Kirk up your Spirits

KIRKS
Dry Ginger Ale
300mL

KIRKS
Soda Water
300mL

KIRKS
Tonic Water
300mL

KIRKS
Bitter Lemon
300mL

A product from your Coca-Cola Bottler
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Editor: Ken Baker

IPA Review was established in 1947 by Charles Kemp, founding Director of the IPA.
proposal to encourage voluntary agreements that by-pass that system is an important step forward. We particularly welcome the Coalition's decision to make industrial relations reform an early priority should they achieve office.

Of course, questions can be raised about the capacity of the Coalition to implement all of the various proposals. But the Government's capacity to adopt the necessary micro-economic reforms is now severely constrained by various interest groups with which it has allegiances: indeed the Government has recently been going backwards in this area. Thus, although we would have wished to see proposals for more extensive and faster reforms than the Coalition outlines, the electorate is at least likely to have a substantive choice between a stand-still Labor Party and a Coalition that holds out the promise of major changes in the right direction.

Finally, we welcome the fact that the Coalition has put out in the public arena some time before the election a coherent and comprehensive set of economic policies. This will give the community time to properly assess and debate the policies before polling day. Following as it does on the Coalition's "Future Directions" of December 1988, it indicates a greatly enhanced professionalism by Her Majesty's Opposition and, hopefully, a lifting of the level of Australian political debate generally.

The Green Messiah

The American sociologist, Robert Nisbet, has described environmentalism as "the third great wave of redemptive struggle in Western history, the first being Christianity, the second modern socialism." He may be right: with the declining capacity of the traditional churches to satisfy the religious yearnings of people (see "Why People are Losing Faith in their Churches" in this Review), such yearnings are seeking other outlets. The birth of a modern form of pantheism (nature worship) in the rise of the environment movement may be one such outlet.

The problem is to decide where science ends and faith begins: how seriously should we take the prophets of environmental doom? Roger Braddock's article in this Review suggests that, at least on one front — that of the Greenhouse Effect — the scientific case is unconvincing. History is littered with failed doomsday predictions.

There is also the question of politics. Public choice theory reminds us of the extent to which politicians tend to respond to active pressure groups even though the result may not be in the long-run national interest. At the same time, business is reluctant to defend its interests in the face of populist movements. Thus, there is now a real danger that government policies will become unduly influenced by the green cause.

The environmentalist movement includes those on the left who have become disillusioned by the evident failure of socialism and who may see in the green movement the opportunity to revive the case for government intervention. There is no reason to believe, however, that socialism will provide solutions to environmental problems any better than it has to economic problems. Eastern Europe is both poor and polluted. Solutions to whichever environmental problems prove to be real are likely to come as a result of technological innovation, which usually comes with economic growth and cannot be predicted. The Australian development of Synroc to store nuclear waste is a case in point.

None of this is to deny our duty to respect and care for nature or the need to preserve unique natural beauty. But we must not fall into a syndrome of preservation for its own sake. "Sustainable development" is an admirable goal if it is defined as trying to ensure that the environmental impact of economic development does not destroy the economic opportunities of future generations. Among extreme environmentalists, however, "sustainable development" has been defined as the need to bring economic and population growth to a halt — or even effect a reduction — because nature is preferred to man.

Unfortunately, too many Australians accept that the prevention of major projects such as Wesley Vale or Coronation Hill, affect only the companies involved rather than, as is really the case, the whole community. Environmentalism is, of course, strongest among the affluent middle-class for whom material struggle is not an issue. A slowing of economic growth will, in the long term, fall heaviest on the living standards of those of limited means. Such people, in particular, should not now be denied the opportunity for material advancement because a minority see their Messiah clothed in green.
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How Not to Balance the Balance of Payments

John Brunner

Although with floating exchange rates a nation's external account has to balance by definition, the way in which Australia has been striking the balance in recent years has become both counterproductive and unsustainable.

In the last five financial years Australia's current account deficit and the capital imports needed to finance it have moved as indicated in Table 1.

The reasons for the increasing current account deficit have been the renewed weakening of the merchandise account in 1988/89 and the seemingly inexorable rise in the deficit in so-called net income. The former resulted from a huge growth in all major categories of imports insufficiently compensated for by the growth in exports. The latter has been almost wholly due to the growing gap between investment income in the form of reinvested earnings, interest payments and dividends earned by foreigners in Australia and that earned by Australians abroad.

This growing gap has been influenced by a number of factors including interest rates available here and abroad and the relative profitability of investments made by foreigners here and by Australians overseas. Much the most important explanation, however, has been the cost of servicing the ever-increasing foreign capital necessary to fund these current account deficits. In so far as the export of Australian capital has risen sharply since exchange controls were removed there has had to be an even bigger inflow of foreign capital, but the net figure remains largely a function of the current account deficit.

This compounding effect of current account deficits is what makes it so imprudent to incur persistent deficits without accompanying high levels of productive investment. Thus the $18.1 billion deficit incurred last financial year will add another $1.5-2 billion to the deficit in 1989/90 and this in turn will add another $150-200 million to 1990/91’s deficit. As each year's deficit adds to the servicing charges of following years, it is all too easy for a nation to find itself on a treadmill requiring it to run faster and faster in terms of strengthening the rest of its current account merely to maintain its position.

