some of our more optimistic assumptions about the evolution of China and the entire Asian balance of power. At the time of writing (12 June) a number of important questions about China’s domestic affairs remain open. Could there still be clashes between rival tendencies or groups in the Chinese Communist Party and the “Party-in-arms”, the Peoples Liberation Army (PLA)? How swiftly and effectively will the Government round up dissidents of all sorts? How effective will the Government propaganda machine be in convincing China’s citizens of its mendacious version of events, given its total control of the local media and the fact that tens of millions of peasants will in any case care little about the world beyond their own villages? How soon will the Beijing Government be seen, at home and abroad, to be in effective control? Above all, will that authority be accepted within China as legitimate or does the régime face a lingering crisis of legitimacy?

In spite of such questions, certain preliminary suggestions about the recent developments can be offered. To begin with, we need to remember that the history of China in recent times is nothing if not one of sudden convulsions. There was the “Hundred Flowers” episode of 1956/57 when new ideas — sometimes resembling those of the Beijing students in 1989 — blossomed, only to be harshly cut off. There followed the human and industrial disaster of the 1957/58 “Great Leap Forward” with its heavy toll of life; the starvation of 1960/61 which cost, according to some estimates, 20 million lives; the Great Proletarian Cultural Revolution — the wags remarked that it was neither great nor proletarian nor cultural nor a revolution — which the Chinese say probably killed over 10 million; and so on. All that quite apart from China’s wars or involvement in conflicts against India, Vietnam, the United States (in Korea) and the USSR. Some of the current senior leaders, including Deng Xiaoping, are not just survivors of all that but also of Mao’s legendary “Long March”, when they found themselves in a tiny band of survivors after months in which friends, wives and children perished miserably in an endless trek. They have been hardened by bitter personal experiences. When it became clear by the start of the 1970s that the Americans would leave Vietnam, Mao remarked to a senior foreign ambassador that the US had obviously never been serious about Vietnam. For what great power would abandon a genuinely important cause after suffering a mere 50,000 dead? This is not a system, these are not men, to be usefully judged by the humanitarian canons normal in Australian public life, still less by the appealing sentimentalities of the Western media.

None of that, of course, is in any way to justify the Beijing massacres. But it serves to remind us of the need to see things not solely from the point of view of our own values but also from the perspectives of the men in charge of China. What might these perspectives have been? In the first place, they probably failed to understand the organic links which must exist in the modern world between economic and technical development, and claims for political liberalization. China’s need for economic restructuring and technical advancement (The Four Modernizations) depends upon, and must in turn strengthen, demands for freedom of ideas in other and adjacent areas. Education, some freedom of thought, the encouragement of enterprise cannot be promoted within the economic sphere and prohibited elsewhere.

Moreover, although the Beijing students carefully refrained from openly challenging the Party, such a challenge was inherent in their movement. It was implicit in the spirit of the “Beijing Spring”, its language, its demand for something called ‘democracy’, in the symbolism of the occupation of Tienanmen Square, in the obstruction of government business, in the initial repulsion of unarmed troops. It was also inherent in the students’ demands which, precisely because they were so general and indistinct, were therefore in principle unlimited. It is, even now, not easy to see how their demands could have been met without undermining not just the authority of the Government but the very basis of the Party’s claim to rule.

Furthermore, from an old-fashioned Stalinist point

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of view — and Deng has never been anything else — since the 'objective' result of the students' actions is to provide grounds for foreign interference (by protests and other actions) in the internal affairs of China, the students are serving foreign interests and are therefore traitors.

Whether Deng and his colleagues have fully discounted the difficulties and costs of repression may be another matter. Disaffection is unlikely to disappear merely because it has been driven underground. For all the power and skill of the police state, in an era of Fax machines and telephones, not to mention foreign radios, it is more difficult to prevent dissident and foreign views and news from reaching tens of millions of Chinese citizens. The foreign media may be pushed out, but that need not be the end of the matter.

In some ways more importantly, in repressing students and intellectuals the Government may have cowed into defensive silence precisely those classes, not just of intellectuals but of entrepreneurs, researchers, managers and people more familiar with the outside world, who are desperately needed to fulfil China's economic aims. As it is, economic contacts with the outside world seem bound to suffer. Trade may decline. Technology transfer will shrink. Foreign investors will take fright and bankers will stay away. The dangers of domestic instability will have their usual consequences for economic progress. To be sure, China's leaders probably calculate that what China's foreign partners — governments, investors, traders, joint venturers, bankers — need above all is a strong central government, credibly in charge, able to deliver on any deals it might choose to make. But they surely take it as axiomatic that, even if there are economic and development costs, issues which concern the fundamental politics of the governance of China must have absolute priority. Yet behind everything there looms the huge question: What happens when Deng goes?

For all the understandable outrage in the outside world, its leaders also face certain dilemmas. It can be argued that, given China's inherent importance in the Asian and global scheme of things, the world has an interest in the steady evolution and modernization of China, in her growing prosperity and peaceful relations between her and her neighbours. At the same time, the current era is clearly one which is seeing the death of communism and it can hardly be in the West's interests, or Asia's, that China should remain a bastion of Stalinism. Pragmatically, it is certainly desirable that diplomatic and business links be retained and relations, so carefully built up over the last two decades, be not too greatly soured. Various political leaders have therefore tried to draw practical conclusions. President Bush, criticized in some quarters for being "too soft", has cut off arms sales and given refuge to at least one prominent dissident in the US Embassy in Beijing. But he is undoubtedly also correct to point out that China is a major factor in the global balance of power and that another period of inward-looking policies or of policy confusion in Beijing would not be in the interest of the US or the West.

One of the most intelligent — if hard-headed — responses has been that of Mr Gorbachev. He alone has refused to condemn the repression. That refusal may well, in part, be due to his own fears about growing disidence in the Soviet Union's internal and external empire. His silence sends a clear message to dissidents in Eastern Europe and the Soviet Republics: "In the end, the rule of the Party will not be allowed to be challenged." At the same time, he has sent a double message to the old leaders in Beijing: "We will not," he is saying, "try to take advantage of any temporary difficulties you may have. We understand." He is also inviting the ruling groups in Beijing to contemplate the contrast between emotional condemnation in the West and, in effect, fraternal understanding in Moscow. Here, too, the unspoken message is clear: "In the end, it is only the Soviet Union, your fellow socialists, whom you can rely on. Let us therefore cement our relationship."

Australian Reaction

What of the Australian reaction? Many of our attitudes to China, before and after the "Beijing Spring", are open to criticism. For the last decade or more there has been a degree of political and public euphoria about

(Continued on page 24)
A decade ago people spoke of the "British disease"; that is no longer the case. But while the United Kingdom is remedying its industrial relations problems, Australia remains on the "critical list", with what Joe Thompson refers to as "the most self-destructive system in the free world."

A USTRALIA is in an economic mess of considerable magnitude and unless firm and positive steps are taken this country has a bleak future indeed. Paul Keating's May 1986 statement that we were fast becoming a "Banana Republic" is, once again, in danger of becoming a reality.

If our adverse current account was mainly caused by capital equipment purchases to improve our productivity, it would not be a cause for real concern. Unfortunately this is not the case. A major reason for the balance of payments problem is the importation of a vast range of consumer goods which could and should be made in this country. But, over the past 20 years, substantial sections of our manufacturing industry have ceased operating here and moved offshore: they have then turned their Australian divisions into importing operations only.

Much of this has been caused by what can only be termed the sabotage of our manufacturing industry by those unions which have exploited the present industrial relations system for short-term advantage. That system is in drastic need of major surgery to restore a better balance of power in the interests of the ordinary trade unionist.

Without a doubt, we have the most self-destructive system in the free world — and this includes Great Britain. That country is, in fact, now in the process of riding itself of many of the restrictive practices which led to the extinction of so much of its manufacturing industry. We should rapidly move to adopt some of the reforms being introduced there.

The British industrial relations record was, until recently, the worst in the Western world and undoubtedly played a major part in the decline, not only of the living standards of Britons, but in the whole fibre of the nation.

Britain's motor industry provides a perfect example of the effects of the so-called "British Disease". That industry was bedevilled by a multitude of unions, an organized network of shop stewards whose main objective appeared to be to do everything possible to sabotage their own industry, and a union 'leadership' which was under the domination of its own shop stewards and cared little if the industry prospered or otherwise. This led to the closure of major auto plants and the disappearance from world markets of famous cars whose names had been around for over 50 years. Their place was taken by cars from Europe and Japan, which decimated the industry. Britain led the world in the field of motorcycles, but industrial relations anarchy virtually killed off the whole industry. It has never recovered and the Japanese now dominate the industry world-wide.

Fortunately, some sanity has now returned to the British motor industry. One of the major thrusts has been the introduction, where possible, of single industry unions, combined with company-union agreements which include ways to settle disputes without recourse to strikes, bans or limitations. The no-strike agreement is coming to be widely-accepted because it provides for recourse to dispute-settling procedures which are acceptable to both sides.

These developments may have contributed to the announcement last year by the Ford Motor Company of its intention to expand greatly its operations in Britain.

We allow our present chaotic industrial relations system to continue at our peril

The Hon. J. S. Thompson, AM is former Secretary of the Vehicle Builders' Union.
Ford made this decision after taking into consideration big offers from various European Governments, particularly Spain. Prior to this, the Nissan Motor Company commenced operations in Britain, but not before demanding and receiving guarantees from the trade unions in regard to union membership and dispute-settling procedures.

A number of other unions have signed single industry agreements most of which include some type of no-strike clause.

The British coal industry also lacked dispute-settlement procedures and the genuine involvement of the membership before embarking upon long and costly strikes. The national coal strike in Britain three years ago was called by the executive of the Mineworkers' Union with the rank and file having no real say in this decision. The outcome of the dispute is now history, with the union not only losing the dispute but suffering damage to itself.

But a breakaway group, calling itself "The Democratic Union of Mineworkers", had instant success and is now on the way to surpassing the original union. In contrast to the Mineworkers' Union, which has apparently learnt nothing out of the last strike debacle, this new union has negotiated a very good agreement with the coal industry. The important features of the agreement were a significant wage increase and a no-strike agreement with dispute-settling procedures designed to give the industry some stability.

The British Electrical Trades Union has been expelled from the British Trade Union Council for entering into an agreement for one union coverage of a major section of the British Newspaper Industry. This has only helped that union increase its membership. A number of other unions have also signed single industry agreements, most of which include some type of no-strike clause.

This pressure to enter into single industry union agreements has now become so strong that the TUC has been obliged to state that, before a union enters into such a contract, it must advise the TUC. However, there can be little doubt that irrespective of the attitude of the TUC, it is only a matter of time before a system evolves in which the cornerstone will be a single industry union negotiating for the whole business. So much of British industry has been destroyed by union industrial sabotage that there has been a widespread revulsion in the workforce and a recognition that industry agreements containing no strike/no lockout provisions, with predetermined methods of settling disputes, are a much better way to protect jobs and living standards than the approach of the so-called 'militants', whose only 'success' was in destroying jobs.

The Australian System

Unlike Britain, Australia has a very rigid legalistic industrial system, the value of which has come increasingly to be questioned. At the time of establishment, this system, involving the setting of minimum or award rates by a court, was arguably in the national interest. Certainly, we were spared many of the excesses of serious labour disputes which in many countries, particularly the United States, led to bloodshed and violence to a degree never experienced in this country.

However, Australia's conciliation and arbitration systems at both state and federal levels have long since ceased to work in our best interests. Indeed, it can be argued that they are the cause of much of our economic problems.

We are now threatened with the third major national wage blow-out in 15 years, the effects of which would ultimately be felt by the whole community and cause further serious damage to our fragile economy. Such a blow-out could only lead to further government economic restraints with most of the hardship being incurred by those in the community least able to afford it. But even if a major blow-out is averted, it is clear that wage increases will be in excess of productivity.

To put it simply, the so-called benefits of the Accord have been little more than a mirage and have actually worsened our economy in the long-term. In the short-term, if there have been any winners from the Accord they have not been the ordinary trade unionist but the employer; in the longer term, neither employer nor employee has gained. With the experience of the Accord it must be obvious that we cannot continue to rely upon a system of industrial relations which has failed.

A typical example of the capacity of some sections of our trade unions to act irresponsibly under the present system can clearly be seen in the strike at CSR in Victoria in late 1988-early 1989. Four major unions and a number of smaller unions served a wage demand upon that company and the dispute which followed led to serious national consequences for our confectionery and food processing industries.

That a company, employing less than 400 people in its sugar processing plant, would have at least seven unions, highlights the need for an industrial relations system of single industry unions. The majority of unions in the dispute were in maintenance, with no real interest in the sugar industry. If the factory were to have closed permanently, they would have had little difficulty, as
maintenance tradesmen, in gaining other positions and the effect on their respective unions would have been negligible.

The combined unions at CSR treated the Arbitration Commission with contempt and defied its orders, particularly in relation to picketing. It was only the threat of civil action which really led to the settlement of the dispute. The CSR dispute is a classic example of the type of industrial anarchy which crippled so much of British industry and the reason why many British companies are demanding and getting single industry unions with a contract of employment.

Some Essential Changes

The time has arrived to cease putting reliance on a compulsory arbitration system and to move instead to a system of direct negotiations with employers at industry or enterprise level, with a single union having complete coverage and negotiating exclusively on behalf of those employed in that industry.

This would enable agreements to be made between both parties which would apply to that industry or enterprise only and flow-ons to other sections of industry should not occur. This would mean that there would be no lowest common denominator as we have in Australia now. Obviously, some industries or individual enterprises would, depending on economic and other circumstances, have varying pay rates and other conditions. Within each industry there would be scope to negotiate agreements that would vary according to the circumstances of individual enterprises.

With a single union having complete coverage for an enterprise or industry, it would be in its interest to ensure that the enterprise prospered, as this would lead to stability and greater rewards in the future. Incorporated in a legally-binding contract between union and company should be a no strike/no lockout clause. Most importantly, there should also be an agreed method of settling disputes during the life of the contract.

This industrial relations system has been in operation in both the United States and Canada for many years and, as noted, is now rapidly spreading to the United Kingdom. The instability and irresponsibility of much of Australia’s trade union movement cannot be allowed to continue, particularly as we are now no longer insulated from the rest of the world.

Would union amalgamations assist in bringing some stability to our industries? The answer is a very positive “No!” There is little doubt that they would worsen the position and lead to bigger industrial disputes. The creation of 20 ‘super’ unions as proposed by Bill Kelty would leave most companies with more than one union and an increased likelihood of major disputes.

The proposals are for amalgamations across the whole broad spectrum of industry, which would defeat the concept of single industry unions. Imagine what would happen with an amalgamation between the Storemen and Packers’ Union and the Transport Workers’ Union. Such a super-union would have an interest in almost every enterprise in the nation and could bring Australia to its knees, with little more than a telephone call.

Existing amalgamation proposals have a number of similar propositions and must be regarded with grave concern. No doubt the ACTU would become stronger than ever; but there is little doubt that, in our national interest, it would be disastrous.

Conclusion

Australian unions have been modelled on the British system. Britain is now coming into line and adopting an industrial relations system comparable to most other nations in the free world. It is essential, if we are to revitalize our manufacturing industry and ensure that extraction and allied industries can compete in international markets, that we do something similar.

Our current reliance on our rural industries to earn export income is extremely dangerous. A major national drought, which occurs with monotonous regularity in this country, or a sharp fall in commodity prices, would be extremely serious in view of our disastrous external debt situation.

Put simply, we allow our present chaotic industrial relations system to continue at our peril. Australia’s future lies in having a responsible system of industrial relations based upon a single industry union concept and a freely negotiated contract of employment between the employer and the union that provides for its own dispute-settling procedures.
The Wesley Vale fiasco is celebrated as a notable victory for the environmental movement with the momentum of the passions generated carrying it through to portentous gains in the Tasmanian elections.

Attracting rather less attention are the consequences for future investment in resource development in Australia.

There can be no sustainable argument against the public's right to demand that industries do not ravage the environment. Indeed, governments have a clear responsibility to determine the environmental parameters within which industry must operate.

But for a country which desperately needs investment in new export or import replacing industries, it is totally irrational for Federal and State Governments to be in conflict over what constitutes acceptable standards for control of pollutants.

Worse, the disagreement emerged — one suspects as much for political gain as for concern for the environment — after several millions of dollars had been spent by the companies concerned in feasibility studies and detailed planning.

The question few people seem to be asking is whether companies can be expected to continue to spend huge sums in the planning of projects in the face of uncertainty as to the environmental standards they are required to meet, particularly when the rules can change late in the day in response to minority political pressure.

The investment flower does not open readily in the shade of uncertainty.

As Colin Howard pointed out in his perceptive article in the last Review, the conservation cause has become a mish-mash of emotional issues, promoted by zealots and exploited by the far-left.

To some, no tree may be felled (even though others may be planted in its place), no hole may be dug and no industry commenced without invoking prophecies of doom and virulent opposition.

Few thinking people identify with the more irrational elements in the conservation movement but in the absence of clear and supportable policies on the environment from the major parties, these elements serve as a focus for legitimate public concerns and exercise a disproportionate leadership role.

The difficulty for many is that there is a vacuum of factual information supported by authoritative scientific assessment, and disseminated by Governments without political bias, to offset the wilder claims of the zealots.

And simply because the majority of Australians are as concerned about environmental issues nearly as much as they are about the state of the economy, they will continue to be influenced by the noise of the debate in the absence of substance they can understand and embrace.

The responsibility for establishing environmental guidelines for forestry, mining and industry lies squarely with State Governments, notwithstanding recent Commonwealth interventions. But for the most part the States have shied away from taking the lead on establishing clear environmental requirements other than for established industries and then only when problems emerge and excite public reaction.

New industries not only have to run the gauntlet of...
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any self-interest groups that are able to parade their prejudices under the conservation banner, but must (rightly) satisfy State Environmental Protection Authorities who (wrongly) need not specify in advance the precise requirements to be met. You have to be a brave investor to sink big money into feasibility studies and design in the face of the uncertainties of that obstacle course.

**The investment flower does not open readily in the shade of uncertainty.**

If conservation issues are to be retrieved from Colin Howard's "monumentally confused political wasteland" and become an integral part of a balanced economic development policy, State Governments must progressively establish, publicize and explain environmental protection parameters for all new industries likely to have an impact on the environment.

Those parameters might well be tighter in some cases than investors can accept but they would at least be known before large sums are thrown away on abortive planning and design.

Of course, such an open approach would put State Governments in the firing line from those who would not be satisfied with other than a total prohibition on all axes and on all industries. They would undoubtedly lose some of the political support they currently woo by talking loudly on environmental issues while doing little, but one would like to think that what they would lose on the zealot swings, they would pick-up on the majority roundabouts.

It is perhaps too much to expect, but the States would have much less to fear from Commonwealth meddling if they could co-operate in establishing uniform national guidelines for pollution prone industries.

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**Greiner Gloom**

You have to hand it to Nick Greiner. He doesn't do anything by halves — not when it comes to raising revenue that is.

It is bad enough to live in New South Wales and to have had to endure weeks of seemingly endless rain. It is worse when you have recently bought a home in the most expensive property market in Australia and are struggling to cope with horrendous mortgage interest costs.

On top of all that, stunned Sydney-siders have recently copped massive increases in car registration fees, a $100-a-year surcharge on sewerage rates to help pay for the extended ocean sewer outfalls and sundry other imposts.

On a recent visit to Sydney, this scribe found even middle-income earners in a state of shock and talking about selling the second car to cope. There was genuine concern on the part of single income families as to their ability to survive and real fear at the prospect of higher interest rates.

Now it must be said that Mr Greiner inherited a few big spending problems from his predecessor and he can only be applauded for moving to proper pricing of Government services such as water, sewerage and transport instead of hiding the true costs in subsidies from the taxpayer.

But long-suffering residents of New South Wales would be somewhat mollified if they could see evidence of the Government taking the knife to public spending to relieve the pressure on utility charges and to bring forward the promised tax relief.

Governments like to tell us that in increasing taxes and charges, they are facing up to the hard option. Don't believe them. That is the easy option unless it's just before an election and then they don't do it anyway.

The really hard option is cutting back on Government spending.

It is a long, hard grind to identify the fat and the programs that offer minimal benefits to the public relative to the costs involved. Then you upset the public service unions, and the Ministers concerned (who quickly identify with their departments' programs) and disturb a hornet's nest of pressure groups.

And then the media, although frequently critical of high government spending, run sob stories about those people out there who will be hurt by the program cuts. Have you noticed how they rarely run similar stories about all the people out there who are hurt by higher taxes and charges?

Cutting expenditure is indeed the hard option, which is why there is so little of it.

Nick Greiner's first budget had a number of good features, but with a recurrent spending increase of nine per cent it did not show much commitment to keeping the lid on Government spending. With a full year to ferret through departmental spending programs we can expect a better effort this year, or Nick's shining armour as a public sector reformer will begin to look as dull as all the others.
INTERVIEW

Lee Kuan Yew talks to Owen Harries

Although Singapore is a very small country, its Prime Minister, Mr Lee Kuan Yew, is widely recognized as one of the world’s most astute, perceptive, and experienced observers of the international political scene. Successive Australian Prime Ministers from both parties have made a point of listening carefully to his views. In this interview, Prime Minister Lee ranges widely over current global and regional issues.

Owen Harries: I’d like to start with the big picture. There is a widespread sense that profound changes are taking place in the structure of International politics, reflected in talk about “the end of the post-war era”, “the end of the Cold War”, “multipolarity” and so on.

Clearly, the main impetus for all this has been provided by events in the Soviet Union under Gorbachev. These — and their implications for international politics — have given rise to widely differing interpretations. I would very much like to hear you on the subject.

Lee Kuan Yew: I find George Kennan’s view the soundest. I think the Soviet Union cannot be the same place again, even if Gorbachev and all those who support him were to be removed. It is just not possible for the Soviet Union to go back to what was. They have opened too many Pandora’s boxes.