<table>
<thead>
<tr>
<th>TABLE 1: AUSTRALIA'S EXTERNAL ACCOUNTS CURRENT AND CAPITAL TRANSACTIONS ($million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Account</td>
</tr>
<tr>
<td>of which:</td>
</tr>
<tr>
<td>merchandise</td>
</tr>
<tr>
<td>services</td>
</tr>
<tr>
<td>income</td>
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<tr>
<td>unrequited transfers</td>
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<tr>
<td>Capital account</td>
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<tr>
<td>of which:</td>
</tr>
<tr>
<td>official</td>
</tr>
<tr>
<td>non-official plus balancing item</td>
</tr>
</tbody>
</table>

John Brunner was formerly Chief Economist at BHP. He is now living in Perth.
HOW NOT TO BALANCE THE BALANCE OF PAYMENTS

It is this phenomenon which makes it so bizarre for anyone to suggest that the current account need not concern Australia at present. If we were starting from a position of being a sizable net creditor like the UK, we might be able to contemplate several more years of huge current account deficits. (Even with a trade deficit of over £20 billion a year the UK's current account deficit is still less than four per cent of GDP, as against Australia's figure of more than five per cent, thanks to the UK's net income of over £5 billion a year from interest, profits and dividends.) But these deficits are adding to a net external debt for Australia of about A$110 billion.

The remarkable insouciance of those like Professor John Pitchford and others who seem to think that Australia's current account deficit doesn't matter seems to stem from the fact that it is now being very largely funded by additional external borrowings by the private sector.

Even if one shared his faith in the infallibility of the private sector, particularly where exchange rate forecasts are concerned, it is largely immaterial whether the private sector is doing the bulk of the overseas borrowing. However well-judged the ability of individual borrowers to use their overseas loans to their own commercial advantage, this is no guarantee that they will generate the necessary foreign exchange to service their overseas borrowings. Certainly some borrowers are substantial exporters who borrow in the foreign currency in which their exports are denominated against the possibility, however remote at present, that the $A will appreciate. Many overseas borrowers, however, are doing so purely to obtain the benefit of lower interest rates than are available at home without any thought or possibility of generating the export revenue themselves to service the loans.

The argument that the current account deficit is not a problem if it is covered by private sector borrowings is therefore a furphy, but even if it wasn't, it is hard to see how any serious economist can view with equanimity the succession of huge current account deficits recently experienced by Australia. They are of course responsible for real interest rates in Australia at the horrendous level of 10 per cent (more on some calculations). This is totally counterproductive for a country which requires a
sustained increase in new productive investment as badly as Australia does if it is to improve its competitiveness and increase output of tradeable goods and services.

Capital Investment

To the extent that recent current account deficits have been swollen by the imports of plant and equipment needed to facilitate an increase in productive investment, then concern about the deficit can be tempered. This is an argument frequently put forward by the Federal Treasurer, although Professor Pitchford curiously rejects it out of hand. The problem here, however, is not with the argument per se, but with its real quantitative significance.

For a start, while there has undoubtedly been an upsurge in capital expenditure in Australia in the last two years, the increase has been little greater than in other industrial countries, a point sometimes lost sight of in the rather inward-looking debate over structural change in this country. The rest of the world is re-equipping and restructuring too. It could also go on doing so for longer, unencumbered by Australia's discouraging rates of interest.

| GROSS FIXED CAPITAL FORMATION (PERCENTAGE CHANGE IN VOLUMES) |
|-----------------|-------|-------|-------|-------|-------|
| OECD            | 2.9   | 5.1   | 8.2   | (7.5) | (5.5) |

OECD forecasts as at June 1989. Forecasts for 1989 and 1990 for OECD as a whole are for private non-residential investment.

Secondly, the precise impact of this new investment in boosting exports and helping to replace imports is far from clear. Certainly some major increases in export revenue are in the pipeline. For example exports have just begun from Australia's largest ever project, the North-West Shelf, and they should eventually be just about sufficient to cover the additional servicing costs arising from last financial year's current account deficit. Not all the recent investment undertaken, however, is likely to be equally productive. A great deal of it has gone into new office buildings with very little obvious benefit to net exports and doubts have been cast on how far the $3 billion a year spent on the import of computing equipment is lifting productivity.

Thirdly, as the breakdown of Australia's imports provided earlier demonstrates, the increase in capital goods imports has only been part of the reason for the sharp rise in imports overall. A fuller explanation would include the rapid growth of domestic demand and the erosion of Australia's competitiveness due to the higher rate of inflation here than among most of our trading partners and the rise in the external value of the $A. The trade-weighted index of value of the $A was 12.4 per cent higher in 1988/89 than in 1987/88.

For all these reasons it would seem altogether too sanguine to expect the recent improvement in investment to correct Australia's balance of payments problems even if it wasn't being undercut by interest rates higher than in any other developed country. These interest rates will certainly help reduce the level of imports in the not-too-distant future, but the result of the succession of large current account deficits is that it will now need a much more prolonged period of high interest rates, i.e. a severer recession, than would once have been required to produce a sufficient surplus on the rest of the current account to cover a sizable part of the deficit on net income.

How large this surplus on the rest of the current account needs to be is a matter of judgment. The Federal Treasurer seems to think that he can get by without any such surplus in so far as his forecast current account deficit for 1989/90 ($18.5 billion) far exceeds the likely $14.5 billion shortfall in net income. Such an outcome, however, would entail a further rise in Australia's net external debt as a percentage of GDP even if the exchange rate remains unaltered. If the latter falls sharply, debt ratios could soar.

And this is the bind which years of indifference to how the balance of payments is balanced has got us into. If we continue to balance them at present exchange rates and interest rates, we undercut the investment and shift to net exports which are prerequisites for resolving our long-term economic problems; but if interest rates fall and with them the exchange rate, our debt ratios blow out from an already disturbingly high level as does inflation.

Alternatives

Contrary to what many in government and the media are telling us, getting interest rates down is by no means the end of the problem. To talk about the economy 'improving' because consumer confidence is low and the housing boom is collapsing is to fail to understand the nature of the dilemma now facing Australian economic management.

We are now much worse off than we were three years ago at the time of those timely references to the banana republic. Since then our net external debt has risen another 60 per cent and we have enjoyed/squandered the benefit of a sharp improvement in the terms of trade. As a result we are much more exposed to foreign confidence than we were then, not least because of the ever-decreasing maturity of the external debt.

In these circumstances, lowering interest rates are fraught with danger, particularly if no apparent thought is
being given to how the resulting decline in the exchange rate will be handled. For a decline in the nominal rate unaccompanied by a decline in the real rate will serve no purpose other than to push up the $A value of the external debt. To reduce the real exchange rate involves a reduction in real unit wage costs, which, in the absence of a much better productivity growth than has so far been achieved, implies a further reduction in pre-tax real wages.

The real alternatives now facing the nation therefore are for a renewed cut in real after-tax wages or a cut in pre-tax wages compensated for by an increase in taxes on non-wage incomes and/or a cut in government spending. These alternatives are too unpalatable for any political party to be facing up to honestly, but this is where putting off the evil day of taking the hard political decisions by running huge current account deficits has finally got us.

Foreign Investment

There are, of course, other considerations which bear on the rights and wrongs of this self-indulgent policy. There is the matter of the high levels of foreign investment in this country, which is the alternative to financing these deficits with debt. Direct investment may seem something of a soft option if it only has to be serviced when profitable, but unlike debt it raises some delicate issues of sovereignty and nationalist sentiment. At a time when it is particularly necessary not to jeopardize the immigration program by encouraging xenophobic sentiments, it would be unfortunate if they were being inflamed by the quite separate issue of investment in this country by non-residents.

Moreover, much of this investment is making little or no contribution to Australia's trade balance. As with much of the money borrowed overseas by Australians, a sound commercial investment is not necessarily of any benefit to the current account and indeed the small proportion of direct investment recently going into the production of tradeable goods in this country should be a matter for acute concern. That over half Japan's recent investment in Australia has been in real estate and less than half in manufacturing not only means that it is generating little export revenue but also that it brings little by way of technology transfer.

And the possible backlash against foreign investment and thus foreigners in general (by no means peculiar to Australia let it be said) is not the only reason why politicians, never mind economists, cannot afford to be oblivious to persistent huge current account deficits. There are also the interests of future generations to be considered.

If liabilities to foreigners are built-up pari passu with the growth of a nation's productive potential, then future generations may have no grounds for complaint. Their servicing charges may have been inflated, but so has their ability to meet them. The situation, however, is very different if many of these liabilities have been incurred to boost this generation's consumption. The burden of internal debt can always be lightened by inflation. Not so with external debt when, as in Australia's case, most of it is still denominated in foreign currency.

Unsustainable Policies

It is interesting in this context to compare the Australian Government's indifference to the financial obligations it is heaping onto future generations with its sensitivity to the environmental legacy it may be leaving them.

As the Prime Minister observed in his widely-publicized speech on the environment at Wentworth on 20 July:

'It is to the future, to our children, that the statement I am launching today is dedicated. Through the measures announced in the statement and through the co-operation of all Australians, we seek an ecologically sustainable future. That simply means we have borrowed from our children part of their natural heritage and the time has come to repay the debt.'

So far from Ministers thinking of repaying the burdensome external debt that this generation has borrowed, the only question in their minds is how readily they can go on adding to it without a further rise in interest rates and/or collapse in the exchange rate. Forget the children's interests!

To sum up, the manner in which the Australian balance of payments has been balanced in recent years is not economically sustainable, and when the full implications of what has been done, or not done as the case may be, finally dawn on the electorate, it is probably not politically sustainable either. That these implications have still not been fully appreciated partly reflects on politicians of all parties but also on those members of the economics profession who have encouraged this head in the sand attitude. La trahison des clercs is an expression which comes to mind in this context. Business should certainly understand where this spendthrift policy is leading. Paying the dividend out of borrowings is not done in the best business circles. ■

Notes

1. See, for example, "Does Australia Really have a Current Account Problem?" in Policy, Winter 1989, published by the Centre for Independent Studies.
The Japanese Challenge

Wolfgang Kasper

A new school of commentators argues that if we cannot beat the Japanese we should join them at their own game — by adopting a more corporatist, pragmatic approach to economic relations. Mr Hawke’s proposal of a Pacific trading bloc reflects similar sentiments and, not surprisingly, has Japan’s support. But is it the way we should be heading?