The changes in the Soviet Union coming on top of China’s, confirm the conclusion that the communist system cannot compete. Economically, it cannot deliver as good a life to its citizens. Politically, it’s much less attractive. Neither of them is making these changes because it wants to be politically more attractive, but because it has economically to keep pace. And the switch in all the satellite countries, except for North Korea and Cuba, is an admission by all these other communist leaderships that they were working a wrong system.

That itself is a profound change. It means the abandonment of the ideological challenge which Soviet, or rather Russian, imperialism posed after the 1917 Revolution — Russian imperialism plus the ideological idealism of a just, equal world across all national boundaries. And with that abandonment goes the deep fear and distrust of Soviet Russia. Now it is straightforward Russian imperialism. So it’s a threat on a different plane.

I do not think it’s possible now to go the universities to recruit a new Kim Philby. What’s he going to sacrifice his country for? So this reduces the threat.

It was this ethereal intangible brave-new-world ideal which was a deep threat. Now it has turned out to be such a disappointment, a sham, an illusion.

The danger, of course, is to believe that the sweet reasonableness will always prevail. They may not always be so much in need of Western support, technology, loans and credits. A reasonable phase is necessary for their quick uplift. It’s like China immediately after Mao’s death. But the culture of the Russian people cannot change.

OH: How forthcoming do you think the West should be in providing assistance and aid? What sort of guidelines do you think it would be wise to adopt?

LKY: The two ends of the spectrum are: no concessions, hard-headed bargains all the way, like Kissinger; the other like West German Foreign Minister Genscher. I think the West Europeans would naturally want to encourage and support Mr Gorbachev. Whether he fails or succeeds, they want him to try to bring about a different world.

I think on the economic side, a good rule of thumb would be: Is a particular deal economically viable? Never mind the politics of it. Does it give as good a return as any other deal, with the Soviet Union or another part of the world? Then the next question: Does this help them militarily? If it doesn’t, proceed. If it does, make sure that you are prepared to counter the military advantage that you will accord them by this deal.

The European approach has been kinder than the Japanese. Perhaps it’s from their historic experiences. I find it difficult to believe that the Europeans can be totally hard-headed and objective. They are so close to the problem. And if I were a West German, with my country divided, it would just not be possible to be cold-blooded.

Professor Owen Harries is President of the IPA Pacific Security Research Institute, Co-Editor of the US foreign policy journal, The National Interest and a former Australian Ambassador to UNESCO. This interview took place on 24 April.
and hard-headed.

OH: You think there's a basis for some sort of deal between the Soviet Union and West Germany with something for each of them? Germany wants reunion. It would like to be in a special position regarding trade...

LKY: But that's already happening. It's the West Germans who are the biggest partners of the Poles and the Hungarians. It's part of their historic role.

I think trade with Eastern Europe is different from trade with the Soviet Union. Eastern Europe does not pose the same military threat. Therefore, there is no need for the second question: Does this help them militarily? If it is as good as you can get anywhere else in the world, proceed.

OH: We've been talking without considering Gorbachev's chances of succeeding. How good are they? Is the Soviet Union going to decline steadily in the international pecking order? In which case a very heavily armed Soviet Union which sees its position deteriorating and being overtaken by other countries could be a very uncomfortable country to live with.

LKY: I have read Robert Gates — he was Deputy Head of the CIA — that Gorbachev cannot succeed. The odds are pretty heavily against success; all the more reason why one cannot help but admire him — and he's got this far without mishap.

He's still very much in charge, and obviously trying to live up to his new objectives. He's trying to resolve the problems in Georgia, sending Shevardnadze and holding an inquiry on whether poison chemicals were used. He's trying to live up to perestroika, to a more open society, not just when dealing with the West, but when dealing with his own people. If he can succeed, it will gain him enormous support within the Soviet Union and enable him to take the next few steps. This will be good for the Soviet Union and for the rest of the world.

OH: How did a totalitarian system produce a man like that?

LKY: Because I think it is in the nature of every human society to hold up certain ideas as sacrosanct. However cynical you may be, these ideals are what you inculcate in your people: that's what the leaders look for when they recruit. And, as luck would have it, here was a man who was sufficiently spry to work within the system, yet objective enough to see that the system was not living up to its proclaimed beliefs. That it wasn't working, it couldn't compete, couldn't keep up with the West. He must have come to his conclusions some time ago.

But he must have been shrewd and realistic enough not to disclose his real position to people like Brezhnev or Chernenko, or even Gromyko. When Gromyko proposed him he praised his nice smile but said he had teeth of iron. Well he didn't know the real Gorbachev. Dissimulation, I suppose, is a necessary attribute for survival in such a system.

OH: Before we leave the Soviet Union and Gorbachev, one question on his foreign policy. Would you agree that while he's playing his hand with enormous panache, it is essentially a very weak hand?

LKY: In the long term, it is a weak hand, because he hasn't got the economic capacity to follow through on his foreign policy. But, in the short-term, it is not altogether weak because he has the military capability to pose an enormous threat.

And what he's saying, Western Europe and the rest of the world have found so attractive: "I will abjure the use of force." That was the gist of his United Nations speech in December. To have the head of the Soviet Union say that is like Satan telling St Peter at the gates of Heaven: "I want to be admitted."

Economic and Military Power

OH: One of the issues all this raises is the relative importance of economic and military power. Many people now argue that economic power is displacing military power as the central factor in world politics. Do you agree?

LKY: No, I don't think so. The economy is the area in which peaceful competition has been possible because neither the West nor the East have been able to use their military power and convert it to economic advantage. They've check-mated each other.

Supposing the United States had been a different kind of civilization or regime, and they were willing to cut a deal: a division of influence between the Soviet Union and the US. Then the oil crisis, for example, would never have taken place, or it would have been resolved differently. All they would have needed to do was agree: "Well, all oil-fields west of this longitude come under your influence and all east of it come under mine." They would not have needed a Pope to settle the division line between the US and the Soviet Union.

If they had translated military force into economic gains, it would have become a different world. But in military terms, they check-mated each other. The West
decided or assumed that it would have been morally wrong, that there would have been many difficulties and complications, so there was no trade-off or barter between the Soviets and the Americans. But they could have divided the world between themselves.

But it would be reckless to assume that that will always be the case, particularly when the world becomes more multipolar.

**Multipolarity**

**OH:** I am glad you mention multipolarity because that's the other thing people have in mind when they talk about a fundamental change in the world: multipolarity, often accompanied by the notion of a shift in the centre of gravity to the Pacific where most of the candidates for new great power status are located.

How much multipolarity do you think we are going to see before the end of this century? Is it really displacing the old bipolar system in a basic way?

**LKY:** I can't say whether these trends will come to a dramatic new equilibrium by the end of the century. But certain trends are already manifest and must mean a different world.

The US is no longer so pre-eminent, economically. She's still pre-eminent militarily and will be for a long time. But when you go down, from nearly 50 per cent of the GNP of the world in 1945 to about 25 per cent in 1987, and the Japanese go up from less than half of one per cent in 1945 to 10 per cent in 1987, that is a different world. So too the change in the US position vis-a-vis Western Europe.

So, what new balance will be achieved depends upon whether the changes take place within the present mechanisms or whether there is a breakdown in these mechanisms. The present mechanisms include the UN, the World Bank, IMF, GATT, NATO, US-Japan Defence Treaty and so on. In the first stage, we'll see adjustments made within these mechanisms — like burden-sharing — and the more the adjustments can take place within existing mechanisms, the less the dangers of a total breakdown in them, and the better for the world.

**OH:** That's an interesting way of putting it. Some good judges in America think that, even bearing in mind the changes in the Soviet Union, the most difficult and important problem for the United States in the 1990s is going to be handling the changing shape of the American-Japanese relationship.

**LKY:** Yes. I think that is one of the most crucial relationships. Because if it goes wrong, then everything else will go askew. If the Japanese were to become an independent military factor commensurate with their economic strength, then this would become a totally different world, and not necessarily a better one. China and the Soviets must react, unless Japan aligns herself with one or the other. It is so much better for the world, and I think many Japanese agree with this, that the Japanese continue on the path they have taken since 1945 — abjure the use of force, and depend on the United States for their security.

If the Japanese were to become an independent military factor commensurate with their economic strength, then this would become a totally different world, and not necessarily a better one.

**OH:** But if that relationship sours?

**LKY:** Then we are into a completely different world, not just for the Pacific, but for the whole world.

**OH:** In that respect do you think it's desirable that Japan's emergence as a more assertive and active power should take place as much as possible within the context of some sort of multilateral organization, and that the changes in the American-Japanese relationship might best occur within some sort of regional organization to contain and facilitate Japan's coming out?

**LKY:** I think there will have to be adjustments both in bilateral and in multilateral relations. But the key is the bilateral relationship, because no multilateral group can guarantee Japan's security, and the Japanese know this. It's American power and will that enabled Japan to rise up again like a phoenix. Of course, the generation that experienced the last war knows this best. The ones born after the last war probably do not realize the size of their good fortune — how it might easily not have been, with a different victor.

So, it is a very special relationship between two nations who fought each other so bitterly, and have become friends and allies in the last 40 years. And it's really Japanese faith and trust in American power and will that make this relationship possible.

**OH:** What about China? A high-level report to the American Government last year made the startling prediction that as early as 2010, only 21 years distant, China would be the second economic power in the world,
having overtaken both Japan and the Soviet Union. It seems to me that given the magnitude of the task of confronting China, as well as the likelihood of a succession problem and the record of violent policy discontinuity in recent Chinese history, this is a pretty bold prediction to make.

LKY: I think that's on the optimistic side. Of course, China will progress, but there are enormous difficulties to overcome. It will not be a straight line progression. But whether it's 2010 or 2030, she will reach middle-level technology.

But when her economy reaches that level there can be specific areas where she can concentrate her resources and achieve high-tech, as has already been done for missiles and nuclear weapons. The size of their population and land mass make them a considerable military power even though they may not, per capita, be an advanced economic power. Therefore, in another 30-40 years, rather than 20 years, when they are in a position to give their people the kind of life which Koreans or Taiwanese now enjoy, China can contemplate modern and considerable land, sea, and air capability.

OH: If they do get up to the South Korea, Taiwan level given the size of the population it will be an enormous achievement...

LKY: Which is possible in another 30-40 years.

Cambodia

OH: Coming now to Singapore's immediate region, are you reasonably hopeful that things can work out in Cambodia?

LKY: What does that mean, work out?

The Vietnamese will have to leave Cambodia. They know that. They have reserved themselves the right to return and help Hun Sen or whoever is in charge if the need arises. But nobody can guarantee that if they do return they will not have another punishment expedition come across their northern border with China. So the question is not whether they withdraw or not, but what takes place after they have withdrawn. What fills the vacuum? That's what the argument is about.

OH: Can you see something viable that doesn't mean either rule by the Khmer Rouge or a resumption of the Vietnamese presence?

LKY: I think that, given the sacrifices already made by the principal parties to the conflict - namely Vietnam, and the Soviet Union, Kampuchean resistance including the Khmer Rouge, and China - any solution must have something for each of them. One solution, which is fair to all of them, is a free vote of the Khmer people. And a free vote will hardly see the Khmer Rouge returned to power.

I don't think we can assume that they will not win any seats at all, because if they had no support they wouldn't have been able to operate as guerrilla fighters for the past 11 years so effectively. But it's not conceivable that they can win a majority. And a free vote will meet the sentiments of people and governments around the world. But if such a pathological group can get the vote of their people, well who are we to say that they should not be in charge.

So we should work out the steps to ensure free and fair elections. But that does not mean that we have solved the problem. My guess is a free and fair election is possible after a period of time of about two years from Vietnam's withdrawal. It is likely to result in a return of Prince Sihanouk, unless Hun Sen is more charismatic than Sihanouk.

But that will not mean the problem is solved, because how does Sihanouk translate his popular vote into an administration that brings a better life for the people? The administration that exists today is one built up by the Vietnamese and Hun Sen. The other effective administration is that of the Khmer Rouge, because they have been able to build up an underground network within the Vietnamese controlled areas. But neither Hun Sen nor the Khmer Rouge will have the same popular support, which I think Sihanouk can muster in a fair election. If Hun Sen wins the election then he deserves to be the government, drawing his legitimacy from the people's support, not from Vietnamese patronage.

I don't think we can decide for the Khmer people what they should do. But we should make it possible for them to express their will, and then help whoever wins that election to become an effective government. Which means, whether you call it a four-party provisional or a National Reconciliation Council, all the parties should be in an interim body so that they can oversee each other's activities and ensure that they have a fair chance in a secret ballot.

OH: If Vietnam does withdraw as promised, will this be a proper time for a reappraisal of policies towards Vietnam?

LKY: Yes, if she's out of Cambodia and that is verified. I do not think that will be altogether a simple matter because...

OH: Verification?
LKY: Yes, verification. It's well known that they are dressing up Vietnamese troops in PRK uniforms, and there are going to be arguments about whose troops they are. There's also going to be arguments about settlers. How recent are they? Where have they come from? Should they have the vote? These are problems of verification.

So it's not going to be so simple that come the 30th of September they announce that they have withdrawn, and therefore they have fulfilled their obligations for the economic embargo to be lifted. Indeed, they have already announced unilaterally who will verify their withdrawal and how.

Future of Trade

OH: I've just come up from Australia and there's a great deal of discussion there of the Hawke proposal of some form of Pacific OECD arrangement. I know that you have had talks here with Australian representatives, and that in the broadest terms you think it's a good idea, that something is needed.

LKY: Yes, it has to be. The time has come to have a more formal framework for discussing and co-ordinating economic policies. It will increase not only our appreciation of each other's policies but also the effectiveness of co-ordination between the Pacific countries and the other major countries in Western Europe.

OH: Do you have serious fear that we are going to see the emergence of protectionist trading blocs after 1992?

LKY: Yes, a hurdle that used to be a single state now becomes a hurdle blocking entry into twelve. That's the way the European Community has worked. But I cannot believe that, having suffered two world wars and then enjoyed the last forty-four years of peace and prosperity, the Europeans, or Americans, or Japanese are so lunatic that they will destroy the system. The world as we have known it will be destroyed if we engage in a trade war. It just cannot be allowed to happen.

Look what's happened about hormone beef. The Americans took a firm line. The Europeans stayed put on their health or "Green" position. They carried out policy to block imports. The Americans retaliated, but did not escalate. Now a fudged solution seems possible. If that is the limit of the tussle, well then we have got to go through a rough patch after 1992 but the system should survive.

OH: You anticipate that sort of beef experience will be worked out in various other economic areas as well?

LKY: Yes, like beef and agricultural subsidies. The Americans pressed for zero subsidy in Montreal last November. The Europeans could not agree to it. Now they are working out a compromise, not zero subsidy but a phased cutting down.

This keeps the conflict within bounds. We must hope that that is the limit of disagreements.

OH: In the period that you've been in office you've seen an enormous transition in Southeast Asia. In the early 1960s this was seen as probably the most unstable, volatile, violent part of the world. There were coups and very weak governments, insurrection all over the place. Now ASEAN has become a byword for "making it," an outstanding success among the new countries of the world. All that's happened in a very brief period of time, twenty years.

LKY: Forty years.

OH: Well, it really took off in the mid-1960s.

LKY: The lessons were being learned from the late 1940s. The moment Indonesia got her independence in 1945 or 1949, she started to learn the first lessons of nationhood.

OH: But with Konfrantasi and 1,000% inflation...

LKY: That was 1962, 1963. And they had to learn from...

OH: So you put all that together as one learning period?

LKY: Oh, yes.

OH: And you think that the region now has achieved an irreversible stability?

LKY: Nothing is irreversible.

OH: Nothing is strictly irreversible. What I mean is, do you think that these things have 'taken' in a basic way, and that it would take an awful lot of undoing in order for them to come unstuck?

LKY: It's not as secure, or framed, or structured as the European Community where statutes and institutions are in place. Here we've sentiments in place and habits being developed. It's not at the level of institutions. Between
what we have and what we should accomplish to set it in more stable form will be another 15-20 years, if we are lucky.

OH: I ask the question because some of your critics in the West, and particularly in the United States, think that you take an unduly alarmist view of how fragile your position is, and that you could be more robust and confident.

LKY: I spend more time anticipating and avoiding trouble, disasters and accidents than anybody else, because I will be the one saddled with the responsibility of extricating my people from any mess. If I was given to light-headed thinking, Singapore would have come a cropper a long time ago. But we have not got into a major spill. It doesn't mean we didn't have some very narrow misses. But do we want to advertise them?

There have been times, several times in the last 25 years since separation from Malaysia, when our relations — Singapore-Malaysia, and Chinese-Malay relations — became so very difficult that flaring of tempers could have led to more than just an exchange of words. But careful, hard-headed handling enabled latent crises to be diffused.

How do we advertise such happenings? It's no good for the stock market, it's no good for investments. It took a very long time to reach the present level of confidence and understanding between the two governments, or rather between the present Prime Minister of Malaysia, Dr Mahathir, and me.

The problem is, again, it has to be institutionalized. We could easily slip back if two different Prime Ministers had different personal chemistries. In the nature of the two societies, we mirror each other's problems. When Malaysia has Chinese-Malay tensions, they are immediately felt in Singapore and vice versa. The ethnic ratios are different, almost reversed, but the intrinsic problems are the same.

OH: I take it that you give the Singapore-Malaysia relationship as one example of a relationship that has to be handled with great care if trouble is to be avoided.

LKY: One of several.

OH: Prime Minister, I see that our time is up. I thank you very much for sharing your views with me.

Defending Australia — Harry Gelber
(Continued from page 12)

China which was always unwarranted. We came uncomfortably close to a measure of political dependence upon an Asian pattern of power ("Our Region") in which we expected China to play a principal role. We expected to make our economy increasingly dependent on an Asian economic network in which China would be a major player, even to integrate the Australian economy in some measure with that of China.

That view was always fundamentally wrong. It paid too little attention to the enormous political and economic risks which any special relationship with China implies. If the Beijing massacres have one useful consequence for Australia, it is that they give us pause for badly needed reassessments. None of that is to deny the obvious. Australia shall have to continue to rely for a long time to come on export income derived largely from primary products. China's population growth and strengthening economy could give us large, expanding and continuing markets for wool, wheat and a number of other items. But to allow Australia to become, to any significant degree, politically or economically dependent upon China would be foolish.

The practical help which the Australian Government has offered, for example to Chinese students in Australia, is appropriate and entirely helpful. But other and more public aspects of the Government reaction are less conducive to respect abroad for the way we conduct our affairs. Much of the official reaction may well be regarded as excessively emotional, even if those emotions are understood to have much to do with the theatre of domestic politics. The 'memorial service' in Parliament House, and the spectacle of the Prime Minister weeping in front of the TV cameras, raise uncomfortable questions. Is the Parliament of Australia really the most appropriate place for such a memorial service? Especially one for citizens of a foreign power, who died in their own country, in an affair with which Australia has nothing to do? Is this a serious declaration of universal sympathies? If so, where was the Prime Minister when tens of thousands, even millions, were slaughtered in Cambodia, or Ruanda-Burundi, or Uganda, or Ethiopia? Or is it that relations with China are more special than those with other powers? If so, how and why?

What national interest is served by pretending that our relationship with China is closer than it can or should be? And does the Prime Minister really not understand that loud condemnations in the outside world can only strengthen the charge against the Beijing dissidents that they have given colour to foreign interference in China's internal affairs and that consequently those demonstrators are traitors indeed?
IN the last week of April, along with 99 other young Australians, I attended a five-day seminar as a guest of the Queen Elizabeth Silver Jubilee Trust. Held at Flinders University in Adelaide, and superbly organized, the aim of the seminar was to bring together 100 Australians aged between 22 and 28, considered by the Trust to have shown "proven leadership qualities." (The selection procedures were not infallible, as my presence there attests.)

The main theme of the conference was the environment, introduced in the opening address by Dr Noel Brown, North American Director of Environmental Planning at the United Nations. The following sessions picked up this theme from varying perspectives.

At the beginning of the week there seemed to be prevalent among participants a zero-sum view of the environment issue: that business prosperity is incompatible with environmental responsibility. One of the great achievements of the seminar, from my perspective, was the challenging of this view through debate. By the end of the week, despite continuing and vigorous disagreement among participants, and despite the diverse origins of those attending the conference, a sense of common destiny was beginning to emerge. Nevertheless I returned from the conference convinced that, as the environment emerges as a major issue in the 1990s, business must take a far more active public role in ensuring that this issue does not become the next vehicle for opponents of free enterprise to hijack.

All political persuasions were represented among those attending. Protests about the use of sexist terminology (chairman, human, etc) and questioning from the floor during a session on defence whether, after all, Australia really needed an army gave me a twinge of nostalgia for the old days fighting the student left on the ANU campus.

A word about the Queen Elizabeth Silver Jubilee Trust. It was established in 1977 with the aim of promoting excellence, leadership and self-reliance among young Australians. Its projects include not only the annual national seminar which I attended, but also the Youth Business Initiative. This provides training and help to young unemployed Australians, particularly those who are socially or economically disadvantaged, to become self-employed — a much-needed alternative to wasted years languishing on the dole. The program provides them with income support and practical assistance from experienced business advisers. Youth Business Initiative is now running programs in New South Wales and Victoria.

Another of the Trust's successes is the National Capital Seminar held in September each year at the Canberra Grammar School and attended by 100 Year 11 students selected from schools throughout Australia. The seminar, which covers topics ranging from the Role of the Governor-General to the Life of a Diplomat, is addressed by senior politicians and public servants. It has the worthy aim of giving students a practical understanding of the Australian democratic system of government.

The spirit of community involvement which the Queen Elizabeth Trust encourages among young Australians is reflected in its own reliance on voluntary contributions from the community to continue its admirable work.

Cliff Smith is a fund manager at McIntosh Asset Management and a former President of the Australian Liberal Students' Federation. He is convenor of the IPA Young Professionals Group.
Nasty Business  Punk — the nihilistic movement that spawned Sid Vicious and the Sex Pistols (Vicious murdered his girlfriend and later overdosed on heroin) — is described by Peter Wilmot in the Age as "unashamedly capitalist. It wanted to expose the system, then exploit it, as the Sex Pistols did in their aptly titled movie, The Great Rock and Roll Swindle." Think exploitation; think capitalist!

Last Days  Under the title "The First Day and the Last Day", Australian theatre company, Arena, has staged a modernized version of four 14th Century English religious plays. God is played by a woman in order to underline the point that God is "gender-free". Costumes have also been updated. God appears in yellow World Series Cricket clothes, while Jesus during one scene wears a 1960s-revival floral tie. Soldiers appear as construction workers complete with overalls and hard-hats.

Bells Ring for Round 2  Debate may occasionally become heated in Australian Parliaments, but not to the extent it does in India’s Tamil Nadu State Parliament, where after a recent dispute 20 members had to be hospitalized. During the Budget speech being delivered by the Chief Minister, an Opposition member who had been prevented from speaking crossed the floor to punch the Chief Minister in the face. Footwear, a desk, the Speaker’s ceremonial brass bell and the six kilogram budget documents were all used as ammunition during the brawl. Last January a similar fight inside the chamber raged for two hours and left 50 MPs injured.

Phoney Oppression  Thanks to an article by Anthony Turner featured in the Canberra Times a new word has entered the lexicon of the left — "oralism". An oral culture — one which uses the spoken word — oppresses, of course, the deaf and its principal instrument of oppression is the telephone: "It is not simply that the telephone has excluded the deaf from equal participation in society and limited their choice of employment," writes Anthony Turner. "The very person of its inventor [Alexander Graham Bell] is an object of execration to all those who have been born deaf." But why stop there? Does not television discriminate against the blind; manufacturers of perfumes against people with no sense of smell; makers of trousers against people with fewer than two legs. The potential to politicize people’s misfortunes is limitless.

All Choked Up  “Thank heavens there are still people in this world who put their desire of helping the less fortunate above their personal well-being,” writes R. Mentlein, convenor of Human Rights for the Dying Campaign, in the West Australian. R. Mentlein is referring to the three assistant nurses in Austria who, claiming they were performing euthanasia, admitted killing at least 49 elderly hospital patients since 1983. Some were strangled; at least 22 had water poured down their throats until they choked to death. "The nurses in Austria who helped elderly, incurably ill and suffering patients to die humanely (sic) should be given a medal by the Human Rights Commission instead of being prosecuted for their humanitarian deeds,” proclaims R. Mentlein. “I often wish something like this would happen in Australia..."

Nothing to brag about  English rock singer, Billy Bragg, who toured Australia earlier this year, has also performed in the Soviet Union several times over the last few years and at the Festival of Political Song in East Germany. While impressed with the overall standard of music in the USSR, he told the Soviet Government’s journal, Survey, that he is critical of groups simply apeing Western rock music and “denying their Soviet roots.” He was pleased to receive copies of Lenin’s works (Vladimir Ilyich, not John) and recordings of Lenin’s speeches from some Soviet bands: “I think it’s great they’ve found something Soviet to run up the flagpole,” he said, “and they’re getting inspiration from Leninism and not Elvis or Chuck Berry.” Bragg, described in Survey as a “socialist activist”, stressed the vital role played by the Soviet Union in the defeat of fascism and the anti-war sentiments of the Russian people. He told Survey he refuses to be used as a propagandist “for one side or the other.”

Mickey Mouse Subject  Television cartoons have been criticized as hindering peace education by their presentation to children of a good versus evil view of the world. Dr Paula Gutlove, recently a visiting fellow at the ANU’s Peace Research Centre and executive director of the US Centre for Psychological Studies in the Nuclear Age, criticized the
cartoons for their portrayal of enemies as evil, ruthless and unreasonable and heroes as handsome, mature "champions of liberty...dedicated...to protecting the innocent of the world." "Children are being taught to see the world as a dangerous place where the enemy attacks without provocation; where peace is only achieved through strength; where you cannot reason with the enemy," Dr Gutlove complained to the ANU Reporter. Did Poland provoke Hitler in 1938? Were the Nazis to be reasoned with? Did policies of appeasement prevent World War 2? TV cartoons appear to have a sounder grasp of reality than some peace researchers.

Slow Track  The decision by the NSW Government to introduce promotion by merit has encountered a hostile reaction from Australian Railways Union secretary, Jim Walshe, who told the Sydney Morning Herald that he was totally opposed to promotion by merit. He predicted that there would be a strong backlash among his members. "The last time this came up they were calling for blood," he said.

Sexual Politics  Interviewed by the Melbourne Age about her new book, Germaine Greer, a pet parrot on her shoulder, suggests a solution to the problem of incest: all parents who are still sexually active should refrain from bringing up children in the isolation of the nuclear family where they "are hostages to fortune." The interviewer asks her what she has in mind to replace the nuclear family, but she rejects the question as "inadmissible". The institution of marriage, she holds, turns women into sexual eunuchs. Women loving other women is the truly "honourable choice." To top it all off, just when communism looks as if it has entered a period of terminal decline, Germaine Greer is considering joining the Communist Party.

One Award is Worth a Thousand Words  Among the government-funded Film Australia's releases this year is Contradictions, described in the Film Australia brochure as "a very powerful story about the contradictory perceptions and roles of Americans in relation to the war in Nicaragua...This is an important film and should be seen by anyone interested in Central America and recent American history and foreign policy." Film Australia's contribution to the understanding of American foreign policy has not gone unrecognized. Contradictions won Best Foreign Film at the 1988 Cuban Film Festival.

Making Allowances  Waterside workers in Queensland ports have a very comfortable existence, according to the latest Report from Senator Warwick Parer. They average around $800 for a 28-hour working week. In addition they receive numerous allowances: a rain allowance, a cold allowance, a site allowance, an allowance for having to unload badly stowed cargo, an obnoxious cargo allowance, a dirt allowance, a laundry allowance, a telephone allowance. The telephone allowance is paid to enable wharfies to phone in if they decide not to turn up to work. A travelling allowance, equivalent to an extra hour's pay per shift, is also paid for travelling to and from work.

Don't Blame Me  A lobby industry is developing in the United States around the registering of new psychiatric conditions by the American Psychiatric Association, reports the New Republic. Under the umbrella condition Post-traumatic Stress Disorder (PTSD), a group of psychologists is lobbying to have recognized "Oppression Artifact Disorder", based on the idea that blacks, ethnic minorities, gay men, lesbians, and other "people who are exposed to oppression and discrimination" ought not to be blamed if they then victimize others.

Similar "disorders" are already being used as the basis of legal defence in murder trials.

Even Paranoids have Enemies  Until the Ayatollah Khomeini started taking an interest in him, author of The Satanic Verses, Salman Rushdie, thought that it was persecution by Americans he had to fear. As he wrote in 1986, "In my British incarnation, I have America's bombs for neighbors and could find myself in the absurd position of dying for Ronald Reagan. In India, the country of my birth, the invasion of US corporations gathers force...And in Pakistan, my third home, President Zia ul-Haq is, like Pahlavi, Somoza, and Marcos, a bit of a Yank. All of which, you'd have supposed, entitles one to one's say."
Debt Danger Bells are Ringing Again

MOODY’S announcement on 26 May that it again intended to review Australia’s credit rating apparently took the Government by surprise. Acting Treasurer Dawkins issued a defensive statement calling Moody’s professionalism and competence into question. This response, scarcely a wise tactical move, was supplemented with argument drawing attention to the tightening of fiscal policy since the first downgrading of Australia’s credit rating from AAA to AA1 in September 1986, to the wage restraint allegedly delivered under the Accord and to “wide ranging micro-economic reforms” allegedly undertaken over the past three years. In Parliament Mr Dawkins also drew on statements by some international bankers who had questioned the need for a review and to Standard and Poor’s (the other leading credit-rating agency) confirmation of its existing rating.1

It remains to be seen what the Moody’s review will produce. In considering the outlook it is pertinent to consider some of the facts.

First, it is important to recognize that at the time of Moody’s first review Australia’s debt ratios were already well past warning levels used by some international bankers to adjust their lending policies. Gross external debt had risen to nearly 39 per cent of GDP and the servicing cost (interest only) had reached almost 19 per cent of exports of goods and services. By the time the financial year ended in June 1986 the current account deficit had reached 6.25 per cent of GDP, the highest level in the post World War II period except for 1951-52. Shortly after my resignation from Treasury in early 1987 I argued that the Government should set a three-year program that aimed to reduce debt ratios.2

Second, while the Treasurer did subsequently acknowledge, on more than one occasion, that it was a policy priority to reduce the debt ratios, he did not set any targets. There has in fact been a deterioration in these ratios between 1985-86 and the current financial year, as the table below shows.

<table>
<thead>
<tr>
<th>Year To</th>
<th>Gross External Debt as % of GDP*</th>
<th>Interest Payable Overseas as % of Exports</th>
<th>Gross External Debt as % of Exports*</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1983</td>
<td>21.0</td>
<td>11.7</td>
<td>143.8</td>
</tr>
<tr>
<td>June 86</td>
<td>38.6</td>
<td>18.7</td>
<td>240.6</td>
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<tr>
<td>June 87</td>
<td>39.9</td>
<td>19.8</td>
<td>247.7</td>
</tr>
<tr>
<td>June 88</td>
<td>39.7</td>
<td>19.1</td>
<td>240.4</td>
</tr>
<tr>
<td>March 89 (est)</td>
<td>39.4</td>
<td>20.3</td>
<td>253.6</td>
</tr>
<tr>
<td>June 89 (est)</td>
<td>40.9</td>
<td>20.8</td>
<td>259.2</td>
</tr>
<tr>
<td>June 90 (proj) (44.0)</td>
<td></td>
<td>(23.0)</td>
<td>280.0</td>
</tr>
</tbody>
</table>

*Debt at end year as a per cent of GDP/Exports during the year.

Third, it is pertinent to recall that the Treasurer claimed that Moody’s initial downgrading in our credit rating “essentially reflected a judgment about what is seen as a continuing severe impact on Australia’s external account of current depressed commodity prices for products of particular importance to Australia” (11 September 1986). But contrary to expectations in mid-1986, export prices have since risen at a faster rate than import prices. Thus by the March quarter of 1989 our terms of trade had reached their highest level since late-1976 and were over 25 per cent higher than at the time of the May 1986 “Banana Republic” statement. In short, our debt ratios have deteriorated despite this windfall.

Fourth, the failure to improve debt ratios contrasts with the experience of Denmark and Norway, the other countries rated AA1 by Moody’s. These countries have reduced their current account deficits. While the statement by the Acting Treasurer made considerable play with the reduction since 1986 in the Commonwealth Government’s own external debt, that is largely irrelevant and suggests a surprising ignorance of the criterion used.

1. Subsequently Standard and Poor’s indicated it could bring forward next year’s review if the balance of payments continues to show large deficits.

Des Moore is Acting Director of the IPA.
by Moody’s, which has regard to total foreign currency debt.

Fifth, a significant factor holding down the debt ratios for the year to end March-1989 was the appreciation of the $A, which was about 16 per cent higher in trade-weighted terms than at end March 1988. This appreciation reduced the $A liability of foreign currency debt; i.e. but for this appreciation the debt ratios would have been considerably higher at end-March 1989.

Now, while it might be said that the improvement in Australia’s terms of trade justified this appreciation, it would be difficult to sustain such an argument. The gains in international competitiveness which resulted from the 30 per cent depreciation of the $A between end-1984 and mid-1986 were subsequently substantially eroded by the combined effects of the appreciation of the exchange rate and the growth in Australian wage costs which was faster than those of our major competitors. Using the indices compiled by leading US bank, Morgan Guaranty, Australia’s real effective exchange rate in January 1989 was only 2.7 per cent lower than in December 1984. The exchange rate was pushed up largely as a result of the significant tightening of monetary policy, which resulted in a marked widening in the differential between local and overseas interest rates and which seduced overseas investors into adding to their holdings of $A assets. For example, between end-1987 and end-1988 the differential between short-term Australian and US rates widened from 3.3 percentage points to 6.0 percentage points.

More recently, this upward trend in the $A has been reversed. In fact, even though the interest differential had by end-May widened further to a remarkable 8.8 percentage points, the Australian dollar was around 10 per cent lower (in nominal terms) than at the end of January. Moreover, given the likely slowing in the upward trend in commodity prices as growth in overseas countries becomes inhibited by capacity constraints, and with the continued much faster growth in Australian wage costs, the prospect must be for further downwards adjustments in the $A.

In short, the debt ratios shown in the table for June 1988 and March 1989 were lower than could be sustained because the $A was itself at an unsustainably high level. The debt ratio projections shown for 1989-90 may thus provide a more realistic picture. They assume that the tightening of monetary policy will produce a marked slow-down in the domestic economy (and hence in imports) and that there will be a further depreciation of the $A of 6.25 per cent over the course of 1989-90. Even with these relatively conservative assumptions there could be a marked jump in debt ratios as the $A value of the debt liability and its servicing increases in line with the depreciation (as well, of course, as the projected $15 billion current account deficit itself). Moreover, the higher ratios would take them well above the ‘danger’ bench-marks which some international bankers use to adjust their lending policies. These bench-marks typically have as warning points:

- when gross external debt reaches 160 per cent of exports of goods and services, (with 200 per cent regarded as a major danger point);
- when the servicing (i.e. interest) cost of gross debt reaches 15 per cent of export goods and services (with 20 per cent regarded as a major danger point).

Clearly such warning or danger points are, to a significant extent, arbitrary and are not based on any scientific principle. Essentially they reflect historical experience which suggests that, once a country’s debt or debt-servicing level reaches a certain point, it becomes politically difficult to institute the policies needed to ensure the servicing and repayment.

Naturally such assessments will vary from country to country. For example, Australia might be said to have greater political stability and therefore greater capacity to ‘persuade’ the community to make the necessary sacrifices to service the debt. On the other hand the increase in Australia’s debt since the mid-1970s has gone to finance additional consumption i.e. we have undertaken a large increase in debt without commensurately increasing the productive assets needed to service that debt. Moreover, political developments over the past year or so have led senior Government Ministers to encourage people to expect a return to rising living standards: certainly the Banana Republic rhetoric was reversed (although over the past month or so there has been an attempt to again dampen expectations).

Against this background, it seems a better than even bet that Moody’s will further down-grade Australia’s credit rating. The Government has failed badly in not reducing debt ratios at a time when external circumstances turned out to be much more favourable than expected. Of course, it is not credit ratings per se that are a matter for particular concern: the real worry is that, unless something is done radically to improve our economic performance, Australia will eventually face a prolonged period of economic stagnation.

The answer must be to create an economic environment that is far more conducive to improving the recent pathetic growth of productivity. That will require major changes to a wide range of micro-economic policies. The Government could also restore some of its damaged credibility if it were to announce that it aimed to reduce the debt service ratio to 15 per cent of exports of goods and services from the present danger level of over 20 per cent.

3. See "Productivity: the Prematurely Counted Chicken" by John Brunner in this Review.
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The new HP DeskJet. Considering the price, 24-wire dot matrix printers pale by comparison.

Price includes sales tax.
New Left Party likely to Fail

Moves are under way to form yet another Communist Party in Australia. It will not be called Communist because that word is associated with the horrors of Stalinism. Instead, it will probably be called 'New Left', 'Socialist' or 'Radical' — names more likely to appeal.

As well as the problem of finding a suitable name, the new party is off to a faltering start. A leading ideologue of the Communist Party of Australia (CPA), Mr Denis Freney, has damned it with faint praise. In the CPA journal, The Tribune, he says the Left is in crisis and that its fragmentation grows in proportion to its shrinking numbers. He warns that the building of a new party is easier said than done.

The main sponsors of the new party are the CPA and the Association for Communist Unity (ACU). The CPA is almost 70 years old, but its partner in the New Left party project, the ACU, is no more than five. It has fewer than 100 members, but many of them are key union officials. Most are former members of the pro-Soviet Socialist Party of Australia (SPA) and before that the CPA. In the CPA they were hard-line Stalinists and helped form the SPA when the CPA condemned the Soviet invasion of Czechoslovakia. They broke from the SPA over tactics, rather than ideology. Since then, they have worked closely with the CPA, despite many differences.

Denouncing the proposed new party are the SPA and its ally the Socialist Workers' Party. Nor will other communist groups such as the Socialist Labor League have a bar of it. They describe it as a betrayal of Marxism-Leninism.

Despite this hostility the CPA and the ACU will probably launch their new party by next year.

While doomed in the long term, the new party should not be treated lightly. Although it will have only about 1,000 members it will command considerable resources and influence, particularly in the unions. One of its initiators was Mr Laurie Carmichael, an Assistant Secretary of the ACTU, and it has received support from other prominent left-wing union leaders. A press statement announcing the new party was signed by 150 national left-wing figures and trade unionists.

The sponsors would like their new party to become at least as strong as the old Communist Party which, in its heyday, had 25,000 members. That was in 1945 when Australia's population was less than half its present size. Then there was only one Communist Party and its members were united in their loyalty to the Soviet Union, its leader Josef Stalin and the doctrines of Marx and Lenin. This devotion was shaken by the Soviet invasions of Hungary in 1956 and Czechoslovakia in 1968. Divisions in communist ranks have subsequently intensified.

The days of a mass communist party based on unquestioning loyalty to the Soviet Union and the principles of Marx and Lenin are finished in Australia, as elsewhere. Some communists will join the Labor Party. Others will be attracted to single-issue groups such as militant trade unionist, environmentalist or radical feminist. They will, on occasions, form alliances on issues such as anti-Americanism, but their political priorities will prevent them from operating together in a single party.

All previous attempts at a labor party to the left of the official ALP have been failures. The most recent examples are: Mr Bill Hartley's Industrial Labor Party and the Illawarra Workers' Party on the NSW South Coast. Another New Left party has just been launched in Western Australia. Its founders, one of them a former leader of the Communist Party, are adamant that their new party is not "Marxist-Leninist".

Some commentators assert that the proposed New Left party is evidence of grassroots dissatisfaction with the Hawke Labor Government. This is wrong because there is no connection between the two. The communists have been talking about forming a New Left party for years — long before the Hawke Government was elected.

Laurie Short, 50 years a unionist, was the National Secretary of the Federated Ironworkers' Association from 1951 to 1982.
Myth and Reality in the Conservation Debate

Ian Hore-Lacy

Its profile dramatically heightened, the environment is becoming a key issue for the decade ahead. But do the facts justify the concern? Ian Hore-Lacy sets out to distinguish the facts from the hysteria.

It is fascinating to see how frequently writers and speakers use "the Ecological Crisis" as an assumption or launching pad in some discourse or other. A problem of crisis proportions is assumed, and consequently we must mobilize to find and implement an answer. But do we really have a crisis? Or simply some interrelated problems of comparable magnitude to those which have challenged our predecessors?

Since the environment came firmly on to the public agenda in the late 1960s, a variety of issues has occupied the limelight: land degradation, air pollution, and river pollution by industry were the main ones. In the mid-1970s nuclear power was dragged onto the list, along with acid rain from electricity generation and air pollution from motor vehicles. The background to these particular issues has been a concern for the conservation of natural bushland and its flora and fauna, especially kangaroos, which has grown as the extent of that bushland has decreased and the mobility of city-based admirers of it has increased.

What then are the issues at the end of the 1980s? Which of these are substantial? Which are phoney or merely symbolic? Do they add up to an 'ecological crisis'? Is "mankind destroying the life support systems of the planet", as is sometimes claimed?

Behind these questions lies concern by many people about what causes something to become an 'environmental issue'. Is it simply grassroots concern from an increasingly enlightened community? Or are there political agendas involved? Some leaders in the mining industry are quite clear that opposition to nuclear energy and the promotion of certain other environmental concerns are a thinly disguised attempt to claw back power from the consumer to the regulatory bureaucrat. But the grassroots concern is also clearly substantial.

There is no doubt in my mind that there are elements of both political agendas and grassroots concern in most environmental issues, the balance changing from time to time. And the actual problems behind them are such as to challenge our best minds, but not, I believe, such as to invite despair.

The prophets of ecological doom have, after all, been wrong in the past; we should therefore treat their utterances with scepticism now. Such prophets typically underestimate human ingenuity and responsiveness to the problem of scarce resources in a way that economists, for example, do not. They fail to recognize that while technological progress has created environmental problems, it also has the potential to generate solutions (as it has, for example, in the development of Synroc for the storage of nuclear waste).

It should also be borne in mind that while economic development and the benefits we reap from it have not been cost-free in terms of their impact on the natural environment, measures to protect the environment are not cost-free in terms of their impact on economic development and thus our standard of living. In any debate on the environment costs and benefits, both ecological and economic, should be made explicit.

One myth should be laid to rest from the start: a section of the environmental movement holds that property rights are somehow at odds with environmental responsibility. This is not so: pollution is worse in East Germany (without property rights) than West Germany, worse in Beijing than in New York. Indeed, there may be a case for expanding property rights rather than shrinking them, on purely environmental grounds. Humans, being selfish creatures, typically care more for what they own than for what nobody owns. Thus, private gardens are often better cared for than public reserves; farm animals better looked after than wild fauna. Whatever the answers to our environmental problems, and they are

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various and complex, socialism is not one. This is not to argue that government has no role. Where it is in the public interest limits on environmental despoilation are properly determined in the political arena, informed by scientific opinion. But the power of market forces should be utilized, not stifled, by environmental policy. For example, innovative economists overseas have proposed the use of "pollution permits" which can be traded and which allow the market to determine the manner in which politically determined limits — on the emission of hydrocarbons, for example — are achieved (see the excerpt from *The Economist, IPA Review*, March-May 1989, p. 45).

Greenhouse Effect

This is certainly the environmental issue of the year. It is simultaneously real, symbolic and apocalyptic. It is real in that there is a measurable build-up in the earth's atmosphere of carbon dioxide and certain other gases which is causing concern. What the effect of this build-up will be, or even whether it will continue at the present rate, no one knows, though there are plenty of dogmatic assertions and projections.