In a forthcoming paper published by the Pacific Security Research Institute, American analyst David Brock discusses the changing perception of Japan in the United States. He makes a number of points about the Japanese challenge to the Western-inspired system which have interesting implications for Australia.

Brock reports that — against the background of mounting trade conflicts and fears of being bought up by Japanese capital — a new school of analysts are reviewing the reasons for Japan’s economic performance critically. They emphasize how hierarchical, autocratic control, clannish conformity and “institutionalized xenophobia” have motivated an increasingly aggressive drive for securing economic dominance by Japan, whereas traditional ‘Japan watchers’ attributed Japan’s economic success to a superior work ethic and an admirable team spirit. Brock calls the new school of analysts ‘Japan bashers’.

The old school (Chrysanthemum Club) owed much to US academic research about Japan, about 80 per cent of which is funded from Japanese sources. By contrast, the new wave of writing on Japan is influenced by mounting American unease, if not paranoia, about being overwhelmingly and unfairly challenged, similar to long forgotten European fears during the 1960s of a ‘défi Américain’ (made famous by Servan Schreiber’s book about the ‘American Challenge’). Many of the new crop of ‘Japan bashers’ have pointed to the fact that the Japanese only conform to the Western-designed system of market capitalism, individual rivalry and open international competition when it suits them. Many of the ‘Japan bashers’ indeed advocate the introduction of more collective ‘Japanese approaches’ to promoting industrial achievement, such as selective foreign-trade restrictions or industry policies to ‘pick the winners’.

Brock, in his article, finds that the new school of Japan watchers have on the whole a more realistic understanding of how the Japanese have conquered world markets and stifled foreign competitors in the Japanese market. He quotes much episodic evidence which points to xenophobia, a rise of a new, arrogant nationalism and closed, collusive trading practices which would not be permitted in Western countries. He also shows that Japanese consumers are paying exorbitant prices for this protectionism (eight times the US price for rice; twice on average for a house that is one-third the size of an American house; three times the world market price for fibre optics, etc.). But consumers seem to tolerate the cost — so far at least! — because they accept that this is good for the country.

Karel van Wolferen, in his recent best-seller, has made the case that the Japanese social and political arrangement is ‘rudder-less’. He suggests that one cannot negotiate trade and other agreements where there are no ultimate principles and truths. The ‘Japan bashers’ have shown that concepts like the rule of law and universal truths are based on Greek and Judeo-Christian traditions which are alien to Japan and other East Asian industrial societies.

Dangers for GATT

The differences in cultural and ethical systems...
shape the background against which the US Congress, disillusioned after not getting the Japanese to stick to trade deals, passed the 1988 Omnibus Trade Act and the so-called ‘Super 301 provision’ attached to it. This provision requires the US President to nominate nations that impose barriers to US exports and, should negotiations fail, obliges the American Government to retaliate by barring imports from offending countries. On 26 May 1989, US Trade Representative, Carla Hills, had her way and got the Bush Administration to cite Japan (with India and Brazil) for restricting US sales of super-computers, satellites and timber products.

This is the point where the message of most of the ‘Japan bashers’ invites governments to take a dangerous turn, as Brock points out. Most of them (except Fallows) argue that, if one cannot change the Japanese and make them comply with the Western system of mutually open competition, one should become more like the Japanese and beat them at their own game with more co-ordinated, interventionist and aggressive tactics.

This has, of course, the potential of leading to a dangerous spiral of retaliation which could harm world trade and prosperity. If the international community were indeed to jettison a commitment to the open trading system (or what is left of it), many organized supplier groups in the West would applaud. After all, there has also been a long tradition in the West which identifies imposed corporatist/mercantilist solutions with social harmony and economic security and which under-rates the interests of the consumer and the not-yet-established outsider.

Pressure groups use ‘Japan bashing’ to further their own interests and to create a climate in America and other Western nations in which co-ordination from above (that can be influenced by the well-connected) replaces open competition. They make the valid point that a system of trade can only work if all participants obey a certain set of tacit or explicit rules and that Japanese actions, based on a different cultural tradition, have often been outside the rules.

However, if the protagonists of changing Western society to more Japanese, collectivist ways of doing things were to make the running, most of us would suffer. It is easy to lose sight of the important fact that modern economic growth only began 250 years ago when open competition and the rule of law created a system in which mercantilist supplier lobbies were weakened and supplier and buyer interests were fairly evenly balanced, so that innovative outsiders had a chance of succeeding. It is also easy to forget what crucial contribution the open international trading system under the GATT has made to the unprecedented global prosperity since 1945, both in old and new industrial countries, as well as in the developing nations. It would be foolhardy to do away with the system and the rules it embodies that have served the world well, simply because one major player is deemed not to stick to the explicit and tacit rules.

Japan is not a Monolith

Before going overboard to abandon free trade and individual competition, it is worth noting that the Japanese public, especially the young and the women, are beginning to revolt against co-ordination imposed from above, as recent polls indicate, and that, for all its collectivist sacrifice and co-ordination, Japanese industry and society are far from monolithic. The Ministry of International Trade and Industry (MITI) and big trading concerns may well be motivated by a nationalist drive to secure the future by gaining a hold on resources and by dominating markets. But they have often been wrong or unsuccessful. On the other hand, many famous industrial success stories — Honda, Canon, Sony etc. — owe very little to co-ordination by bureaucrats and much to innovative enterprise. Indeed, James Fallows, who served under President Carter, points out that individualism and preparedness to compete have been the traditional sources of American (and Western) strength. He counsels that we should remain true to our traditional comparative advantages and qualities if we are to succeed in the face of the Japanese challenge.