The build-up of carbon dioxide arises from the combustion of fossil fuels (hitherto carbon and hydrocarbons in the earth's crust), from the combustion of vegetation and due to the depletion of forest cover which would otherwise turn some of the carbon dioxide back into organic matter. Hence, it is symbolic of the effects of human habitation on the earth. It amounts to 25 per cent since 1850, now an annual increment of 0.4 per cent.

The effect of carbon dioxide and certain other gases such as methane in the atmosphere is that the radiation of long-wave heat from the earth's surface is hampered, thereby making the earth's surface relatively warm and habitable. (The sun's rays heating the earth are shorter-wave radiation than what is re-radiated into space — hence the term 'greenhouse' which works the same way.) The fear is that if these 'greenhouse gases' increase above their present comfortable level, the earth's surface will warm further. There is evidence of this global warming trend already, though it is not conclusive. However, if such a warming of even 2-3 degrees Celsius takes place, it is projected that climatic patterns may change, making some areas drier and some areas wetter — a "convulsion in the climate." In addition, if there is a melting of polar ice-caps and if the seas get warmer so that the water expands, substantial coastal areas of the earth's surface may be inundated. All this at present is tentative, but should not be dismissed out of hand. While there is disagreement among scientists as to the extent of the greenhouse effect, there is strong scientific consensus that some effect is occurring.

What can be done about it? Humanly speaking, we can conceivably reduce the amount of carbon dioxide put into the atmosphere by reducing our rate of consumption of fossil fuels, and we can increase the amount of vegetation on the earth's surface, thereby increasing the rate of return of carbon dioxide into organic matter. The relative significance of these actions compared to the natural processes for the return of carbon dioxide out of the atmosphere, such as absorption into the oceans, is minor. But some idea of the relative scale of artificial and natural processes can be gained from the fact that carbon dioxide contributes half of the overall greenhouse effect, and in relation to this fossil fuel combustion contributes only one fortieth as much to the atmosphere as is exchanged naturally between the atmosphere and the biosphere and oceans. Natural processes vastly outweigh our artificial activities and it is possible that the greenhouse effect may even prove to be self-correcting through relatively minor adjustment of the oceanic part of this natural flux. But rather than simply waiting and hoping, it seems prudent to start taking some action to slow the build-up of greenhouse gases.

The ozone layer is at the outer limit of the atmosphere, where there is an increased level of ozone (three-atom molecules of oxygen). This layer partially
shields the earth from ultra-violet radiation. Concern about the ozone layer first surfaced in the early 1970s with the advent of Concorde and the proposed US SST. Swarms of such supersonic aircraft flying at extremely high altitudes would, it was felt, generate sufficient nitrogen oxides to bring about a breakdown in the world's ozone layer. This would then expose the citizens of planet earth to increased ultra-violet radiation and increased skin cancer — "lethal radiation" indeed.

Research on this scenario led to the identification of another, and apparently more serious cause of ozone depletion: chlorofluorocarbons (CFCs). These are used as aerosol propellants because they are chemically inert in normal circumstances. They are also used as the liquid/vapour in refrigerators and air conditioners. However, once released they eventually reach the stratosphere where they are broken down by ultra-violet radiation. This starts a photochemical chain reaction involving the chlorine atoms which results in a reduction of ozone molecules.

In the event, it was found that the ozone-depleting effect of supersonic aircraft was not as great as projected, and in addition, there are now only a dozen or so flying - the SST having been aborted and the Soviet equivalent (Tu-144) having been grounded. Hence CFCs have occupied centre stage and are distinguished by being the first group of chemical compounds to be phased out for environmental reasons. The cost of this will be high — DuPont estimates that US$135 billion worth of installed equipment in the USA depends on CFCs. At present the most plausible existing substitute for CFCs is hydrochlorofluorocarbons (HCFCs). These are a vast improvement, but still have some slight ozone-depleting effect. Longer-term, hydrofluorocarbons (HFCs) are the favoured substitute, but are so far not produced on a commercial scale. However, even if these come into widespread use in the 1990s, there is the problem of safely disposing of the CFCs from hundreds of millions of pieces of refrigeration and air-conditioning equipment scattered all over the face of the earth.

All this makes a tidy ecological case study: human action has unforeseen environmental consequence so behaviour is changed, at considerable cost. Then along comes a group of US scientists who assert that the evidence for adverse effect on the ozone layer is a misinterpretation, and volcanoes emit 50 times as much chlorine as CFCs anyway. True, but does it get to the stratosphere as readily as the CFCs? Apparently not. But the simplistic model challenged by the US scientists has acquired a few question marks. As in most environmental matters, things are more complex than they at first seem, but steps to reduce CFC use seem prudent.

**Nuclear Power**

In looking around at the sources of carbon dioxide contributing to the greenhouse effect, and seeing which might readily be reduced in favour of other technologies, coal-burning power plants for electricity production have been one of the most obvious contenders, although they only produce about one-tenth of the greenhouse gases. Nuclear reactors in this case are the most plausible alternative for base-load electricity generation. However, the public perception of nuclear power in many parts of the world is not favourable and discussion on the question is usually characterized by misinformation and sometimes by hysteria.

Nuclear power for electricity generation has an excellent track record of performance and safety over more than 30 years, notwithstanding that it has been under intense public scrutiny — more so than any other industry, and notwithstanding Chernobyl. In the Chernobyl disaster 31 lives were lost and undoubtedly many more will die prematurely due to cancers. However, the incident can be said to have demonstrated the justification for spending the large sums of money required in design and construction to make Western reactors safe. A similar accident is barely conceivable in the West, because about one-third of the capital cost of those reactors is spent on containment structures and other engineering features which are designed to prevent a Chernobyl-type situation environmentally, should a catastrophe occur internally (as at Three Mile Island in 1979).

Despite the level and tenor of debate in Australia,
it is worth noting that nuclear power is used by practically every country in the world where it makes economic sense to do so, and that most of these have reaffirmed their commitment to it following Chernobyl. Several countries, including Japan and France, either now generate or are planning to generate more than half of their base-load electricity from nuclear power.

The focus of environmental concerns regarding nuclear power is disposal of the highly radioactive, high-level wastes. However, following development of vitrification and Synroc technologies, this is a political rather than a technical problem. Weapons proliferation is another concern, but the International Atomic Energy Agency's 'safeguards' have held up very well here.

Australia sits on one-third of the world's uranium but supplies only one-tenth of the market. Our policies restricting the mining and export of uranium have enabled Canada to supply one-third of the market from a much smaller resource base. We need to do much better, for both economic and environmental reasons.

**Antarctica**

*The last wilderness*

Australia's refusal to sign the Antarctic Minerals Convention has highlighted the increasing 'green' influence on politicians in Australia. The convention was designed to regulate mineral exploration and mining. It remains to be seen whether our refusal to sign results ultimately in Antarctica becoming a World Park or in unregulated exploitation of the continent and loss of Australia's present influence there. Antarctica appears to be an issue which is as much symbolic as substantial. Certainly it is unlikely to be immediately relevant to any of this generation either recreationally or economically.

**Tropical Rainforests**

Forests are the "lungs of the planet," we are told, so who in their right mind would want to rip them out? In addition, tropical rainforests are the "world's most complex ecosystems", and reservoirs of incredible genetic diversity, so destroying them makes major in-roads on our human birthright.

The main focus of attention is in the tropical regions, where rainforests are being cleared and logged at an apparently ever increasing rate. Clearance is mainly for the purpose of resettlement — in countries such as Indonesia and Brazil, with various types of agricultural production replacing the rainforests. Sometimes the results of this are disappointing, it being assumed that the soil and climate which supports such an impressive forest will therefore support impressive agricultural production. This is not always so, as has frequently been shown in eastern Australia (e.g. Dorrigo, NSW). The reasons for this usually relate to nutrient loss following clearance. Much of the nutrients in a tropical rainforest growing on a poor soil are tied up in the vegetation and are recycled thence relatively rapidly.

Logging of rainforests may also result in significant nutrient loss before regrowth occurs. On poor soils, that regrowth may be disappointing, and much less than the original forest even in a 50-80 year perspective. Part of the problem is that the management procedures for ensuring replacement of rainforest are much less well-known than those for ensuring regrowth of temperate hardwood forests such as eucalypts in the south-east of Australia, where the ecology of the (relatively few) species concerned is much better understood. Although the 'uniqueness' and ecological fragility of tropical rainforests are frequently overstated, I would like to see a lot more evidence of competent reafforestation following logging before being satisfied with present practices. Local practices, however, are better than those which caused the Thai Government to ban logging in most of its forests.

**Salinity**

A lot of Australia's soils, particularly in arid areas, have substantial amounts of salt in them. Where the salt is close to the surface, particular (halophytic) vegetation occurs. In areas with moderate rainfall, the salt is generally leached well down into the soil. However, in certain circumstances, such as following clearing of forest vegetation or due to excessive irrigation, this salt can rise to the surface and kill off the grasses and other vegetation. This has become a very serious problem in irrigated parts of northern Victoria. It is also occurring in the Darling Ranges of Western Australia, where the removal of tree cover may have resulted in an elevated water table.

This is not a problem which seems to be very high on the agenda of urban conservationists, but it is of major concern to the agricultural industry in the regions affected.
Whaling became a popular conservation issue in the early 1980s on the grounds that whales were being hunted to extinction and that while they were not exactly cuddly creatures, they were said to be extremely intelligent, perhaps rivalling humans in that regard. We do not now hear so much about whales’ intelligence, but on conservation and economic grounds whaling has been greatly scaled down around the world and it appears that whale populations are now increasing.

Concern about these creatures prompted a search for substitutes for whale oil, which was formerly important in automatic transmission oils and other specialized applications. One of the substitutes was found to be oil from the jojoba bush, and plantations of this were enthusiastically marketed in several parts of the world. Other substitutes were synthetic.

Acid Rain

Acid rain (pH4 and less) has an extremely deleterious effect on forests and waterways, killing trees and fish. It results principally from sulphur dioxide emitted into the atmosphere from coal burning in the northern hemisphere. About half as much again arises from burning petroleum products with high levels of sulphur, and a much smaller proportion arises from metal smelting. Many northern hemisphere coals have up to five per cent sulphur in them and when they are burned this is released as sulphur dioxide. It is possible to eliminate this from the combustion gases, but it is very expensive. In the USA, $17 billion was spent on reducing emissions which cause acid rain between 1975 and 1985. The UK has just committed itself to fitting equipment to 13 per cent of its total electricity generating capacity at a cost of one billion pounds.

Australian coals are almost universally very low in sulphur, which makes them most attractive in northern hemisphere markets and also means that only six per cent of the man-made sulphur emissions are in the southern hemisphere. What sulphur dioxide emissions there are in Australia generally occur in a much drier atmosphere, and have had no discernible effect in creating acid rain.

In Australia, forestry issues have tended to be local rather than regional. Despite the demonstrated ability of foresters in regenerating many kinds of native forest following logging, there is a strong reaction to the visual impact of clear felling, particularly in sub-alpine areas, and people tend to identify this with the wholesale deforestation in tropical areas. There are doubtless some areas where forestry practices are bad and guidelines are not followed, and the forest regeneration cycle is long in human terms (80 years or so).

Our forestry resources are used for two principal purposes: timber and paper-making, products on which we are heavily dependent. Most Australian timber is harvested from natural forests, but increasingly the use of plantation forestry, mostly pines, is contributing a substantial amount of timber. Pine plantations may be established on degraded agricultural land, in which case there is generally no ‘conservation issue’, or they may replace bushland with no commercial value, in which case the issue is often well-contested.

Woodchips for paper-making may be taken from waste material following logging for timber, or they may be obtained from forest areas cut for that purpose. Either way, for some this is an emotive issue, especially when the chips are shipped to Japan for paper-making.

The rational part of the ecological debate relates to the areas that are logged and regenerated and how well any regeneration occurs. At a local level, there are questions of wildlife refuges left among the logging coupes, disturbance of streams, etc. A related issue is for what types of forest clear-felling is appropriate and where it is inappropriate, or at least undesirable.

Air and Water Pollution

These are on-going problems in any industrial society, and the fact that Australia is much better off than most other countries in the world is perhaps the silver lining to the cloud over our manufacturing industry, as well as an indication that we did in fact establish some reasonable standards early in the 1970s.

In addition to pollution from industry, there is the motor car and also, of course, all of us as individuals have
different ideas about the balance between convenience and contribution to environmental quality.

Despite some problems here and there; air and water pollution are not at present high on the public's agenda of concern. This could easily change with some major accidental discharge such as from a chemical plant to the atmosphere or a major oil spill.

Toxic Wastes

A closely related question is what happens to toxic wastes which are not discharged to the environment? How are they stored, handled or dumped? While some wastes can be recycled or sold for reprocessing, others cannot and must eventually be dumped safely or incinerated using special high temperature equipment. These latter options are costly, therefore there is a constant temptation for illegal disposing and dumping of intractable wastes.

Land Use

In the late 1960s it was proposed that a particularly beautiful and inaccessible lake in south-western Tasmania be submerged beneath a very much larger body of water in order to enhance the State's hydro-electric capacity. This was bitterly resisted, but the Hydro Electricity Commission won the battle and Lake Pedder today is vastly different from 20 years ago. However, arguably the HEC thereby lost the war. Certainly, when it proposed building a dam on the Franklin River, the conservation victory went to the other side. To achieve this, Commonwealth powers were invoked. This has resulted in a much greater propensity by the Commonwealth Government to over-ride States' wishes in matters of conservation. In between the two Tasmanian dam disputes, the Liberal government invoked its export licensing powers to stop the mining of mineral sands on Fraser Island, thereby setting a precedent which has been gladly seized upon by advocates of increased central control.

Most land use disputes tend to be local or regional rather than national. Obviously, whenever any natural bushland is to be altered or destroyed there are those who value it as is and are prepared to say so. One then gets economic issues argued against aesthetic/conservation/wildlife preservation/etc viewpoints, which the press usually manage to represent as vested interests versus altruism. In fact, it is more often a case of broader interest against narrower, benefits to the wider community being set against those of the immediate locality. Nowhere is this better seen than in relation to the location of major infrastructure for the community such as freeways, airports, etc. Where the project is something like mining, with much of the product being exported, the 'vested interest' caricature is harder to counter, even though it may be just as false. While Australia leads the world in post-mining rehabilitation of land, there is little real awareness of this.

Wetlands are a particular subset of land use issues. They are significant because they often occur around the coastline (as well as on major inland rivers and lakes) and therefore compete for recreational development. The ecological significance of wetlands is not well understood by the general community, but their role in relation to fisheries and wildlife conservation is great.

Kangaroo Conservation

Since white settlement, the area of grassland in Australia has probably significantly increased, and certainly the supply of reliable water for livestock in connection with this grassland has greatly increased. This has led to a vast increase in kangaroo population in those grazing lands of Australia. At present, licences are issued for the shooting of several million kangaroos each year. This is because the harvesting of meat and skins of the kangaroos has some economic importance in its own right, and because the large numbers of kangaroos are a pest to graziers in competing with domestic livestock. This level of shooting (about 10 per cent of the population each year) is not having any discernible long-term effect on the overall population of Red and Grey kangaroos, but because they are an important symbol of our wildlife heritage, it is an emotive issue. Of greater faunal significance is the probability that rarer species are shot along with the Reds and Greys.

The rise of environmental issues will be a good thing if it is accompanied by a respect for the facts, and open-minded scientific enquiry. But if environmental concerns become a smokescreen for political agendas hostile to economic growth per se and if bureaucrats take over from scientific enquiry and market forces, then we all have a lot more to worry about than the natural environment.
Big Government’s Threat to the Rule of Law

Denis M. White

An exceedingly serious consequence of the enormous growth of government, one which has been largely overlooked, is its undermining of the rule of law.

THE rule of law is a complex practice. It requires a number of conditions to be substantially fulfilled. The three most important conditions, which need to be taken together, are as follows:

- there must be known rules (ie laws), by which people live, and by which governments govern;
- these rules must be enacted by elected representatives, applied by the executive without fear or favour, and interpreted by courts which are accessible to the people and independent of the government;
- these rules must be framed in general terms, and must apply indifferently to all people.

Which aspects of ‘big government’ undermine these conditions? The one which most seriously undermines the rule of law is increasingly extensive interference with people.

There are, of course, other government practices which damage the rule of law profoundly. For example, it is difficult to imagine anything more damaging than the way some governments place favoured organizations (such as trade unions) outside the law or beyond its reach. This article focuses on government interference with people not because these other threats to the rule of law are unimportant, but because they are less directly related to the growth of government.

In Australia, increasing interference with individual people comes from all levels of government, Commonwealth, State and Local. It is true that recent governments have freed up certain areas of personal behaviour which used to be interfered with. The removal of sabbatarian restrictions on sport and other activities is an example. A number of activities which used to be proscribed are now treated as private, and privacy and anti-discrimination legislation has removed several odious interferences with individuals. In addition, partly because of technology and increased leisure time, recent decades have seen an enormous increase in the range of voluntary activities that are open to people: for example, nothing has ever done more for freedom of movement than widespread private ownership of motor cars. Despite these developments — and partly because of them — it is plain that government interference with people is growing. The red tape which is so familiar to business is now being steadily wound around private individuals as well.

Some of these forms of interference which weaken the rule of law are straightforward and direct; others are more complex.

Government by Regulation

Government by regulation frequently results in extensive interference in people’s lives. It affects what people can do and the way they must do it. Increasingly detailed regulation of home building and renovation is an example which affects large numbers of people.

Government by regulation strikes directly at the rule of law. This is because the power to determine what the regulations shall be is transferred to unelected officials.

While there is nothing new about legislation which gives officials the power to make regulations, the practice becomes more sinister as government grows. There is no doubt that if this practice was restricted, for example by constitutional constraints, the rule of law would be in many ways revitalized, and government interference with people would be immeasurably reduced. This is because elected politicians could never get away with imposing many of the constraints which officials are able to put in place.

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Making Compliance Harder

More extensive government also strikes directly at the rule of law by making it harder for people to comply. In the 1980s, to live without breaking the law is exceedingly difficult, and to live well is probably impossible.

It is now frequently difficult to find out what the law requires, e.g. in relation to taxation. It is true that under common law there have never been water-tight guarantees on what falls within the law until ex post facto. But by and large, people used to be able to know what was legal and what was not. In a number of matters this is no longer so.

One development is the device commonly called "government by announcement." This makes laws retrospective to the announcement of an intention to legislate. It often prevents people from knowing how to comply for quite long periods, because months or years may pass between the time of the announcement and the passage of the legislation which actually defines people's obligations.

A second development is the spread of needlessly complex legislation. Australian tax law is a chilling example. This kind of law typically means that people have virtually no hope of complying without a lawyer (or accountant) at their elbow, and no certainty with one. A further related factor is slow litigation, exemplified again in the tax area, which means that people may be unable to discover their legal obligations until years after the time when they are required to act.

These developments have very serious implications. For example, they clearly imply that the rule that "ignorance of law never excuses" can no longer be regarded as morally sustainable. This is because of the principle that "ought implies can," which means that there can be no obligation to know what the law requires if it is impossible to find out.

Making Compliance More Costly

Extensive government interference with people increases not only the direct costs of compliance with the law, but also the time and effort which must be put in by those who try to comply.

Consider the case of a person who, because of his or her type of work, is in a position to choose between paying taxes, or operating in the 'cash economy'. This example highlights the cost of compliance not only in terms of money (ie the taxes paid, plus the cost of preparing tax returns), but also in terms of time and effort, for example in the keeping of records. Confronted with a choice such as this, it is not surprising that many people decide not to comply with the law. The fact that those who take the trouble to keep records in order to comply may later have these records used against them adds insult to injury.

There is also a deeper point. It is hard to imagine anything more damaging to the rule of law than the attitude of mind which thinks not in terms of whether compliance is right or wrong, but in terms of the relative costs of compliance versus non-compliance. Yet many activities of modern governments inevitably breed this attitude.

Even when there is no question of costs of this order, increasing government interference inevitably puts people under greater pressure, and is therefore likely to result in more people cutting more legal corners. For example, if licensing boards make it illegal for householders to clean the leaves out of their own guttering, the likely consequence is not that there will be more business for licensed roof repairers, but that there will be more law-breaking by householders.

This kind of thing is likely to have a snowballing effect. The more corners people cut, the more likely it is in a democratic society that law enforcement agencies will lag behind and become more random or arbitrary in enforcing the law. This, in turn, undermines the rule of law by destroying confidence in the law.

Respect for Law

A more fundamental — and complex — way in which big government strikes at the rule of law relates to respect for law. Respect for law is essential if the rule of law is to be a reality. The close linkage between the two is apparent from the fact that where the rule of law prevails, and respect for law is entrenched, ordinary people tend to associate government with the law, and barely distinguish between the two.

Respect for law applies both to people and to government:

- government must accept that it should rule by law wherever possible;
- people must presume that laws should be obeyed simply because they are laws.

Without respect for law, people will not appreciate...
the value of obedience to law. Nor will government understand the importance of using law as its principal instrument.

Increasingly extensive government interference erodes respect for law in several ways. It is not just that familiarity breeds contempt, although this truism is relevant and important. There is also the fact that the more laws there are, the more frequently will the law be a conspicuous ass. In addition, the more interference there is, the greater the chance that rising numbers of people will be faced by laws which they find too repugnant to accept.

It is often said that we live in a litigious society. To the extent that this is so, it is both a symptom and a cause of declining respect for law. When people regard litigation as a first rather than a last resort, the chances are that they see the law not as a guide for living in community with others, but as an instrument for getting something for themselves at the expense of others.

The immediate resort to litigation is also calculated to make law-abiding people view the law with less respect. For example, some government revenue-collecting departments have adopted the practice of threatening court action against alleged debtors without even the courtesy of an 'account rendered'. The growth of this practice would be likely in the end to result in solicitors' letters of demand being regarded by ordinary people as nothing more than statements of accounts rendered. This will undoubtedly signal a decline in respect for law.

**Government Arbitrariness**

As governments become less accountable and interfere more extensively, they inevitably become more casual about the discipline of governing by law: in effect, they become more arbitrary. This tendency can rightly be seen as an aspect of the corrupting influence of power.