One may speculate with some justification that the economic and industrial success of East Asian societies owes much to a ‘Confucian economic order’, which defines the place of the individual and the ruler, but which is compatible with individual competition. With slight adjustments, it can serve as an ethical foundation, which is equal to that of the West, for a social and economic order in which technical progress and competitive innovation flourish. The Japanese and the Koreans have, in important parts of their economies, opted for co-ordinated, collectivist approaches, but that is not an inevitable part of East-Asian societies, as other parts of the Japanese economy, Taiwan, Hong Kong or Singapore demonstrate.

Maybe mankind is, after all, fairly universal and shares more of the same instincts for competitive achievement or collective rent-seeking than the ‘Japan bashers’ acknowledge — despite the fact that the cultural manifestations and philosophical under-pinnings appear, at first sight, vastly different.

Over the long term, we are better served by defending the open trade system which has worked well for the growing number of participants in international competition over the past 200 years. The temptation may be great
to emulate a more collective Japanese approach, which may well have served Japan to catch up with the West. We have yet to see how well it will serve an affluent Japan when it runs alongside the Western nations in the front pack of the ‘standard-of-living marathon’.

'Trade Bloc' Collectivism

There can be no doubt that strong impulses are inspired by the collectivist side of the Japanese industrial and trading community to colonize and change the Western-designed economic order, despite the fact that the diverse immigrant cultures of America or Australia are very different from the homogeneous, traditional-feudal society of Japan. Such influences are particularly powerful in East Asia and Australia, which Japanese power brokers consider increasingly as ‘their’ sphere of influence. The initiative for an ‘Asian trade bloc’ or ‘Pacific trading area’ has a long history of support from Japan, at least since Nakasone promoted it, and it reflects a collectivist influence of the Japanese ‘industrial club’. Officials in MITI have long thought about some such trade compact.

The recent Hawke initiative for a ‘Pacific trading bloc’ echoes these Japanese initiatives and has Japanese support. It appears inspired by a corporatist sentiment for creating harmony by gathering representatives at a summit. And it owes much to the ‘Crawford tradition’ in Australia which has favoured collectively imposed, bureaucratic solutions from above, such as negotiated trade, and has mistrusted international competition and the spontaneous order of the world market. This tradition has strong links with Japanese bureaucratic tradition and shares the view of how to organize the world.

However, it seems unclear what Australians — other than conference goers, trade negotiators and political entrepreneurs — could gain from such a trade bloc initiative at times of historic structural transition, when Australia’s future is more uncertain than ever and Australian success depends on agile adaptation and freedom from administrative shackles. In the face of more populous nations to our north and well-organized Japanese industrial-trading interests, a small operator like Australia would have a lesser chance of getting ahead within an organized, politicized, negotiated trading regime than in a competitive world market, where small operators seek and find profitable market niches.

The nations of East Asia, which have historic memories of being dominated by Japan and have much to gain as outside competitors and newcomers, are resisting the ‘trade bloc’ initiatives that would bind them. They seem to realize that the free play of market forces within the open GATT trading system gives them a much better chance to catch up economically with OECD countries than a co-ordinated, regulated system, in which old-established groups and nations tend to be dominant. Leaders in South-East Asia do not understand why Australia is now ‘doing the bidding of the Japanese’, as they see it. Whilst coming along to the ‘Canberra summit’ later this year to organize and co-ordinate economic relations in the Pacific, they have so far shown little inclination for entering anything but the most loose of consultative arrangements, and even that with misgivings. Some other important newcomers in the Asia-Pacific region, like Taiwan, have not even been invited.

Once trader bureaucrats take over, the danger exists that an organized trading environment will give more leeway to the powerful corporatist-nationalist side of Japanese industry. Despite original official commitments to open trading, this could easily accelerate the erosion of the Western-inspired, traditional rules of open international competition, in large part not because of MITI influence, but because of the enemies to open competition within our nations, including Australia. After all, the danger is present in all bureaucratized, regulated, co-ordinated systems, that power and bribery are used to influence outcomes to the detriment of the national sovereignty of less powerful nations and to the detriment of the rule of law.

It may be tempting to throw the time-tested, open trading system and the rule of the law to the wind and emulate what we perceive as the successful corporatist approach of certain parts of Japanese society. We in the West (and that includes Australia) are well-advised to resist that temptation. We should realize that there are no short-cuts to economic success and that we cannot motivate hard work and saving, innovation and open competition in a country like Australia by co-ordination and imposition from above.

Notes


Quite dramatic changes have taken place in the last two years to the presentation of States’ budget figures on a basis that allows reasonably accurate comparisons to be made, at least for most States.

It would be unreasonable to expect that the several Australian Governments would present their financial proposals to their Parliaments in exactly the same way, that the budgets would embrace exactly the same range of departments and authorities and also reflect the same transactions. But for States within a Federal system to have any claim to real accountability and maturity of approach to economic management, it is essential that valid comparisons can be made of revenue and expenditure proposals and of their economic impact.

The answer lies not in trying to convince State Governments of the need to shape their budgets to some Procrustean mould but in publication of summary tables in the OECD standard National Accounts Economic Transaction Framework (ETF). Importantly, this needs to be done both for the budget sector and for the public sector as a whole.

The Australian Bureau of Statistics has, for some years, published estimates for all Australian Governments some months after the budgets are brought down, but in the absence of co-operative input from State Treasuries the data have been unreliable and subject to massive revisions.

The IPA and other commentators have long pressed for presentation of past and proposed transactions on a National Accounts basis as a key part of the budget papers and in 1987 the Federal Treasurer added his weight to the scales.

Before 1988/89 only South Australia provided a comprehensive summary of its budget in ETF format. Victoria restricted the analysis to transactions covered by the Public Account which wasn’t much help considering that the Public Account means different things to different States and that no data were given for the major statutory authorities. The other States did not bother.

The revolution really began last year with the Northern Territory providing basic ETF aggregates for the whole Territory public sector. We are yet to see a breakdown that provides separate figures for the Budget Sector (properly General Government) and Public Trading Enterprises (PTEs) but hopefully that will come.

New South Wales went the whole way and produced a separate budget paper providing comprehensive ETF data for General Government, PTEs and the New South Wales public sector as a whole, complete with reconciliations to budget tables and to the Bureau of Statistics data.

The NSW State Treasury has always been meticulous about providing reconciliations to the previous year’s data when format changes would otherwise cause total confusion. It is pleasing to be able to give the Treasury Officers a pat on the back for, notwithstanding the great amount of extra work involved, sticking to a principle that has, among other virtues, long made the New South Wales budget papers a model for the other States.

Not to be outdone, Victoria matched the scope of the New South Wales presentation this year and Western Australia also provided summary ETF tables in the budget papers for the first time.

Tasmania made a helpful start by identifying below-the-line financing transactions for the budget sector only and promises the whole bit for next year.

Forget Queensland for another year at least. There have been such massive changes to the presentation of that State’s budget this year, including a switch to full program budgeting, that the lights must have burned late in the Treasury for months. So much so that a National Accounts presentation went onto the back burner. It is still an aim for 1990/91 but so are other major accounting changes and it remains to be seen how the priorities emerge.

But we can’t complain too much. Five out of seven is real progress even if there are still some minor aberrations to be ironed out.

On second thoughts it is five out of eight, because the Commonwealth Government, for all its previously-justified criticism of the States, still does not provide estimates for the year ahead for other than the Budget Sector.

Les McCarrey is Director of the IPA States’ Policy Unit based in Perth.
Public Spending Up Again

Our first run analysis of the States' spending proposals shows an estimated eight per cent nominal or one per cent real increase in spending by all Australian Governments this year. This is hardly the stuff of which lower interest rates are made.

The more widespread publication of spending proposals on an ETF basis outlined below makes it possible to produce reasonably accurate comparative figures earlier than was previously possible.

In the following table the percentage increases shown are for the public sector as a whole except for the Commonwealth and Queensland which are for the budget sector only.

Because of widespread changes to the Queensland budget presentation, it is not possible to make comparisons with last year's outlays on a meaningful basis and no reconciliation is provided in the Budget Papers. The increases shown are taken from the Treasurer's budget speech and imputed aggregates have been used to weight Queensland's outlays in the All States total.

TABLE 1: STATE GOVERNMENT OUTLAYS 1989/90

<table>
<thead>
<tr>
<th>Government</th>
<th>Recurrent Outlays</th>
<th>Total Outlays</th>
<th>recurrent outlays</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Nominal</td>
<td>Real</td>
<td>Nominal</td>
</tr>
<tr>
<td>NSW</td>
<td>10.9</td>
<td>3.5</td>
<td>13.8</td>
</tr>
<tr>
<td>Vic</td>
<td>7.8</td>
<td>0.7</td>
<td>5.6</td>
</tr>
<tr>
<td>QLD(b)</td>
<td>11.7</td>
<td>4.3</td>
<td>10.3</td>
</tr>
<tr>
<td>WA</td>
<td>6.2</td>
<td>-0.8</td>
<td>10.5</td>
</tr>
<tr>
<td>SA</td>
<td>8.8</td>
<td>1.7</td>
<td>11.5</td>
</tr>
<tr>
<td>Tas(b)</td>
<td>11.5</td>
<td>4.2</td>
<td>8.5</td>
</tr>
<tr>
<td>NT</td>
<td>3.5</td>
<td>-3.2</td>
<td>6.2</td>
</tr>
<tr>
<td>TOTAL STATES</td>
<td>9.2</td>
<td>2.0</td>
<td>10.0</td>
</tr>
<tr>
<td>C'wealth - own purposes(b)</td>
<td>7.2</td>
<td>0.1</td>
<td>6.3</td>
</tr>
<tr>
<td>All Governments</td>
<td>8.1</td>
<td>1.0</td>
<td>8.1</td>
</tr>
</tbody>
</table>

(a) Total Public Sector on National Accounts ETF basis where available.
(b) Budget sector only.

The States fall neatly into two groups in relation to recurrent spending this year. New South Wales, Queensland and Tasmania have budgeted for real increases of around four per cent, a degree of indifference to the needs of national fiscal policy that must have Paul Keating seething.