Interfering governments characteristically want to control outcomes. Under the rule of law, by contrast, the result is left to lie where it falls. Because interfering governments are not content with this, they are driven to intervene. No matter what expedient such governments adopt in order to get their way, their underlying attitude is inconsistent with abiding by the rule of law.

A further factor is that as interference becomes more ubiquitous and arbitrary, people increasingly become 'objects' which receive 'treatment' at the hands of government. They find themselves having to fall in with the requirements of government, rather than being able to live by the laws of the land. Nothing can be more antithetical to the rule of law.

**What can be done to secure the Rule of Law?**

There are at least three broad options. One is to reduce the extent of government interference. In effect, this would mean reducing the size of government. Another is for governments to stop (or be prevented from) acting in ways which are likely to undermine the rule of law. For this to happen, it would be necessary for the executive power of government to be controlled or curtailed, for example through strengthening parliament. A possible third option would be to separate government activity into two spheres. In one of these spheres, the rule of law would prevail. In the other sphere, government would not be expected to act by using law, but neither would its actions and dictates have the force of law. The second sphere would include all - or most - functions of government which could in principle be privatized. The details and practical implications of the option require extensive investigation. But it has considerable attraction, because it alone recognizes that the executive role of government is unlikely to be significantly curtailed in the foreseeable future.

It is obviously possible for people to form impressionistic views about which option is best. For example, the first option is likely to appeal to those who favour smaller government, and the second to those who favour a constitution which bars legislation giving officials the power to make regulations.

But in order to go beyond impressionistic views, it would be necessary to draw upon a well-considered theory of the role which government should play in a modern society like Australia. There is little doubt that opponents of the growth and increasing interference of government should give more attention to defining what the job of government is.

A positive theory of the role of government would provide a basis for evaluating the three options outlined above — and others which might be devised. Additional factors, such as the size of modern societies and the complexity of modern government, would also need to be taken into account. This is not the place to develop a theory of the role of government. But it is plain that any serious strategy to secure the rule of law would have to come out of this kind of analysis. It is also plain that any serious attempt to implement such a strategy could only come from a strong and purposeful political organization.

In the absence of a serious strategy, it would be desirable if governments would show more concern for people who respect the law and try to comply with it. Too often the effect of procedures designed to catch law-breakers is to make life more difficult for those people who try to live by the law.
Preface

Sir Arvi Parbo is not involved in party political activities. His friends delight in telling him that he does not understand politics, a fact which, as he concedes, is probably true, since what is said to be good politics, quite often makes no sense to him at all.

He believes that, in politics pursued on party lines the participants are at times obligated to support attitudes and policies regardless of whether or not they agree; there is pressure to pursue positions or to adopt tactics to gain an advantage over the opposing party, even if these are not in the long-term interest of society. This is what one of his friends calls the democratic disease!

Sir Arvi wants to be free to deal with issues on their merits, regardless of whether it suits the purposes of one political party or another. To this end, he is continually reminded of the Bismarck quote "if one wants to retain one's respect for politics or sausages, one should not know too much about how either is made."

Whilst not party political, he is a strong supporter of the democratic private enterprise system, not because of ideology, but because of the personal experience of having also lived under two other very different systems of government.

He believes that the attempts in recent years for the state-owned economies of the Soviet Union, China and elsewhere to move towards private enterprise are no more than belated recognition that it is the only system compatible with human nature and capable of delivering a high standard of living in an environment of freedom of body and spirit.

Whilst a strong supporter of our system, he is very much aware that amongst the many freedoms it generates are the freedom to make mistakes and the freedom to pursue nonsense causes. He believes that some of the nonsense issues are such that they detract from and even endanger the system.

On the 5th May, 1989 Sir Arvi delivered a speech to the Melbourne Branch of the Liberal Party of Victoria, stating that the views he expressed were not particularly tailored to that particular audience, and that he would express the same views to a gathering of the Socialist Left or to the Supreme Soviet. But as he says, "so far I have not been invited to address either the Socialist Left or the Supreme Soviet!"

Following, is the transcript of that thought provoking address given on the 5th May:

What appears important to different people seems to relate to what they do. Politicians talk about "political reality" as superseding everything else; if you are not elected, other things do not seem to matter much. People in the industrial relations area regard what they call "industrial reality" as governing everything, which usually means awarding with great unction the lion's share to the lion! You might therefore say that when I am holding up "economic reality" as the key concern, I am simply reflecting my own background. This is probably true to some extent, but I submit to you that, in the end, economic reality is what governs all our lives, including those of politicians, union leaders, industrialists, and everyone else - even social workers. We can ignore this reality for a time - at a cost - but we cannot avoid it for any length of time. The cost of ignoring it in the short term will eventually have to be paid. Regrettably, it is never paid by those in power who make economically bad decisions but by the citizens: by you and me.

The quality of life in its many facets - material, social, cultural, intellectual, psychological,
religious, family and so on - depends on a strong economic base. All their supporters demand more resources. To use our economic performance as an indicator of achievement and well-being is not an expression of greed or a mindless quest for material possessions, but simply a shorthand way of expressing our ability to achieve high standards across the whole spectrum of human activity. Also, the weaker the economy the more possible it is that the democratic system will break down.

**It is difficult to imagine a country in more advantageous circumstances than we are.**

We have the stewardship of a huge continent. We have the ability to produce far more food and fibres, such as wheat and wool, than we need.

We have a great abundance of virtually every mineral and a high potential for finding more. We have far more than adequate land and an excellent climate, no pollution problems worth speaking about, relatively few natural disasters, no real racial problems, a literate population and freedom from terrorism. We are part of the Western Pacific region, economically the fastest growing area in the world, with no quarrelsome neighbours or discernible military threat at present. We have a truly democratic political system, an impressive record of economic development, high living standards, and a proven ability to establish and operate world scale enterprises. We should be the envy of most of the people elsewhere in the world.

One of our major concerns is to convince the world that a small group of just over 16 million people deserve to be the guardians of such good fortune. We can do so only by making wise use of the advantages and by gaining the respect of the world for the way we conduct ourselves. **Building a strong and prosperous economy is a vital part of gaining this respect.**

A strong economic base will also enable us to gain respect through establishing a defence capability which we do not have today. We would be extremely foolish to assume that the present lack of identifiable external threat will last forever.

**Instead of being strong, the Australian economy is at present in deep trouble.**

In addition to importing investment goods which will subsequently earn their keep, we are also consuming considerably more than we are producing. The continued functioning of Australia depends on a massive inflow of overseas money to pay for the difference. While this inflow enables us to keep going, it also adds to the already excessive and growing overseas debt which in turn makes the problem worse.

In June 1980 our net overseas debt was 6.3% of GDP - that is 6.3% of what we produce annually. By June 1985 it had leapt to 25% and is now over 30% of GDP. In these terms it has risen by five times in less than a decade. In money terms we have gone up 14 times from a net debt of about $7 billion to what will be around $100 billion by the middle of this year. (The gross debt is well over $100 billion.) The debt is increasing at the rate of $50 million a day. During the next hour and a half - it will have increased by $3 million!

**Some of us in the business community have come to feel a little like Cassandra!**

You may remember from your classical education that in Greek mythology Cassandra was the Princess of Troy who was given the gift of prophecy by her suitor, Apollo. But, she turned him down so Apollo, being a god, and seeking revenge, caused her not to be believed. She kept on, to no avail, warning about the calamities she could see ahead.

A number of people started to express concern about Australia’s overseas debt as long as five years ago. In this case it has been not so much a matter of not being believed than of being over-shadowed by the so-called political realities; the overwhelming desire not to upset the voters.

After a brief period of realistic public appraisals of the situation by Paul Keating, the Prime Minister and the Leader of the Federal Opposition in mid-1986, there was virtually no mention of the debt problem by either major political party in the July, 1987, Federal election campaign. The issue was simply avoided. Following the subsequent unexpected upturn of commodity markets, we were advised last year by the Government that all problems had been as good as solved. It has dawned only quite recently on the broader community that, while benefiting from a major commodity boom, we have been at best only maintaining our position and most likely actually going backwards. What will happen when the commodity markets turn down, as they certainly will at some time in the future - perhaps in the near future? In the middle distance there is the additional problem of Bass Strait oil production running down which, in the absence of major new oil discoveries, will need to be replaced by imports.

**My analogy of the Australian economy is that of an egg standing on its end, and the**
sharp end at that.

It is absolutely vital that we should face up to this very serious problem. There is a great danger that, with another Federal election looming, the major parties will once again sweep the unpleasant matters under the carpet. The Treasurer, in his April Economic Statement devoted all of three sentences to it. The Leader of the Opposition in his Address in Reply was more outspoken. It remains to be seen how the issue will be dealt with at election time. Meanwhile, the cost of not dealing adequately with the economic reality keeps mounting. You and me and our children will have to pay for it.

It is a sobering thought that the reason this might happen is that the politicians believe we the voters, do not want to face up to the problem. If this is true then in the end we ourselves are to blame. Do the politicians under-estimate us, or have they read us right? Are we really so foolish that we think hiding our heads in sand will make the reality go away?

There is no need for us as a nation to be negative about the future. The solutions to our problems are in our own hands. There are recent examples of countries which have succeeded spectacularly, starting from a far less advantageous position than ours. The challenges before us are in fact great opportunities to change the life of Australians very much for the better.

Our basic need is for much better performance. This includes working harder, but it means much more than that. It means improving our skills, removing artificial obstacles to the efficient functioning of the economy and, above all, developing a community attitude which supports and applauds achievement. It means encouraging, not discouraging the natural desire of individuals to improve themselves. It means making the most of our advantages and abilities in a common sense environment.

In evaluating our performance we must compare ourselves not with what we did previously, but with our competitors around the world who, of course, are improving their performance all the time. The target is moving continuously.

Our competitors are the best in the world.

To succeed we need to match them and, indeed, be better than they are. This will make very high demands on the quality, determination, and skills of Australians.

This is the common thread through all our considerations of the future; we are very much a part of the world. We will succeed or fail depending on how we compare with the rest of the world. There is nothing we can do to escape this reality; there is nowhere to hide from it.

It is true that progress has been made in recent years towards these goals, and that the Federal Government can take a substantial part of the credit for this. I do not in any way wish to minimize these achievements, but it is also true that we are a long way from where we need to be. Governments tend to follow the policy of gradualism because this minimizes the internal political risks. On the other hand, gradualism means a high external risk that the changes do not occur fast enough. Our critically important transport sector is so far a perfect example of this.

A fresh approach is clearly necessary.

It seems to me that to make real progress in many such issues needs an openly and strongly bipartisan political approach. Not only must the interests of the nation be put above petty political bickering but what needs to be done must be presented in the true light as great opportunities.

In Australia we still have a tendency to look to someone else to solve our problems. We tend to think of the economy as something which is separate from us as individuals, and which is primarily the responsibility of the government. We expect government, industry or unions, or other parts of the economic and social machinery to do things for us while we, the citizens, sort of look on. We have the tendency to behave as spectators instead of participants.

Many of us have developed an entitlement mentality; the way to get what you want is to demand it in a loud voice. The transformation of Australia into a performance-oriented society requires a major change in this attitude.

Superior performance is not achieved by governments, the industry, the unions or any other part of the machinery; it is achieved by individuals. The advantages we have as a country do not entitled us to anything; on the contrary, they represent an obligation to make full and wise use of these advantages.

We need single-minded dedication towards continually improving our performance, such as been shown to succeed for example in Japan, South Korea, Singapore and Taiwan. We need to understand that building a successful economy is not a one-off task which can be accomplished in a year or two, after which we can all relax and retire for the equivalent of the long weekend on the beach. On the contrary, it is an on-going task which is never finished, requiring persistent high
level effort day after day, week after week, month after month, year after year. It is something like walking up a down escalator: you’ve got to keep walking even to stand still and you’ve got to walk pretty fast to make progress.

We are a long way from having such dedication in Australia. In fact we have very active interest groups under various names which do not care or at best, do not understand about the other consequences of pursuing their single interest ambitions, and at worst are strongly and openly anti-development.

These groups represent a disparate and amorphous adversary culture. In its milder forms this reflects genuine concern about the community, the less privileged, the environment and so on; we are better off as a result.

In its more extreme form we find groups which are politically focused, ideological, or just bitter and power-seeking, which are out to exploit the idealism of some and the apathy of the rest. The groups embrace the high moralist, the radical chic, elements of the old left and many in the well meaning, educated middle-classes. Many of their elements have moved from rational and concerned debate to the politics of protest and, ultimately, veto. This includes the extreme so-called environmentalists, whose mission in life is not to ensure good care of the environment but to prevent any activity at all. Virtually any new projects of substance, from mining developments to paper mills, to new train proposals, to space ports and so on, are automatically opposed as a matter of principle.

Dr Goebbels, the celebrated master of the art of getting people to believe the outrageous, would be proud of the way such opposition is marketed today. The principle that the bigger the untruth the greater the acceptance continues to hold.

A very dangerous feature introduced in recent times has been that major new developments have been increasingly and successfully used by special interest groups as political footballs. Such developments are difficult enough to get off the ground in a fully supportive atmosphere. It is to be hoped for the sake of all of us that our political leaders will come to see that the future of Australia depends on bipartisan support of the developments we desperately need.

In Australian Rules football a new specialization by some players has developed in recent times, to which commentators have given the name of "roving negators." Their job is to tag the star players of the opposition, to do nothing positive themselves, but simply to negate their opponent’s performance. In economic activity we are also constantly tagged by such roving negators who seem capable of moving quickly all over Australia.

To return to Greek mythology: Prometheus stole fire for mankind from the supreme god Zeus and taught mankind many things to help them improve their life. For punishment he was chained to a rock where each day a vulture came to feed on his liver, which was then restored for the vulture each succeeding night. There are famous paintings depicting this legend.

It is perhaps too dramatic to use this as a direct comparison with modern day negators, but it is certainly true that a small but very active part of the community is busy out there devising punishments for those who are trying to improve our life.

Some Ministers and departments work hard to build and improve while others work equally hard against them.

A free democratic society must, of course, allow for all kinds of views and all forms of expression, however irrational and undesirable these may seem to some of us and even to the vast majority in the community. There can be no argument about that. There is, however, cause for great concern that many such groups are increasingly aided and abetted through funding and support by governments in a blatant attempt to gain votes. Thus we have the spectacle of some ministers and departments working hard to build and improve the economy, and others in the same government working, with considerable success, equally hard against it.

As a final analogy from Greek mythology, you may recall that King Sisyphus offended the gods and was condemned to roll a large stone to the top of a hill. Each time it reached the summit it rolled back down to the plain. The poor chap had to start rolling it up again so that his punishment was constant, eternal, and no doubt hugely frustrating. Some of the ministers dedicated to improving the economy must feel like that. I know that some of us in business and industry often do! The great rock represents the burden of unnecessary constraints, limitations, road blocks, excessive regulations, unproductive practices and at times just bloody minded obstruction which make Australia’s economic regeneration so hard to achieve.

The really worrying aspect of what is happening is that in circumstances where the country’s highest priority should be to encourage activities helping to overcome the current account deficit, and where all our efforts should be dedicated single-mindedly to getting back on our
growth during the system applying to gold mining which has directly
to the current account has been the taxation
As an example, gold production
in Australia has experienced ninefold growth since 1980.

One important reason for this extraordinary performance which made an invaluable contribu-
tion to the current account has been the taxation system applying to gold mining which has directly encouraged reinvestment of the profits in the in-
dustry. The price of gold has also been important, but has been only a part of the explanation as shown by the experience in Canada where the growth during the same time has been only threefold.

Contrary to the mistaken belief of many, profits from gold mining in Australia are not tax-free. They are taxed in the hands of the shareholders when they receive their dividends or realize capital gains.

The difference between gold mining taxation and general industry taxation is that there has been a strong incentive for gold companies to plough back profits into further investment, which is exactly what is needed. The system applying to the rest of industry actually discourages company savings. It encourages paying high dividends (with a tax rebate to recipients) and borrowing or otherwise raising money for new investment.

The Government’s White Paper On Taxation in 1985 concluded that an integration system (which is very similar to that now applied to gold mining) is the optimum for company taxation, and that the present imputation system should be regarded as a step towards it. One would therefore think that in the circumstances we find ourselves, the Government would be working very hard to extend the gold taxation system to all industry. Instead, it has decided to take the retrograde step of subjecting gold mining from 1991 to the second best imputation system.

It has been said that to bring about the positive changes is too difficult and too complex. Personally I have complete faith in the ability of our leaders and the administrators in Canberra to overcome any problems. We know that they are very good at this, because they admit it themselves.

There are some positive signs on the horizon. Australians should be encouraged to save more of their income for investment in productive activities.

Our savings rate for a country in our cir-
cumstances is far too low, and much of the saving there is, is invested in non-productive assets, either because this is part of our culture, or because these assets promise superior returns. A very important step in extricating ourselves from the unpleasant economic situation is to encourage Australians to save more of their income for investment in productive activities.

This needs a change of attitudes, the creation of conditions which make saving more attractive than spending, and an environment which encourages investment in productive enterprises. One of the pleasing consequences of the recent bad economic news is that public comment, including comments by some senior ministers in Canberra, has become supportive of encouraging saving. While there has also been some negative comment from Government, let us hope that the positive view can be put into a form which conforms to the political reality as seen by both sides of politics. If so, it will be one of the best things we will have done to help ourselves.

A finish on an optimistic note!

I want to finish on an optimistic note. I am an optimist by nature, otherwise I could not have spent my working life in the mineral industry.

I think that this country has a great future. We can make it a resounding success if we dedicate ourselves to achieving this.

I think that Australians are people of much common sense who will not be misled by the extreme ideologies or excesses of either the left or the right, or attracted to causes which make no sense when examined in the overall context of what Australia needs. I think that Australians have the good sense to see the roving negators for what they are; not only non-contributors but a dreadful burden on the community. The negators do not disadvantage just business and industry; they work against the best interest of us all.

The future is in our own hands.

I believe that our young people are amongst the brightest and the best anywhere, anxious to make their contribution, needing only guidance and encouragement. The country will be in good hands when in due course they take over responsibility. Our main concern should be that we should not need to be ashamed of the legacy we leave them.

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Case Against Exams Fails

As a matter of history, public examinations were introduced for reasons of equity, because the school system favoured those already favoured by their parents' recognition of the value of education, and their ability to pay for it. External examinations gave students who lacked the advantage of having attended a prestigious school the opportunity to be judged according to their ability rather than their social origins. Nowadays, there are those who say that examinations disadvantage the already disadvantaged though they have so far been unable to support this assertion.

Two arguments are commonly advanced by those who object to external testing. The first argument is that the most important things that students learn cannot be tested at all, or, if they can, it is not by any formal external means. So which are these most important untestable attainments? They are usually qualities associated with the concept of creativity — imagination, sensitivity, originality, intuitive understanding, etc. These are admirable qualities; and if it is true that they cannot be formally tested, it might also be true that they cannot be taught, though they can be nourished by education. Let us take the case of creative writing, which has had quite a vogue in the schools. The folder of assorted work so frequently handed in as 'creative writing' is, as teachers well understand, impossible to 'mark'; and that is by some seen as sufficient reason for not correcting it. But genuine writers know that creative writing involves a thorough knowledge of language, its structures, modes and varieties — a discipline which can be formally tested. They know that correction, revision and rigorous editing is an essential part of the creative process. To the extent that so-called creative writing has replaced the formal essay for many students, it has encouraged the false view that technical accuracy is unnecessary, and even likely to inhibit creativity.

The second argument most frequently advanced against formal, external testing is that such testing determines both the content and method of teaching, and in doing so narrows educational experiences for both teachers and students. The teaching of individual subjects, it is said, is badly affected by external testing, because teachers ignore the things that can't be tested, and by concentrating on those which can be tested, narrow the interest and value of the subject. They teach, it is said, with the passing of the test as their objective, not the understanding of the subject.

If this is true, it is not an argument against external testing, but for radical reforms in teacher education. Teachers well-versed in their chosen subjects, and good at teaching, know that by teaching their subject well they will enable students to pass any test of their knowledge and skills. Teachers who are, after all, themselves examiners, must know that good examiners do not look for set answers, but for evidence that students have understood what they have been taught. I am most reluctant to think that teachers have so little faith in their own and their students' ability that they are afraid of a test set by somebody else.

In summary, I would say that all the arguments against external testing, of which the two I have outlined are the most insistent, have two conspicuous weaknesses. They assume unreformed models of external testing; that is, they call up a memory of the educational system satirized in Dickens' *Hard Times*, where narrow factual learning is whacked into reluctant students by the cane, and the teacher is an authoritarian maniac, determined to extract by force what has been rammed in by force. More seriously, they assume that there is no connection between external testing and 'real' education. I insert the word 'real' here to draw attention to a common logical trick, whereby you redefine a term by stealth. So, it is implied, what you have learnt can be tested, but what you have 'really' learnt cannot be. This is used as an argument against all testing, which is to shift the debate to false ground. It is certainly easier to test for information than for understanding, but possible and necessary to do both.

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The false distinction between what is ‘real’ learning and what is not reflects the still persistent bias towards process and against content, which is essentially a favouring of means over ends.

The Arguments for External Testing

So, if the arguments against external testing are poor, what of the arguments for it? There are three which seem to me to be the most important — these are the provision of accurate information, the monitoring of standards of achievement, and motivation.

There is no doubt that in the absence of external tests, especially at the transition points in schooling from primary to secondary, and at years 10 and 12, parents and later employers are not at all clear as to what the student has actually achieved. A certificate of work satisfactorily completed begs the question. An aptitude test has no content, and could well prove you to be perfectly suited to something about which you are totally ignorant. An internal assessment provides limited information which might be helpful to the parent, but is not to the employers who must make choices from among students of many different backgrounds. What is seen as a good student in one school, might be a mediocre or brilliant one in another. In a word, one cannot avoid the question of comparability. In the absence of a measure of comparable achievements, parents and employers are likely to take reputation as their guide, and reputation is not always a reliable indicator.