Some allowance must be made in Tasmania's case because departmental spending was held tightly partly to offset a budget-dominating increase in the interest bill, the result of past excessive recourse to borrowings for the type of general government facilities that should be financed from revenues.

Victoria, Western Australia, South Australia and the Northern Territory showed far greater restraint — in Western Australia's case, an inevitable outcome of the pre-election excesses of the last two years.

The high increases in Total Outlays in three States indicate that spending on capital works is beginning to burst the seams stitched in by the Keating cuts in borrowing approvals. As a result of this, but primarily due to the high spending policy of the New South Wales Government, total outlays by the States together is estimated at a 2.8 per cent real increase compared with a real reduction of 0.7 per cent in Commonwealth Own Purposes outlays.

States Offset Federal Surplus

Using IPA estimates of the Public Sector Net Financing Requirement or 'deficit' for Queensland and Tasmania, the budgeted NFR for the States this year is an aggregate deficit of $4.4 billion or double that for 1988/89.

Thus, despite the big increase in the Commonwealth budget surplus the overall public sector 'surplus' is likely to be little if any better than last year. This means that, contrary to the budget forecast of an increase in public sector saving relative to GDP, there is likely to be a small decrease.

TABLE 2: NET FINANCING REQUIREMENT

<table>
<thead>
<tr>
<th></th>
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<tr>
<td>All States</td>
<td>2,228</td>
<td>4,466</td>
<td>+2,238</td>
</tr>
<tr>
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<td>-5,020</td>
<td>-6,480</td>
<td>-1,820</td>
</tr>
<tr>
<td>All Governments</td>
<td>-2,792</td>
<td>-2,374</td>
<td>+418</td>
</tr>
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</table>

Note: A negative Net Financing Requirement represents a surplus.

However, the capital spending proposals of State Governments, particularly those of their PTEs, is invariably overstated. It would therefore not be surprising if the out-turn proves to be about $1 billion less for the States than the figure shown. Increased capital spending by Commonwealth PTEs is also expected to offset part of the higher Commonwealth budget surplus. Accordingly, the likely All-Governments result therefore emerges as a surplus of around $3 billion, or about 0.8 per cent of GDP.

The relative reduction on last year's overall surplus is thus scarcely a move in the direction that the Federal Treasurer wanted, as it constitutes a slight easing in overall fiscal policy. For this the States can take no credit.
In order to advance industrial demands, unions sometimes impose bans and limitations on the performance of work. A recent example of some notoriety concerns the Australian Federation of Air Pilots. In support of a 29 percent wage claim, members of the AFAP limited working hours to 9am to 5pm. In response the Hawke Labor Government supported a number of measures designed to defeat these bans and limitations, and also defeat the AFAP wage claim. The measures endorsed by this Labor Government may prove instructive for other employers who find themselves in a similar situation.

**Cancel the Award** On application by the employers supported by the Government, the Industrial Relations Commission cancelled the major awards prescribing terms and conditions of employment for pilots. This meant that overnight pilots had their legal entitlements to wages, seniority, leave and the like cancelled, and became entitled only to wages and conditions as agreed by their employers. No minimum terms of employment were granted.

**Sue the Workers, Sue the Union** The Prime Minister announced, apparently on behalf of the airlines, that employers would take common law action against pilots. He was vague about what this meant, but undoubtedly intended that action be taken to sue pilots for not working in accordance with their contracts, and that action be taken against the union for (allegedly) inducing pilots not to work in accordance with those contracts.

**Bring in the Military** The Government made the resources of the RAAF available to provide air services which had been halted by the bans and subsequent pilot resignations. The task of the military was to break the embargo on services that the dispute had caused.

**Bring in the Management** In order to beef up services, pilots previously employed in airline management were brought in to fly planes. Employees who go on strike usually resist attempts by management to keep services going. The deliberate use of management to break the embargo on air services was praised by the Government.

**Fast-track Immigration Procedures** The Government announced measures to speed administrative procedures for overseas pilots to come to Australia and fly planes. When the domestic pool of persons prepared to defy the AFAP campaign proved insufficient, foreign workers were sought to counteract the withdrawal of labour by domestic pilots. Unions generally describe such people as ‘scabs’.

**Compensate the Employers** The Government announced a $100 million package for the airlines to compensate them for the cost of the dispute, particularly the cost of ancillary staff who were kept in employment. This relieved the financial pressure on the airline employers who otherwise might have been forced to crack under financial pressure. It averted the stand-down of ancillary staff, action which ACTU Secretary Kelty declared would not be allowed.

**Refuse to negotiate with the Union** Despite backdowns by the AFAP and a desperate urgency on its part to enter negotiations and get a resumption of work, the airlines have refused to negotiate. The airlines maintain that they will only negotiate with individuals and refuse to recognize the union. The Government endorses this stand.

When the Government wants to stop industrial action, defeat a wage claim or reform working conditions, it can get really serious. Comparing its behaviour in the pilots’ dispute with its inaction over waterfront reform gives an indication of just how serious it is about the waterfront.

There has been an eerie silence from senior Labor figures and the trade union leadership as union ‘principles’, one after the other, have been extravagantly flouted. This may indicate just how deeply these principles are held, or it may indicate that these are dispensable in the greater cause of preserving the Labor Government or the cherished Accord as a greater source of long-term advancement.