Without entering fully into the continuing debate about standards, I would say that anxiety about standards of numeracy and literacy is at the centre of contemporary concerns about education. There are still some educationists trying to beat off what they see as the enemy by claiming that there is no evidence that standards of literacy have fallen, while in the same breath claiming that they have never been higher. Such is the logic of much educational debate. You will, of course, come up with a silly answer if you propose the wrong question. As soon as you ask whether standards of literacy are adequate to the needs of employers or tertiary entrance, the answer is clearly that they are frequently not, and for quite specific reasons. And this helpful answer — that is, helpful to teachers, students, parents, employers, and tertiary selection committees — could most easily be elicited by an external test.

It has long been recognized that motivation or its absence can make or break a student’s educational opportunities. The ‘learning-to-be’ philosophy which became fashionable in the ’70s assumed, in its cruder forms, that seeking and finding one’s identity was the ultimate objective of education. I was given to idle moments and periods of inattention in class as I suspect most children are. But if I had offered as an excuse for my behaviour the suggestion that I was in search of my identity, I would have been given detention — and that would have been an appropriate response to juvenile absurdity. Motivation to learn cannot be separated from the requirement that one does learn, and is able to show what has been learnt. Self-motivation is rare, even in adults. As Samuel Johnson said: "...when a man knows he is to be hanged in a fortnight, it concentrates his mind wonderfully." What better argument for motivational testing could there be than that? Indeed, it is at least worth asking ourselves whether some of the disciplinary problems in the schools are not the result of too little being expected of students, not too much. Evidence from both the United Kingdom and the USA suggests that many teachers have very low expectations of what their students can achieve, and there is nothing more damaging than to be thought to be unable to accomplish things which are well within one’s reach. Underestimation destroys motivation and morale together. So, regular external tests of what has been learnt and what has been taught would be a significant clarifying and motivating force for teachers, parents and students.

One of the effects of the notion that one should teach the student, not the subject — as though to do both were impossible, whereas to do one and not the other is impossible — has been to eliminate failure from the educational system. At least some of the resistance to external testing comes from those who do not want failure to be re-introduced. It now does not seem to be understood that failure is inseparable from success. A person who gives up if a first attempt is unsuccessful is not likely to get very far. Failure can and should be used diagnostically, so that a student can be helped to overcome specific weaknesses; and so that wise choices of or changes in direction can be made. It certainly should not be a punitive device, but to pretend that it does not have to be faced is a deceitful practice, and should be abandoned.

External testing as I see it cannot cover anything like all the areas in which students acquire knowledge, understanding and skills. But, as I have tried to suggest, it can give precise definition to basic, necessary levels of achievement on which so much else in education and life depends.
Militarism and Ideology

Michael Walker

Mao Tse-Tung said that revolutions come from the barrel of a gun. He failed to say that once installed Marxist regimes maintain power from the barrel of a gun. Michael Walker exposes the myth that militarism is a product of capitalism.

Most people believe there is a connection between the form of political institutions adopted in a country and the attitudes which that country espouses and exhibits towards matters military. There is a widespread presumption that conservatives are more inclined to be hawks on the issue of defence and more militaristic in their outlook than those on the left.

This is as true in political commentary and discourse as it is in popular diversions such as movies and literature. The image of a semi-crazed, fascist Dr Strangelove prepared to visit his self-destructive urges on the world is etched into the psyche of North America. It is the image that many would like to convey as the archetype of the capitalist world. And, of course, we are all too familiar with the threatening image of the military-industrial megalith which is alleged to be essential to the prosperity of Western civilization, driven, as it is, by a dependence on unstable capitalist urges.

So it is that when we come to discuss matters of this kind, the agenda has been pre-empted to a considerable extent by preconception and foregone conclusions. The reality is that there is no such connection between militarism and the ideology which informs the political institutions of Western countries. This is very clear in the data compiled yearly by the British Institute for Strategic Studies and the US Arms Control and Disarmament Agency. Each prepares very similar figures on the extent of militarization of populations in different countries. The militarization ratio — the number of active, full-time military personnel per 1,000 population — for a large number of countries is displayed in the table opposite.

As can be plainly seen, those countries wherein the governmental ideology is Marxist tend to have a militarization ratio nearly twice as large as those countries which are not so influenced.

This is, of course, a very crude measure of the relationship between ideology and attitudes on militarism. But refinements or objections would not modify the numbers enough to account for the fact that there are nearly double the number of full-time personnel per 1,000 population in Marxist countries as compared to non-Marxist countries. The reality is that in Marxist countries, on average, there are 13.3 full-time military personnel per 1,000 population whereas in the non-Marxist world there are only 7.18 military persons per 1,000 population.

It is thus quite incorrect to assume that preoccupation with the military or the maintenance of large military forces is a characteristic of people who might generally be described as on the right of the political spectrum. This fact comes out most clearly in examining the extremes of the political spectrum. Compare, for example, Chile, an authoritarian government on the right with countries like Cuba or Nicaragua — two dictatorships of the left. Each of the latter has more than double the number of people under arms per 1,000 population than maintained by Chile. (Moreover, the data also reject the argument that might be mounted to the effect that Cuba and Nicaragua both have higher militarization because of the threat from internal or external sources. This is clear by comparison with El Salvador, for example, whose militarization rate is less than a fifth that of Nicaragua even though El Salvador is similarly beset from their point of view by internal and external threat.)

The regularity of the association of Marxist governments with high militarization ratios must make us ponder carefully the sympathies and intentions which motivate the central actors in issues like arms control and strategic defence initiatives. We can all be forgiven our scepticism and confusion in unravelling what may be implied by the number of ICBMs, warheads, and satellites employed respectively by the Soviet Union and the US. There is less room for ambiguity in deciding why a country like Mongolia, safely nestled in a surrounding of like-minded Marxist regimes, nevertheless mounts an armed force 6.4 times that maintained by Canada. The residents of Mongolia know, as the citizens of Nicaragua are discovering, that governments that seek to impose a single-minded conception of the "just society" require a large apparatus of force to ensure conformity.

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# MILITARISM RATIO FOR MARXIST AND NON-MARXIST COUNTRIES

<table>
<thead>
<tr>
<th>Selected Non-Marxist Countries</th>
<th>Marxist Countries</th>
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<tbody>
<tr>
<td><strong>Western Hemisphere</strong></td>
<td></td>
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<tr>
<td>United States</td>
<td>9.1</td>
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<tr>
<td>Canada</td>
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<td>Mexico</td>
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<td>Guatemala</td>
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<td>Honduras</td>
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<td>El Salvador</td>
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<td>Costa Rica</td>
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<td>Colombia</td>
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<td>Venezuela</td>
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<td>Brazil</td>
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<td>Argentina</td>
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<tr>
<td>Chile</td>
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<td><strong>Europe</strong></td>
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<td>United Kingdom</td>
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<td>France</td>
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<td>West Germany</td>
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<td>Switzerland</td>
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<td>Italy</td>
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<td><strong>Mid-East</strong></td>
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<td>Israel</td>
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<td>Turkey</td>
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<td>Jordan</td>
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<td>Egypt</td>
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<td>Saudi Arabia</td>
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<td>Iran</td>
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<td>Libya</td>
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<td><strong>Africa</strong></td>
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<td>South Africa</td>
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<td><strong>Asia</strong></td>
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<td>Thailand</td>
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<td>Taiwan</td>
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<td>Australia</td>
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<tr>
<td>Philippines</td>
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The militarism ratio is the number of active, full-time military personnel per 1,000 population (data are for 1982).

Terms of Reference

Corruption (1) "The replacement by private relationships of those public relationships among citizens by which the republic should be governed" (Pococke).

A definition such as this, which transcends specific crimes, reminds us of what a REPUBLIC or DEMOCRACY should be. Bribery is corruption, but corruption includes more than bribery. According to the French philosopher of democracy J.F. Revel,

Being 'corrupt' means somehow misapplying political or administrative power, whether directly or indirectly, outside its proper sphere, for one's own financial or material advantage or in order to distribute the gains among one's friends, colleagues, relations, or supporters...

Revel distinguishes two main types of corruption, which may coexist.

The first, which afflicts LIBERAL regimes in particular, stems from the possibility of collaboration between political power and business: invitations to tender bids; state markets; the waiving of laws or REGULATIONS; fiscal exemptions and various subventions — these form the sphere of collusion. The more INTERVENTIONIST and centralist the state, the greater the risk of its occurrence.

Revel's second type of corruption is "more common in COLLECTIVIST or widely NATIONALIZED systems", and involves the use of state power "to distribute public money in the form of preferential appointments, subventions, and sinecures."

Economics of Bureaucracy The study of bureaucracies on the assumption that bureaucrats are only human.

This subject is perhaps not clearly distinguishable from PUBLIC CHOICE THEORY. Probably the best-known work in the field is Parkinson's Law, which showed how bureaucracies tend to increase in size regardless of growth or contraction of whatever they administer. Parkinson proposed two motive factors: "An official wants to multiply subordinates, not rivals", and "Officials make work for each other." More formal investigations model bureaucracies as budget maximizers: "Larger budgets enable bureaucrats to satisfy their preference for salaries, promotion, job security and such non-pecuniary advantages as power, prestige and opportunities to allocate contracts" (MacDME).

The distinguishing feature of a bureau is that the whole or a substantial part of its costs are met out of the budget allocated to it, so its income is not directly linked to the demand for its services. This automatically screws up the incentives for efficient use of resources, and can bring about a situation where an organization staffed by large numbers of genuinely hard-working bureaucrats may have a negative net effect on the welfare of society.

Invisible Foot The unexpected factors that prevent social programs from going according to plan.

Adam Smith coined 'INVISIBLE HAND'; Milton Friedman, arguing that society is too complex for us to successfully practise SOCIAL ENGINEERING, coined the 'Invisible Foot' which always gets put in it. All social programs involve getting people to change their behaviour, which they may not want to do.

No social program, no matter how ingenious, can anticipate and forestall the myriad ways in which people will seek to get their way and thereby frustrate, with or without intent, its aims. (Charles Murray)

Liberate Originally, to deliver from tyranny; now, more often, to deliver up to tyranny.

Vietnam, Cambodia, Laos, and perhaps Nicaragua. In a previous generation, Latvia, Lithuania and Estonia had the misfortune to be liberated successively by the USSR, Germany, and the USSR again.

Market (1) Primarily an information-transfer mechanism. What all markets have in common is a flow of information among numbers of buyers and sellers, so that transactions are not carried out in isolation, but are affected by and in turn affect other transactions between other parties. One stall selling mangoes by an African roadside is not a market. Ten stalls selling mangoes in an African town square is a market: buyers and sellers can compare price, quality and supply at the various stalls. Ten stalls spread over a hundred kilometres of road constitute a market too, with the information being carried by travellers.

(2) Free markets Does not mean free of rules: effective functioning of a market requires rules, and sanctions for their breach. The rules need do no more than outlaw fraud and coercion, but usually also cover matters of procedure (e.g. terms of settlement in commodity or share markets). A free market is one to which entry is not artificially restricted and in which prices are not controlled (cf. REGULATION, CONTESTABLE MARKET).

(3) Not a zero-sum game Voluntary market transactions by definition leave both parties better off, or at least less badly off. On a hot day, I'd rather drink a glass of beer than keep my dollar, and the publican would rather have the dollar than keep the beer. If I wasn't thirsty I wouldn't have to buy a drink, and — licensing REGULATIONS apart — if the publican didn't like my money he wouldn't serve me.

From Wet, Dry and Privatise: A New Political Phrasebook by John Nurick. Published by the Australian Institute for Public Policy, 23 Mount Street, Perth, 6000. $7.95 RRP plus $1.25 p & p.
Do Railways Have a Future?

John Hicks

"It is no use the States crying poor while, at the same time, their profligacy is revealed... by sub-economic pricing of key resources, such as for out-moded rail services... The State railways are... crying out for reform."


The losses of government transport in Victoria and NSW have reached such proportions — close to $2 billion per annum or about $190 per head — as to raise a question as to the future public provision of such services — particularly rail — in Australia. Unless something is done substantial sections of the rail system may eventually have to be closed down. Already road transport has made significant in-roads into the freight business and into the carriage of passengers. The UK Government's recently announced decision to undertake a major expansion in road-building in preference to rail illustrates the threat to rail.

Yet, while this crisis is occurring in government-run railways, the private sector is examining very seriously an exciting project to run a Very Fast Train (VFT) between Melbourne and Sydney on a profitable basis. In addition, sections of the US rail system that have been privatized (e.g. Conrail) are operating profitably and privatization of the UK rail system is certainly on that Government's agenda.

Clearly there is potential to reduce public transport losses substantially, if not turn them into profits. A recent IAC report confirms this. It points out that there is scope to undertake productivity improvements that would cut the losses in Victoria and NSW by between 25 and 50 per cent. But to achieve these improvements would require the elimination of restrictive work practices and overmanning which, hitherto, the respective Governments have lacked the political will to tackle. In fact, railways' management has been subjected to continuing political interference on industrial relations and other policy issues such as closure of uneconomic lines.

Now, however, there are indications that the NSW Government may be prepared to act. The NSW Minister for Transport, responding to a report from the consultancy firm of Booz-Allen and Hamilton (BA&H), has announced major reductions in employment on CityRail services. He added that "It's like being told by a doctor that you have cancer. It's extremely serious but they know how to fix it." More recently, the NSW Premier has reportedly suggested that parts of the rail system could be sold to private enterprise.

How Big are the Deficits?

Nobody really knows the full extent of the losses of the public transport systems because the published accounts suffer from many (and varied) defects. For
example, it is common to exclude capital charges on borrowings and include, as a revenue item, various government subsidies to the transport authorities as compensation for the Community Service Obligations (CSOs) provided. Similarly, comparisons over time are extremely hazardous because of changes in both institutional and accounting practices. The IAC report notes that "meaningful assessment, and also comparison, of the financial performance of public rail authorities is inhibited by the limited accounting information published by the authorities."

The best analyses, undertaken by the Commonwealth Grants Commission, omit from the revenue figures of transport authorities any subsidies from State budgets and include estimates of capital costs. On this basis Victoria's real total transport deficit increased by a massive 110 per cent between 1981/82 and 1986/87 (Fig.1). Although the total real deficit in NSW was only slightly higher in 1986/87 than in 1981/82, it showed a significant deterioration between 1984/85 and 1986/87.

The burden on taxpayers is highlighted by the fact that in 1986/87 public transport deficits represented nearly 10 per cent of general government sector outlays in Victoria (up from less than six per cent in 1981/82) and over six per cent of general government sector outlays in NSW. In Victoria the "Met" is estimated as earning enough revenue to cover only about 27 per cent of its costs. In NSW, the situation is similar with each commuter rail passenger being subsidized an average of $2.50 per journey and each long-distance rail passenger an average of $125.00 per journey.

Why Deficits Have Increased

The increased deficits are the result of many factors. But it is difficult to avoid the conclusion that they epitomize one of the major problems with all government enterprises, namely the unwillingness of politicians to allow management to manage. In consequence, the tough decisions needed to close uneconomic lines and services, and to deal with industrial disputation, are avoided.

Weak Management and Strong Unions

Overmanning and restrictive work practices add to labour costs and inhibit the achievement of higher productivity.

(A) Overmanning

Feather-bedding is endemic in public transport and has resulted in union-determined work practices which have held back productivity growth. Yet the authorities appear emasculated when confronted by union resistance to change. Any proposed modification in employment conditions is typically met with instant industrial action. The management, often at the direction of its political masters, frequently capitulates

Public Transport Authorities of NSW and Victoria

The division of Victoria's public transport authorities into the Metropolitan Transit Authority (MTA) and the State Transport Authority, Victoria (STA) commenced in 1983.

The STA, trading under the name V/Line, is responsible for the operation of intrastate and interstate freight and passenger services by rail and road outside the Melbourne metropolitan area.

The MTA is responsible for the operation of Melbourne's metropolitan transport services by rail, bus and tram. It is currently proposed that the two authorities be merged to form the Public Transport Corporation.

In NSW, all rail transport is the responsibility of the State Rail Authority of New South Wales (SRA). Urban bus and ferry services are the responsibility of the recently renamed State Transit Authority.

The functions of SRA have been divided into two groups headed by their own Group General Manager. These are: CityRail which is responsible for the commuter systems of Sydney, Newcastle and Illawarra; and Freight and Country Passenger Services — responsible for the remaining interstate and intrastate rail task.
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Reductions which have taken place in staffing levels in recent years were long overdue. Victoria's V/Line, for example, was the last of the railways to bring in two-man freight crews in 1986. Most European rail systems eliminated three-man crewing at about the same time as steam power was abandoned.

But overmanning remains a problem. BA&H reported that excessive staff levels and inefficient work practices at SRA (State Rail Authority) were costing commuter rail in NSW $110 million a year.

(B) Industrial Disruption

Over the seven years to June 1987, SRA and V/Line had average levels of working days lost per thousand workers which, respectively, were over two and three times greater than that recorded for all industries.

A decline in recorded disputes reported recently may mean no more than that unions have begun pursuing industrial action in ways that are not captured in the official data. Effective industrial action does not have to be overt. For example, damage to freight, costing about 0.5 per cent of revenue in Victoria — a rate much higher than that reported in road freight — may, in part, result from industrial action.

(C) Productivity

An international comparison of partial labour productivity for 51 rail systems (reported by V/Line) ranked V/Line 24th and SRA 18th. Measured as train-kilometres per employee, the Netherlands ranked first and other industrialized nations generally outperformed the Australian systems, while less developed nations ranked lower. V/Line admits in its 1988 report that there is scope for productivity improvements to reduce rail costs by 30 per cent.

Continuing industrial relations difficulties have contributed greatly to the poor productivity record.

Disregard for Economic Reality and the Failure to Justify CSOs

Many uneconomic services provided by public transport authorities are the result of Community Service Obligations (CSOs) imposed upon the authorities by government.

CSOs result in income transfers between different groups in the community. To the extent that CSOs affect charges, the user's choice of transport mode is distorted.

The 1972 Bland Report and the 1980 Lonie Report recommended that a commercial business direction be adopted by the Victorian railway authority, which should be financially compensated for providing any commercially non-viable services specifically requested by the Government. These recommendations have largely been ignored.

Levels of working days lost were over two and three times greater than that recorded for all industries.

In NSW the situation was, prior to the election of the Greiner Government, no different. Under the new Administration, community services, it is claimed, will be regularly reviewed and any that are found to be uneconomic will be withdrawn unless the Government specifically makes provision for them in the budget process.

(A) Metropolitan Commuter Services

All of Australia's rail passenger services incur losses, and it is generally recognized that some subsidy is warranted because the alternative — building additional roads, etc. — would be prohibitively expensive or impractical. However, in Victoria, we know virtually nothing about the costs (and benefits) of such services. What groups, for example, are reaping the benefits of unlimited travel on the system at a cost of less than $5 per day? Is it the legitimate disadvantaged or middle-class Australians travelling to and from work?

Despite this, and the fact that there is an overwhelming user preference for private transport (which has seen passenger numbers on trains decline to levels that are only about 70 per cent of those in the early 1970s), the Victorian Government says that it remains committed to expanding public transport.

In NSW, BA&H found the commuter system to be antiquated, inefficient and grossly unproductive. The system had a very poor standard of infrastructure despite receiving significant capital funding over many years.

4. CSOs are noncommercial policy objectives which the transport authorities are required to provide. For example, railways may be required to maintain inefficient branch line operations, provide loss-making commuter services for the 'disadvantaged', or subsidize freight rates.
revenue controls were lax and fare levels were low by world standards — with fare evasion costing the Government up to $50 million a year.

(B) Country Commuter Services

Private enterprise bus and coach services can generally provide a better and more economic service for most country travellers than can rail. Interstate road coach fares have declined in real terms in recent years and have therefore gained patronage at the expense of rail's interstate services. The continued provision of rail services over these routes represents a mockery of the efficient use of resources and at virtually no social benefit.

(C) Freight

There is no doubt that freight-only rail systems can be profitable. Indeed, many of the American and Canadian railways are already in that category.

In a major change of policy in 1988, the Commonwealth Grants Commission decided that it would omit rail freight services from the state services which it examines to see whether interstate differences in the cost of operation should be ‘equalized’ by a differential amount of general revenue assistance from the Commonwealth. This decision implied that such services should largely be commercially viable and should cease to be treated as a type of social service.

In recent years, high terminal costs and the efficient door-to-door service offered by road transport, have made some forms of rail freight increasingly uncompetitive and unnecessary.

In fact, a major impediment to the financial viability of freight operations is the provision of less-than-car-load freight — small shipments of miscellaneous merchandise, usually bound for country stations and averaging less than the capacity of one freight wagon in volume.

**Government Protection And Intervention**

Historically, the Commonwealth and State governments have used public transport authorities (particularly rail) as instruments to pursue political objectives. Not only do governments direct their transport authorities to provide CSOs but Ministers intervene in routine operational matters. For example, BA&H found that, for CityRail, managers do not have the authority to hire and fire, and are obliged to employ unsuitable staff. In addition, they cannot penalize non-performance.

Competitive pressures on public rail authorities are constrained by regulations which severely restrict, and in some cases actually prohibit, the use of road transport for the carriage of grains, minerals, timber, fertilizers and petroleum products. The result of all such regulation is to reduce the incentive for rail authorities to contain costs and to deny transport users free choice of the most economic mode for their particular transport needs.

**The Future**

In both Victoria and NSW plans have been announced to lift the game of the public transport sector. In 1988 Victoria’s State Transport Authority Plan (STAP) identified "achievable productivity

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<th>Is work just a 4-letter word?</th>
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<tr>
<td>• When the NSW Commission of Audit issued its report last year (the Curran Report) about eight percent of SRA staff (nearly 3,000 people) were on ‘select duties’. These staff were unable to perform their normal duties because of health-related problems. The net cost of this group was approximately $40 million per year.</td>
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<tr>
<td>• V/Line estimates that industrial action over changes to shunting arrangements in 1985/86 cost $14.9 million in freight parcel revenue.</td>
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<td>• Rail employees in NSW are covered by 30 different unions, raising the scope for demarcation disputes.</td>
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<td>• Non-observance of work start and finish times contributes to lost productivity, which is as high as 25 per cent in some engineering branches of SRA.</td>
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<tr>
<td>• For the six year period, 1981-87, the number of working days lost per thousand employees in SRA was double the average for all industries. For V/Line, it was triple.</td>
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<td>• In both NSW and Victoria, labour costs account for more than 70 percent of railway operating costs.</td>
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<td>• Establishing two-man freight crews in Victoria led to a six-day strike and six months of disrupted services.</td>
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<td>• The Chairman of V/Line commented in the 1985/86 annual report &quot;...we have been trying to operate a modern transport system with horse-and-buggy work practices.&quot;</td>
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improvements" aimed, primarily, at a more efficient use of labour which, if implemented, would reduce V/Line's rail costs by 30 per cent.

The IAC argues that the productivity improvements identified by V/Line could also be implemented by other rail authorities as their work practices are similar to those applying in V/Line. The expected gain from the elimination of these restrictive work practices would be a 50 per cent reduction in the public transport deficit in NSW and a 25 per cent reduction in Victoria.

Such action, together with the elimination of uneconomic services and unjustified CSOs, the adoption of a fare structure that reflected the benefit of the service to the transport user and full compensation to the transport authorities from general budget revenue for the provision of CSOs, could eliminate the huge public transport losses in Victoria and NSW.

No doubt such changes, while technically feasible, would be industrially and politically difficult. The question remains as to whether sufficient political will exists — in the face of union opposition in particular — to carry through the reforms that are urgently required.

In NSW, the Government has, at least initially, encouraging steps. A series of reports culminating in the Booz-Allen and Hamilton Report7 has laid open the finances of the rail system in NSW and given the Government the opportunity to start rectifying the problems under full public scrutiny and with full public participation.

However, the NSW Government's response to the report on CityRail has been mixed. It has announced its intention to cut CityRail's staff from 13,100 to 7,600 during the next five years — in line with its policy of reducing SRA's total staff by 10,000 in four years. It has also indicated that the internal structuring of fares may be altered to make longer and peak hour journeys more expensive and it has given its commitment to reducing annual running costs by seven per cent in real terms each year through changes in work and management practices.

Unfortunately, the Premier, Mr Greiner, has rejected the strong recommendation that fares be increased an additional seven per cent above the CPI increase each year because of his irresponsible promise that public charges would be kept within the CPI.

In addition, the Minister for Transport has promised that the Government will not cut the size of the system as a way of containing the burgeoning costs — preferring to spend some $2 billion on upgrading it. This decision is of dubious wisdom. In the past, particularly in NSW, overall rail deficits have continued to increase despite increasing levels of capital investment (which are aimed at forcing a long-term reduction in maintenance costs).

It remains to be seen whether or not intended reforms to management practices (if implemented) result in a more selective funding of capital projects which will permit an increase in cost recovery.

These blemishes aside, the NSW Government has, through the changes outlined above and through new laws requiring that SRA become commercially viable, provided an example and a challenge to the government in Victoria — a challenge, it is to be hoped, that will be taken up.

7. See also; New South Wales Commission of Audit (1988), Focus on Reform: Report on the State's Finances, C.P. Curran (Chairman) and PA (1988), State Rail: Future Directions, SRA: Sydney.
Good Schools in Bad Neighbourhoods

Susan Moore

Can schools in socially and economically deprived neighbourhoods generate enthusiasm for learning and excellence among their pupils? Susan Moore visited two remarkable schools in America which show that this can be done.

Visitors to the Katharine Brennan School in one of the poorer black neighbourhoods in New Haven are welcomed by the principal, Mrs Dietria Wells, as if they were guests in her own home. The grace and warmth of her manner reflect an educational philosophy anchored in thoughtfulness and concern. When I was taken by her to visit a group of third graders who had been told an Australian was in the vicinity, the children greeted me as a trusted friend, someone who could be immediately relied upon because she had come to class with their devoted principal. Until I was whisked away some 20 minutes later, they pummelled me with questions about my corner of the world. Nothing that I witnessed subsequently — and I saw many encouraging signs of vitality — revealed as much about the school's educational climate as this spontaneous display of curiosity and interest. Every child spoke.

I first read about the Katharine Brennan School in Scientific American, which gave its impressive record of academic success a proper context. It is one of a group of community schools organized around a plan conceived by James P. Comer, a professor of child psychiatry and Director of the School Development Program at Yale University. This plan sprang from Dr Comer's own experience at a low-income black primary school in East Chicago in the late 1930s. Three of his intellectually able friends there, despite coming from two-parent families whose fathers had jobs, ended up in jail, in a mental institution, and in the morgue. The difference between their fates and his, he decided, could be explained chiefly by dissimilar experiences at home. Because his parents gave him social skills and confidence, he knew no gulf between the values and expectations of home and school. At Yale years later, determined to break the nexus of academic failure and ruined lives in the history of countless black children, he began to develop school programs designed to bridge this home/school gulf.

James P. Comer believes that the starting place for reform in schools is not teaching credentials or basic skills, but the creation of an atmosphere of trust founded on a sound understanding of human developmental needs. Since a major need of all children is to develop strong emotional bonds with grown-ups, the Comer plan concentrates first of all on staffing schools with teams of adults who can work well with one another and therefore with the youngsters in their charge, so that cooperation, harmony, and order become facts of school life. Children who are weak in the social skills upon which academic success so often depends — e.g., learning how to share, negotiate, compromise, handle leisure time, or organize activities for parents and other school guests — are given thorough instruction in them.

Instead of adopting the usual authoritarian structures found in schools, Comer Plan schools are headed by teams which share power by making together all of the decisions responsible for the school's well-being and growth. An elected governance and maintenance team, led by the principal and made up of parents and teachers, a mental health specialist, and a member of the non-professional support staff, focuses on problem-solving (not blaming) and determines policies and activities by consensus. A mental health team, consisting of psychologists, social workers, and Special Education experts, works on its own and with the school staff to resolve learning or behavioural problems. Additional teams of parents and business people (e.g., personnel at a local telephone company) serve as resource persons by reading aloud to groups of children, teaching craft, calligraphy, cooking, or whatever, acting as paid classroom aides, or sponsoring fund-raising and other extra-curricular activities.

Because all of the adults who man the teams know the school so intimately, and because they have a stake in its successes, their record thus far has been unusually

Dr Susan Moore is a Research Fellow in the IPA Education Policy Unit. She has just returned from a month's visit to American schools and colleges.
good. In 1987, 92 per cent of Katharine Brennan's parents visited school ten times or more. According to *Scientific American*, K.B. is now academically one of the most reliable schools in the city, with norm scores on the Iowa Test of Basic Skills well above the national average in Maths and Reading. For over a decade there have been no serious behavioural problems there or at the other major Comer Plan Elementary School in New Haven, Martin Luther King. As of last year, at least 50 schools in other states were emulating their practices. Understandably, Dr Comer and his staff are regularly besieged by requests from visitors from every region in America and overseas to see his plan in action.

In his widely praised book, *Horace's Compromise*, one of America's most influential reformers, Theodore Sizer, remarks that principals are schools' principal teachers because of the tone they set and the vital judgments they make. As I walked with Dietria Wells along Brennan's corridors, I found myself silently acknowledging the truth of this observation. Without ever being intrusive, Mrs Wells' approach to people and schooling invites the good will which creates an atmosphere conducive to learning. Everywhere in the school, as we moved about, adults and children spoke to one another with affection as well as courtesy. Their most casual exchanges were informed by cheerfulness and good humour. When they stopped to address their principal, they did so with a warmth that included me. In my long experience of schools, an emotional climate of this kind is rare.

In the car on the way to the train station, discussing the vital role of parents in schooling, Die Wells told me about the enormous influence her own parents had on her North Carolina schooling. With calm matter-of-factness she spoke about their encouragement, and their conviction that the first responsibility of home and school is to produce good people. She mentioned this in the context of a discussion of crime in the area, and the suffering endured by children at her school because of it. The love such children need, she implied, is limitless; and the adults responsible for their care must endlessly bestow it. A teacher's obligations, she suggested through personal example, extend well beyond conventional bounds. Children must feel that they can come to talk to every person in the school, including the principal, when they need to. They must know, too, that in times of grief their houses are not forbidden territory to teachers and support staff who care about their welfare.

Dr Comer doesn't comment in such a detailed personal way about the responsibility of his teachers — not, at least, in the articles of his that I have read. But a grasp of love's purview, as Dietria Wells defines it, is implicit in his vision of community. His central administrators — some of whom I observed in action at the office of New Haven's unusually able superintendent of schools, John Dow, Jr. — his teachers, and his support workers are united in their dedication to an excellence which transcends the usual requirements of formal schooling.

**Paideia Schools**

If, in theory and practice, James P. Comer's beliefs about school and community were combined with Mortimer J. Adler's views about the importance of a liberal education for all pupils from kindergarten onwards, there would be ideal schools. Adler begins where Comer leaves off: on the school curriculum and how it should be taught. No one I have read in this century is more lucid on this subject, or more persuasive, than he is.

Mortimer Adler, at the age of 87, is Chairman of the Encyclopedia Britannica's Board of Editors, Director of Chicago's Institute of Philosophical Research, and a Senior Associate of the Aspen School of Humanistic Studies. For over 50 years he has been writing essays of extraordinary intellectual and moral power on the nature and goals of education. But he may be more familiar to Australians as a philosopher associated with the University of Chicago's Great Books program and its implementation at St John's College, Annapolis, and Santa Fe. During the last decade his major project has been the establishment of Paideia Schools (paideia from the Greek pais, paidos: the upbringing of a child)
designed to implement, further, principles of teaching and learning fundamental to the concept of a liberal education.

Essential to the project is the belief that all children, whatever their individual capacities, deserve the same kind of schooling. In our present multi-track system, Adler reminds us, learning objectives are not the same for all; but they ought to be. Schools need a one-track, general, 12-year course of study — preceded, if necessary, by pre-school tutelage. Readings for all pupils — not just for those who are most easily educable or university bound — should be distinguished by the quality of their ideas and language, and compiled from lists of primary material chosen by individual school staffs. Beginning with myths, stories, folk and fairy tales, and moving on to longer works of literature and excerpts from great discursive writing in all of the major disciplines, pupils should be able by Year 11 to handle such major thinkers as Plato, Aristotle, Euclid, Thucydides, Aquinas, Galileo, Machiavelli, Pascal, Mill and Darwin.

According to one of Paideia's distinguished associates, John Van Doren, the project aims “to overcome the passivity which limits learning in most schools by increasing children's participation in the process.” This is done by “varying the mode of instruction according to the different ends it must serve.” These ends are, first, understanding ideas and issues, which can come about “only through discussion and the exchange of ideas”; second, skill of many sorts, which is acquired “only through practice supervised by a sympathetic but demanding” coach or tutor; and third, information — the “least important component, since the most quickly forgotten”, which is imparted by teacher talk and textbooks.

At the heart of Paideia schooling is the weekly seminar program on assigned material which pupils are expected to read before they come to class. Teachers responsible for leading seminars cooperate as fully in the process of inquiry as pupils — by, for instance, asking probing questions, clarifying points when necessary, requesting fuller explanations, keeping discussion on the rails, spotting inconsistencies or loose formulations, and drawing attention to specific passages in the text which illuminate particular issues. In the best discussions pupils do all of these things, too — though usually with greater tentativeness than their teachers. Even first graders schooled in the seminar method very quickly acquire the habit of asking one another “What did you mean when you said that?” or of turning to specific sentences in a story to explain a conclusion reached.

At the Goldblatt School in Chicago, located in a neighbourhood so bad that cabs won’t go there, I recently saw children in Grades 1, 5, 6 and 8 (including a Special Ed class) discussing stories, a poem, and the Book of Revelation at levels I would not have believed possible in an elementary school. With an eloquence no less impressive for being clothed in black English, they pursued ideas, made imaginative leaps and inferences, analysed events, compared and contrasted specific passages in their texts, and developed coherent, sometimes complicated, arguments in the pursuit of meaning. In every class a majority of the children spoke, and spoke well. Nobody seemed to mind being pushed in the direction of increasingly exact statement, or being corrected if a suggestion was either imperfectly thought out or just plain wrong.

Although nobody spoke to me directly about the loving concern of the staff responsible for the openness and generosity everywhere apparent in the school, I could not help observing in the air a feel similar to Katharine Brennan’s. It was apparent in the confident manner of the children, their interest in one another’s ideas, and their willingness to speak freely in the presence of strangers. But I sensed it equally in the way adults greeted one another, and the readiness of the teaching staff to be observed by their coordinator, Roberta Brooks, who accompanied me to every classroom I visited. When I asked Mrs Brooks why Goldblatt was such an impressive place — why the analytical level of the discussions was so consistently high, higher than at other Chicago schools where Paideia has been successfully implemented — one of the first things she said was that teachers willingly work together, and with her, to improve their teaching. As well as having seminars of their own at which they discuss Great Book readings, many choose to spend vacation time at St John's, Santa Fe, in order to receive more complete instruction in Socratic teaching methods.

On the way to Kilmier at the other end of the city, Roberta Brooks added that many teachers at Goldblatt are people like herself who grew up in the neighbourhood, escaped from its more dangerous influences, and determined to give other black children a future by coming back into the area and encouraging them — by personal example primarily — to move beyond drugs, single parenthood, chronic illness, and violent crime. But later, with obvious pain, she acknowledged that many children do not survive the
pressures of their immediate environment even with the kind of support and training available at Goldblatt. One reason for this, she said, is that there isn't a high school in Chicago that has incorporated Paideia into its entire program. Another is that because Chicago children are allowed to attend the school of their choice in Years 9-12, many go as far away from home as they can, thereby losing Paideia access.

Even if Mr Adler and his colleagues at the Institute of Philosophical Research are able to persuade more schools in West Chicago to start Paideia programs (as is likely), and even if high schools around the city agree to allow all of their pupils to be involved in weekly seminars (also likely), the future of Goldblatt youngsters and others like them is likely to be secure only if more is done, along James P. Comer's lines, to involve parents and the community more fully in Paideia school life. In Chicago there is a gulf between home and school which doesn't exist to the same degree in New Haven. As a result, highly intelligent and able adolescents in disadvantaged areas are seriously at risk. The grounding many of these children need in order to escape from the unhappiness so pervasive in their environment is not adequately provided by sound, even brilliant, training in the use of the mind under the authority of deeply sympathetic teachers. More than that is needed.

In an essay on happiness in his brilliant and indispensable book Reforming Education, Mortimer Adler distinguishes between moral happiness (which depends on virtue), psychological happiness (which depends on the acquisition of real goods which we desire), and the happiness born of good fortune (which depends not on what we do ourselves, but on events beyond our control). My own suspicion is that for black children in many parts of Chicago, good fortune in the environment they know best is so rare that everything they are able to gain intellectually and morally in a place like Goldblatt is as vulnerable to destruction as if the school were literally an oasis. Just as Katharine Brennan needs what it doesn't yet have — Paideia seminars and a curriculum organized around Great Books — so Goldblatt needs a community support system much larger than the one that it now enjoys.

Imperfect as they may be, however, these two schools in Connecticut and Illinois are the most impressive educational institutions I have ever visited. Before they became homes for radical school reform, behavioural disruption and academic failure were their signposts. Now, they receive national attention and praise — both because they are staffed by 'ordinary' teachers who have learned to handle children in extraordinary ways, and because they encourage the growth of habits of mind essential to adult learning and well-being. There is a great deal that they have to teach us in Australia if we are attentive and sensible enough to learn from their example.

### The Paideia Curriculum

<table>
<thead>
<tr>
<th>Goals</th>
<th>Column One</th>
<th>Column Two</th>
<th>Column Three</th>
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<tbody>
<tr>
<td>Acquisition of Organized Knowledge</td>
<td>Development of Intellectual Skills and Skills of Learning</td>
<td>Improved Understanding of ideas and values</td>
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<tr>
<td>by means of Didactic Instruction, Lecturing, and Textbooks</td>
<td>by means of Coaching, Exercises, and Supervised Practice</td>
<td>by means of Maieutic or Socratic questioning and Active Participation</td>
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<tr>
<td>Subject Areas, Operations, and Activities</td>
<td>in these three subject areas</td>
<td>in these operations</td>
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<tr>
<td>Language, Literature, and Fine Arts</td>
<td>Reading, Writing, Speaking, Listening, Calculating, Problem Solving, Observing, Measuring, Estimating</td>
<td>Discussion of Books (Not textbooks) and Other Works of Art</td>
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<tr>
<td>Mathematics and Natural Science</td>
<td>Exercising Critical Judgment</td>
<td>Involvement in Music, Drama and Visual Arts</td>
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<tr>
<td>History, Geography, and Social Studies</td>
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The three columns do not correspond to separate courses, nor is one kind of teaching and learning necessarily confined to any one class.
Classics Under Attack

A major debate on American campuses focuses on the decision of Stanford University to revise radically its series of Western culture courses, designed to introduce all students to a core list of classics, from the Bible to Shakespeare. Instead, the University is substituting works by "women, minorities and persons of colour." The concept of a canon of Western literature, it is being argued, is elitist and ethnocentric.

Historian Gertrude Himmelfarb, is one who has publicly criticized Stanford's decision. She argues: "It used to be thought that ideas transcend race, gender and class, that there are such things as truth, reason, morality and artistic excellence, which can be understood by everyone."


China's Fear of Economic Freedom

China's economic reforms have proceeded through three stages (1) an initially successful effort in agriculture based on a far-reaching (if incomplete) de-collectivization of the farm sector and the emergence of a system of family tenant farming. Reflecting this, food output, labour productivity and rural incomes increased markedly between 1978 and 1984; (2) less successful reforms of the urban industrial sector in the mid-1980s; (3) a recent halting of the reform effort in the face of economic problems: an overheated industrial economy, inflation and widening income inequality. Many of these problems, however, are fundamental structural problems of a socialist economy formerly concealed by administrative controls (e.g. excess of demand over supply formerly manifested as queues for goods, now with looser price controls is manifested as price inflation).

China's regime should be warned that re-instituting centralized controls rather than boldly pushing ahead with the application of market mechanisms and the privatization of economic relations, almost certainly will lead to economic stagnation.


Incentives for Innovation

In many developing countries, laws protecting intellectual property rights (e.g. patents) are weak. Developing countries tend to feel that such rights give inventors and innovators an undesirable monopoly on advanced technology that can be used to extract unjustifiably high prices. Knowledge, they argue, should be made available at minimal cost to everyone since it is a common property of all. Such countries believe they should be given Western technology at low cost and that intellectual property rights would actually hinder economic development.

But this is a mistaken view. Intellectual property rights must be respected to provide a fair return to the private investors who take the substantial risks involved in developing and commercializing a new technology. Unless such returns are forthcoming, the incentives for inventive and innovative activity will be impaired, to the detriment of all nations, rich and poor. In two industries surveyed in America — pharmaceuticals and chemicals — it was judged that 30 per cent or more of inventions would not have been developed without the incentive of patent protection.


Assessing Greiner's First Year

The first priority of the Greiner Government has been to restore the integrity and reputation of public institutions. This has meant establishing an independent
commission on corruption and tackling head on the inheritance of a public service overloaded with political appointees.

The Greiner Government remains ambivalent about the vital issue of reducing and eliminating Government functions. Expenditure in the first budget grew by three per cent and it is clear that Mr Greiner does not believe the NSW public is ready for a large dose of privatization.

In industrial relations the NSW Government has introduced a tough Essential Services Act. Freemarketeers have argued that the new government should have loosened the strings controlling centralized labour markets rather than increase the power of the Industrial Relations Commission as the new legislation does.


The Economics of Crime

In this symposium on the link between economics and crime, D. J. Pyle analyses evidence which suggests that crime rates are affected by the rate of unemployment, the probability of detection and the severity of punishment. Masanori Hashimoto argues that a link exists between minimum wage laws in the US and teenage property-crimes; minimum wage laws are statistically associated with an increase in unemployment.

E. J. Mishan believes that there is overwhelming evidence that, as compared with life imprisonment for murder, capital punishment has a significant deterrent effect. Each execution of a murderer, he suggests, may save as many as 20 innocent lives.

Peter Clarke puts a case for the privatization of prisons. Privatization, tied to a system of incentives for the new prison owners (i.e. linking payments with rehabilitation rates) could reduce recidivism.


Reagan's Unfinished Revolution

The Republican leadership in the US appears to have run out of steam. There is a view widely held among conservative politicians, although not rank-and-file conservatives, that the great battles have been won during the Reagan years: now they want stability.

But not all politicians and few other conservatives see things this way. William Bennett, former Education Secretary, lists three specific items which deserve attention: enhancement of educational choice, support for the Contras, and opposition to abortion.

Secretary of State, James A. Baker, has failed to emphasize publicly the importance of Contra support, believing it to be an unpopular cause. But, unless the support is forthcoming, the Communist front-line may well advance through El Salvador to the Mexican-American border during the life of the Bush Administration.

Abortion is an even more emotive issue for US rank-and-file conservatives, symbolic of a deep-seated yearning for a return to traditional and family values. The Republican elite, however, appears unaware of how deeply moral questions affect the conservative rank-and-file.


Re-thinking US-Soviet Relations

Gorbachev's reforms thus far stop far short of being comprehensive, structural or irreversible. The West would be extremely unwise to base its policy on the premise that Gorbachev will succeed or even survive. Reductions in US defence spending and abandonment of the Strategic Defence Initiative would not provide the Soviets with much incentive to make deep nuclear and conventional arms reductions.

The Heritage Foundation, a leading US think-tank, is proposing a range of policy options to the new administration in Washington including: ending subsidized grain sales to the Soviet Union; enforcing the prohibition on importing Soviet goods made with prison labour; preparing strategies to respond to the probable series of crises in Eastern European countries as the region's economic situation deteriorates and ruling communist parties lose their legitimacy; more vigilance regarding untied cash loans and transfers of sensitive technology to the Soviet Union; establishing more stringent conditions for new US cultural or scientific exchanges.

In Wandin Valley the battle goes on to protect the haven of healing and compassion against the threat of unscrupulous businessmen, ecologically insensitive farmers, authoritarian fathers and heartless bureaucrats.

In October A Country Practice (abbreviated in this article to ACP) will become the longest-running drama in Australian television history. It is consistently the highest-rating program nationwide in its time-slot (7.30-8.30 pm, two nights a week). Its appeal appears to transcend boundaries of class, age and gender; and it now has even achieved some international success by being shown overseas.

To its credit ACP has achieved success generally without recourse to sensationalism, steamy sex scenes or explicit violence. Despite lapses into pathos, it remains a family show (although ironically there are no traditional nuclear families which feature), and it is consistently well produced.

The basis of ACP's popularity is not hard to determine. Set in the imaginary rural town of Wandin Valley in central NSW, the key value of ACP is community. Social relations within Wandin Valley are close-knit, characterized by a high degree of compassion, trust, obligation and intimacy. There is a strong collective morality and a very real sense of social solidarity. This is a helpful, caring community in which co-operation, tolerance and harmony between members ensures that no one is alone for long. Even outsiders are welcomed with open arms, cared for, protected, and as is usually the case, healed. The ethic is that of the 'Good Samaritan'.

Life in Wandin Valley, as in most traditional communities, is generally slow, ordered and peaceful — and above all, meaningful. People do real work and everyone has a sense of purpose. Even a comic character, Esme Watson, the town gossip who is a lonely, eccentric spinster, is given a purpose through minding children and organizing charity functions; this keeps her happy and occupied.

The sense of community is strengthened by the rural setting, the closeness to the land and to animals. Apart from the usual domestic and farm animals (including a pet pig), native animals such as wombats, echidnas, wallabies and even the occasional snake are tame and friends to humans. Nature is benign and the tie between humans and animals is one of mutual dependence.

The central institution of this community, as the title suggests, is the hospital and its appendages including a veterinary surgery and a medical clinic. The medical practitioners and those associated with the institutions of care are all virtuous, compassionate individuals, on whom the community depends. Dr Elliot, who heads the medical team (though strictly speaking there is no clearly delineated hierarchy at the hospital), is in many respects the ideal citizen of Wandin Valley. He is a gentle man, a competent doctor, and a spiritual adviser to the community, assisting with marital problems and situations of grief and loneliness. He is primarily a figure of nurture, uncomfortable with wielding disciplinary authority — a task he leaves to others more capable, such as Matron Sloan.

But while the emphasis on the importance of belonging, friendship, and nurture is benign and attractive, particularly in a time when individuals, perhaps increasingly, feel adrift and alienated, ACP's model of community is unbalanced and probably unworkable. While it gives great weight to worthy ideas traditionally viewed as feminine — care, charity, compassion and chastity — as well as the more general traditional values of protection of the weak and innocent, individual responsibility, loyalty and obedience — there is an animus against masculine values, symbols of male authority and associated spheres of activity — business, the law, competitive male sport. The main villain in ACP is a businessman and town councillor.

Traditionally, masculine and feminine values have been viewed as complementary, each contributing positively to the functioning of the community, each appropriate to different spheres of activity. Compassion

Nada Karadzic is a post-graduate student of sociology at La Trobe University.
is a proper attitude when confronted with sickness or suffering, but not with criminal behaviour. The value of nurture and the ethic of the Good Samaritan are essential to a community, but equally important is encouraging self-reliance and rewarding competitive striving for excellence. In *ACP* feminine values permeate the community; the institutions of nurture are over-extended and conflict with the institutions responsible for maintaining order and generating wealth. A consequence of this is the undermining of traditional values, such as individual responsibility and obedience to the law.

**Where the Community Works Well**

Certainly there are cases where the hospital as the key symbol of compassion and nurture functions well and appropriately — in harmony with the law, the securer of public order. In one episode called, "Things of Value", this harmony is paramount. In this episode a lonely old woman, Dot, lives on the fringes of human society; her perception of humanity is bleak. Animals, especially strays, are her only solace. In the same episode appears Dean, an adolescent boy also living at the edge of human society. He lives like a feral animal in a wrecked car in the bush. Like Dot, Dean has lost his faith in humanity after being beaten and abandoned by a cruel father. Dean expresses his frustration and anger at the world by shooting Dot's pet cow, Melba. Her response is to sink even deeper into depression and to give up the will to live.

She is brought to the hospital where Matron Sloan through genuine compassion, patience and friendship attempts to revive her and to restore her will to live. This is the hospital at its therapeutic best, restoring to its patients not only their physical health but also curing their spiritual malaise through human communion.

Dean, in the meantime, is apprehended by Cathy Hayden, the forest ranger. Both she and Wandin Valley's policeman, Sergeant Gilroy, attempt to instil a sense of remorse in Dean, forcing him to face the consequences of his crime — the near death of Dot, not just the cow. Cathy Hayden and Sergeant Gilroy both understand that in order for Dean to feel remorse, he must pay for his crime and at the same time be reintegrated into the community. The solution which is found is to make Dean atone by making him assist Dot with the animals and the farm. This solution has the added benefit of giving Dot a maternal role: Dean is another stray to be looked after. Dean eventually does feel remorse and becomes genuinely attached to Dot. Thus the two institutions, the hospital and the law, have worked in conjunction to reintegrate two individuals into the chain of obligations and meanings which is the basis of community.

**The Hospital Exceeds its Role**

But there are also many cases where the hospital over-steps its proper boundary in relation to the law. One episode, called, "What's Love Got To Do With It?" focuses on the plight of a young female delinquent, Yvonne, apprehended by Sergeant Gilroy for her role in an armed robbery. She is unrepentant, sullen, aggressive and probably dangerous, so Sergeant Gilroy, whose attitude is unsympathetic, puts her behind bars. We the viewers, however, are encouraged to adopt the attitude of the key women of the community — Sergeant Gilroy's wife, Shirley, their 'daughter' Josephine, and Dr Fraser, all of whom take pity on Yvonne, viewing her not as a dangerous law-breaker but as a bedraggled, tired, hungry, sick young girl in need of nurture and sympathy (the feminized hospital ethic). The blame for Yvonne's crime is directed at 'society' and in particular the actions of repressive patriarchal institutions — police, a brutal stepfather and other men such as Yvonne's boyfriend who led her to a life of crime. The value of individual responsibility is clearly undermined by this episode, as is Sergeant Gilroy's authority, and by extension, the authority of the law. The answer *ACP* gives to the question posed by the title "What's Love Got To Do With
It?" is 'everything'. Love, nurture, forgiveness cure everything.

Sergeant Gilroy's authority is also mocked in more subtle ways. Although he is presented on one level as a man of great integrity, on another he is caricatured as bumbling and foolish. He is often petty, inflexible and over-zealous in his attitude to policing.

In addition to the clash of values between the hospital and the law, ACP takes an unsympathetic view of traditional masculine pursuits and values in a more general sense. 1987 ended with a special four-hour episode, "Licence to Kill", condemning the sport of duck shooting. The men who pursued this sport were portrayed as vicious drunken brutes.

A week prior to "Licence to Kill", an episode called, "All in the Game", indicted the male sport of football as barbaric, the cause only of violence and injury. Matron Sloan, a key representative of the feminine hospital ethic and football's most vocal opponent, considers it even worse than war; she likens it to the gladiator sports of the ancient Romans, declaring outright that it should be banned. Football is presented as bringing out the worst in men: football heroes, underneath their heroic facade, are nothing but selfish bullies. The virtues of football as an important communal ritual, as well as in building team spirit, testing courage and teaching males to channel their aggression are thus ignored.

Authoritarian Fathers

Further evidence of ACP's bias lies in its one-dimensional portrayal of fathers as overbearing, inflexible and repressive figures. When there are family mishaps usually the father is to blame. At least three times in the last year, ACP has featured the issue of domestic violence, with wife and child persecuted by a brutal husband/father.

Fathers in ACP may be well-meaning at heart but they are misguided and need female wisdom to enlighten them; they need to abandon anachronistic demands, such as the unquestioned obedience of children, in favour of a more tolerant, forgiving, sensitive approach. The ideal father is thus the same as the ideal man, as exemplified by Dr Elliot. But no fathers in ACP quite live up to the ideal. Even Sergeant Gilroy, who heads the family which is closest to the traditional nuclear family model, is not a 'good father' by ACP's standards, that is, he is not primarily a nurturer — something for which he is often criticized. It is strongly suggested throughout, and even acknowledged by Sergeant Gilroy himself, that without his wife Shirley's softening influence and guidance, he would have failed as a father.

In an episode called, "Hooked", Sergeant Gilroy forbids his ward, 16 year-old Josephine, from entering into what he considers an "unholy alliance" with her boyfriend. He is concerned for her virtue, which is at stake. His wife, Shirley, on the other hand, defends Jo's decision, while not actually condoning it. She believes that Jo has the right to make up her own mind and admires her "self-determination" and "adventurous spirit." In her view, a hard-line approach, such as that adopted by Sergeant Gilroy, would only drive Jo away. Her advice to Sergeant Gilroy is to "tread gently", that is, be lenient, to which he eventually agrees.

1988 ended with two episodes concerning the role of the father. These episodes aptly named "Sins of the Fathers" and "Family Ties", were both critical of the traditional father, depicting him in the most unfavourable of terms.

In "Sins of the Fathers", a father obsessed with work pays little attention to his family. This is the 'sin'. This father even takes his work with him on the family's vacation. He rejects his children's plea to play with them, in favour of work. In his absence his daughter has a serious accident and is saved by Dr Elliot. Though not directly to blame, he feels culpable. His daughter's accident has shocked him out of his complacency towards his family, and especially his children. He vows never to allow his work to take precedence over them. The message is clear: work, ambition, public activity, anything that takes the father out of the home ultimately threatens the home, and must give way.

In "Family Ties", which taken literally can mean bondage, a repressive authoritarian father, Roger, refuses to let his runaway daughter Emma return home
unless she consents to give up her illegitimate child for adoption. Dr Fraser intervenes in the family's problems, scolds the father for his lack of compassion and recommends that Emma keep the baby and go on the sole parents' pension. The father protests that he cannot condone what Emma has done; but this, this program makes clear, is blaming the victim. Emma didn't mean to get pregnant; it just sort of happened. Moreover we learn that it is actually the father who must bear a considerable part of the blame for Emma's plight, because she ran away to escape his repressiveness. It is also hinted at that he threw her out. Either way, it is his fault. Once again, the value of individual responsibility is undermined. Eventually, the father relents and asks his daughter home, allowing her to keep the baby. The message is the same as that given to Sergeant Gilroy in "Hooked": tread gently, avoid being a disciplinarian, or your children will turn against you.

This view of family relations is one-sided. Certainly parental discipline without love can create problems; but equally so can love without discipline. Where are the instances in ACP of problems caused by lax, permissive parents, who are perhaps more typical of modern parents? Indeed, there is much evidence to suggest that a weakness or absence of parental authority is a greater cause of adolescent rebellion and identity problems than is the exercise of overly-strict authority.

Profits and Politics versus People and Nature

Also linked to the feminine-hospital ethic is an antagonism towards political, civic and business activities and an egalitarian dislike of hierarchy.

Upper-class figures are portrayed as selfish, superficial and pretentious, with no concern for community. This is particularly evident in the caricature of Ted Campbell, a member of the 'landed gentry'. He is portrayed as a "capitalist farmer"; his love is of money, not the land. He puts profit above concern for the environment, which brings him into conflict with the forest ranger who is nurturer of the environment and a staunch conservationist. Ted Campbell doesn't care that his cattle trample the National Park; rounding them up is too expensive. "Time is money" is his motto.

Ted Campbell is contrasted with Jack Hayden, a humble farmer and 'common man'. Jack Hayden rejects Ted Campbell's charity when he is in need, and refuses to drink with him at the club — Ted Campbell was his superior in the army.

There is also a strong suggestion that Ted Campbell uses his power to influence officials in important offices, generally portrayed as corrupt, and anti-community. Banks are cold and calculating. As the poor struggling farmer in one episode puts it: "all they [banks] see is numbers on a piece of paper." Politicians allow themselves to be manipulated by interest groups, such as the pro-gun lobbyists, their only concern being votes.

Even the entrepreneurial activities of a child, Wesley Craven, are frowned upon by the community figures. Even though his worst crime is simply making a profit, he is considered well on his way to a life of avarice and corruption. Cookie, a comic figure, in an offhand
comment, links Wesley Craven to Ned Kelly and Ronald Biggs.

The main villain of the piece, however, is Councillor Alfred Muldoon. He is caricatured as an old-fashioned arch-villain who derives pleasure from thwarting the community, which he does at every available opportunity. Muldoon is representative of business, political and civic values. He is a self-made man, the owner of the hardware store and the club, which is run by Cookie, a comic figure. Muldoon's business practices are shady; he is quick to exploit any person or situation for his own gain. Like the banks, he cares only for money. He is also a senior member of the hospital board of management and a municipal councillor — both positions into which he has bribed his way. Even so, he does nothing to assist the hospital or the wider community, abusing both positions to line his own pockets. Through him, business and politics are linked to the unscrupulous use of power.

One of the recurring themes in ACP is the conflict between economic development and conservation. Both values have a claim on our concern for the nation's future, but invariably ACP sides with the conservationists, and is decidedly anti-progress: never is there a strong case put for development. In an episode called "Endangered Species" Muldoon is prevented from destroying the habitat of some brolgas to build a retirement village. In another episode, "Intensive Care", it is a historic building which he destroys in the name of progress. In reality this is a ruse for his own profitable enterprises.

In an episode, "Birds of Prey", a poor, though not humble, farmer is severely criticized for attempting to kill an eagle — another endangered species — which is attacking his lambs. Without livestock he will lose his livelihood. But the view of the program is that the eagle must go free; the farmer must yield. In the end, he does.

The obsession with conservation is part of the over-emphasis on feminine values in ACP; Nature traditionally being a female symbol. Also, as in the above example, ACP betrays an underlying lack of sympathy for farming life as it really is. ACP projects a totally romanticized image of farming life, presenting both farm and native animals as pets. There is a mutual dependence between farmers and animals, but in reality, animals, like the land, are first and foremost of service to the farmer; they mostly provide food, or in the case of dogs, work. Farmers have to kill animals and clear land out of necessity. But farming is only nice, in ACP's world, as long as issues of economic productivity, of man's battle to extract a living from nature, do not enter the picture.

The Implications

What effect do these biases have on the viewers of ACP? It is impossible to know for sure. What is clear, however, is that ACP provides the significant proportion of its viewers who are young males with no positive masculine role models: its ideal men are ideal only to the extent that they have absorbed feminine virtues. This is not to encourage sympathy for the villain — the drunken duck shooters, the corrupt businessmen, or the brutal husbands — but to point out that ACP offers no alternative positive images of masculinity.

ACP's producers see it as performing a valuable pedagogical role. There are many things of value which ACP does impart to its audience — respect for nature and concern for others to name but two. Nevertheless, there are other attitudes which are quite negative. It is unlikely, for example, that the 15 year-old school boy who participated in a survey about ACP is going to consider a career in business or politics. When asked, "Which character in A Country Practice do you like the least?" he replied, "Councillor Muldoon because he is a pig and always wants everything his own way and he's always finding new ways(s) to get money for himself."

Finally it is worth underlining the point that the community portrayed in A Country Practice could not in reality work. Compassion is desirable in helping the poor or tending the sick, but it cannot protect a community against threats of violence. Nor is compassion a sufficient response to many social problems. There are practical and moral questions which also need to be considered. In relation to heroin addiction and AIDS (both topics covered by ACP), ACP is concerned that we not blame or stigmatize the victims. We must be non-judgmental. But in fact, both the heroin addict and the AIDS sufferer have conditions which in most cases could have been avoided if certain behaviours had been avoided. Stigmatizing such behaviours may thus be quite functional in a community. Nor can a community function without government and the organization of power. It is simply unrealistic to see all exercise of power by public officials as destructive or based on corrupt motives. Nor can the institutions of care function effectively without a sufficient economic base generated by vigorous commercial and farming sectors. Hospitals run on more than compassion: indeed, most are organized along almost military lines — with hierarchy, orderliness, efficiency and obedience essential to their effectiveness.

ACP prides itself on its social conscience. It should exercise that conscience more realistically and more responsibly.

2. Ibid, p. 257.
Rod Kemp Steps Down as Director

Rod Kemp, IPA's Director since 1982, has resigned following his decision to enter federal politics. In May he won Liberal pre-selection for the Senate.

Commenting on the announcement, IPA President Charles Goode, said that the growth of the IPA into a think-tank of world standing is a tribute to Rod Kemp's energy and ability.

"The Institute has greatly increased its activities and now has the expertise and resources to comment and publish on a wide range of public policy issues.

"Our publications, Review, Facts and Policy Issues, have achieved a high level of professionalism. Corporate and individual support for the IPA has greatly expanded. IPA has an office in Perth and a Sydney office which will house the Education Policy Unit and the Pacific Security Research Institute is soon to be opened.

"During his time at the IPA Rod has recruited a staff of pre-eminent expertise. The Senior Fellows include: the former Secretary and former Deputy Secretary to the Commonwealth Treasury (John Stone and Des Moore respectively), a former head of the Western Australian Treasury (Les McCarrey) and Dame Leonie Kramer, one of Australia's leading intellectuals.

"Rod has provided strong intellectual leadership and the organizational and managerial capacity which has built the IPA into a strong voice on behalf of individual liberty and free enterprise."

Rod Kemp said that the development of a successful think-tank depended upon dedicated staff and a hard-working Committee. "I am fortunate to have had both these pillars of support."

Top Diplomat Joins PSRI

Mr David Anderson has been appointed Executive Director of the Pacific Security Research Institute (PSRI).

This appointment follows the recent announcement of the establishment of the Institute to undertake research into security and foreign policy issues affecting the Pacific Region.

Mr Anderson recently retired from the Department of Foreign Affairs after a most distinguished career. Among other posts, he was Ambassador to the Republic of Vietnam (1964-66), Ambassador to France (1973-78), Ambassador to the United Nations (1978-82) and Ambassador to the European Communities and Belgium (1983-87).

As well as holding the above posts, he was First Assistant Secretary in charge of the Department of Foreign Affairs' Asian Division for three years, Australia's Observer (Ambassador level) at the Vietnam Peace Negotiations in Paris, and at various times served in Tokyo, Phnom Penh, Noumea and Karachi.

Education Conference "a seminal contribution"

Over 350 people attended the IPA Education Policy Unit Conference held at the Darling Harbour Convention Centre in Sydney on May 10. The conference entitled "Education: Pathways to Reform" was chaired by Dame Leonie Kramer, head of the IPA Education Policy Unit.

The well-known columnist in The Australian,
Administrative Change-Over

Allen Hains has been appointed IPA Administrator. He takes over from Norman Wright who has been with the IPA since 1983.

Allen Hains, a former accountant with ICI, will bring to the IPA extensive computing experience.

President of the IPA, Charles Goode, said the Institute was most grateful for the dedicated work of Norman Wright who carried out the demanding legal, accounting and secretarial functions during a period of great expansion for the Institute.

Complacency, a Barrier to School Reform

Parents in the USA, while critical of the education system as a whole, often failed to recognize educational problems in relation to their own children, according to Professor Chester Finn, a leading US educator.

Educational officials have sometimes contributed to this complacency. A US study in 1987 found that virtually every state and locality claimed its students were above average — a statistical impossibility.

Chester Finn is Professor of Education and Public Policy at Vanderbilt University and Director of the Educational Excellence Network. He is joint author of the influential study, What Do Our 17-Year-Olds Know?

Students in countries such as South Korea and Japan perform much better on, say, mathematical ability than Americans, but are far less satisfied with their performance. This self-satisfaction on the part of Americans is a barrier to the achievement of educational reform.

The growth of the educational excellence movement in the 1980s made some gains but, according to Professor Finn, it remains true that in many educational institutions "demands are few, expectations low and standards slack."

Professor Finn was speaking at a luncheon seminar held in Melbourne on 8 May. A capacity audience of 210 IPA subscribers, guests and other interested people attended the function.

Copies of Chester Finn's speech can be obtained by contacting Kathy Thompson on (03) 614 2029 or by forwarding $6 to the IPA. The speech will be included in the next IPA Policy Issues.

End Confrontation

Mr Ian Webber, Managing Director of Mayne Nickless, said the Australian industrial relations system was "too adverserial."

He argued that unions and management would maximise their own interests by a more co-operative approach. This could be facilitated by enterprise-based unions.

Mr Webber was speaking at an evening seminar organized by the IPA Young Professionals' Group.

Convenor of the group, Cliff Smith, said the series of seminars by business leaders was attracting considerable interest. Kathy Thompson on (03) 614 2029 would be happy to answer any questions about forthcoming functions.

Padraic McGuinness, reported:

"The venue was packed with people from all over Australia ... the conference will prove to be a seminal contribution to public thinking about education in this country. It was an unusual treat to hear cool discussion of the issues, without propaganda."

A group of expert speakers and commentators addressed the conference: the Rt Hon Kenneth Baker, MP, British Secretary of State for Education and Science; Professor Chester Finn from the USA; Dr Terry Metherell, NSW Minister for Education and Youth Affairs; and Professor Brian Start, Professor of Education, University of Melbourne.

The audience included school principals, teachers, academics, union officials, education policy-makers and business men and women.

The papers will be published as the next in the IPA's Policy Issues series and posted to all IPA subscribers.

A fuller report of the conference appears in the first issue of Education Monitor, the IPA's new journal of educational news and comment.
Allan Kreuiter

Age 22

From Melbourne, Educated
University of Sydney
Bachelor of Science (Chemistry)

Now showing throughout Australia

Allan is one of ten science graduates who will spend a year on the road operating the Shell Questacon Science Circus throughout Australia during 1989. The aim of the Circus is to bring science to the people through "hands on" exhibits and demonstrations given by the graduates. Through the Circus, Allan is well on the way to fulfilling his major aspiration; to share his excitement of science with people so that they too understand and enjoy science.