Some employers may take the lesson that when confronted with the next ban: cancel the award, sue the workers, bring in the military...

Strange times indeed!
Conflict Over the Accord

The pilots' attempt in August to go outside the wage fixing system precipitated a monumental showdown with the industrial relations club. The Government knew that the future of the Accord was at stake and sensed the potential popular support for standing up to a group perceived to be over-privileged. Thus the Federal Government formed an alliance with the airlines and declared war on the Pilots' Federation.

The war was to produce a plethora of ironies, as Peter Costello's article on page 15 of this Review amply illustrates. The Canberra Times, sensing this, took some delight in reminding its readers that the Prime Minister, who now was pulling out all stops to break the back of the Pilots' Federation, some years earlier as ACTU President, "was elemental in convincing the Whitlam Government to capitulate to the Australian Federation of Airline Pilots and agree to pay rises amounting to 24 per cent."

Not everyone on the Labor side of politics was keeping up with the Prime Minister's industrial relations merry-go-round. "Senator Terry Aulich said that getting industrial disputes into the courts and the common law system was the worst possible way to go. His [Senator Aulich's] words were hardly on record before the Government backed the use of common law sanctions against the pilots," wrote Michelle Grattan of the Melbourne Age. "Quite clearly, as the Sydney Morning Herald stated in an editorial — the rules of the game had changed."

Unfortunately someone forgot to tell Senator Aulich!

Most press commentators felt that the Prime Minister was over-reacting. "Hawke's reaction, marked by rhetoric verging on the non-sensical — has been over the top," stated Bruce Jones of the Sun-Herald. Bryce Courtenay of The Australian agreed: "The one time we really need the one skill we thought he had, he starts shouting and banging his fists." The Financial Review, in its editorial, went so far as to claim that the Prime Minister, along with a few others, possessed a low level of immunity to foot-in-mouth disease. Even former Hawke speechwriter, Richard Farmer of The Australian, appeared to abandon his former boss in his hour of need: "Hawke's somewhat inflammatory comments had provided the backbone that the less financially well-off pilots needed," wrote Farmer.

Some commentators saw Mr Hawke's tactics and behaviour as a clear indication of the Accord's inability to manage the pilots' dispute. "The Wages Accord is in the process of breaking down," wrote The Australian's Paddy McGuinness. "The Accord is breaking down anyway," wrote Des Keegan. "... the centralized wage fixing system has proved inadequate to deal with the pilots dispute," commented the Canberra Times on 2 September.

The Prime Minister did, however, possess a few loyal allies, who felt that his actions were justified. They held that the pilots ought be dealt with harshly. P. P. McGuinness: "Why should the pilots accept the Accord?"

Laurie Oakes: "Too bad" if Hawke upset the pilots.

P. P. McGuinness: "Why should the pilots accept the Accord?"

The Age editorial was less subtle — declaring that the pilots had "to be crushed." This was strong language for a newspaper usually seen as an advocate of tolerance, pluralism, individual rights and 'dialogue'.

What will be interesting to watch now is whether renegade journalists challenging the Accord will lead to a flow-on in the profession, prompting journalists to break out of the industrial relations club left, right and centre.

Research: Anthony Smith
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# Support Accord

## Neutral

## Oppose Accord

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<td><strong>Sydney Morning Herald</strong></td>
<td>&quot;There is no reason why Australian domestic airlines should not be faced with competition.&quot; Padraic McGuinness The Australian</td>
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<td><strong>The Age (Melbourne)</strong></td>
<td>&quot;...to surrender to the pilots would wreck the accord...The damage to the economy would be enormous.&quot; John Slee The Sydney Morning Herald</td>
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<td><strong>The Australian</strong></td>
<td>&quot;Enterprise bargaining is certain to replace — eventually — the easy deals worked out under the Accord.&quot; Paul Kelly The Australian</td>
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<td><strong>Financial Review</strong></td>
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<td><strong>Canberra Times</strong></td>
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</tr>
<tr>
<td><strong>Mercury (Hobart)</strong></td>
<td>&quot;The demand by pilots...is arrogant and irresponsible...because the rise is sought outside the wage-fixing system.&quot; Kenneth Davidson The Age (Melbourne)</td>
</tr>
<tr>
<td><strong>The West Australian</strong></td>
<td>&quot;The Government...must show the same resolve when faced with similar unjustified claims from blue collar unions closer to Labor's heartland.&quot; Geoff Kitney Financial Review</td>
</tr>
<tr>
<td><strong>Daily Telegraph (Sydney)</strong></td>
<td>&quot;The government and the opposition must form a bipartisan front to prove renegade industrial groups cannot dictate wages policy.&quot; Bruce Jones The Sun-Herald</td>
</tr>
<tr>
<td><strong>The News (Northern Territory)</strong></td>
<td>&quot;...whichever way it goes, the centralized wage-fixing system...will be shattered.&quot; Max Walsh Sydney Morning Herald</td>
</tr>
<tr>
<td><strong>The Adelaide Advertiser</strong></td>
<td>&quot;...Prime Minister Hawke is right. Had the pilots got their claim...the green light would have been given to break out of our relatively restrained wages procedures.&quot; John Wright Courier Mail (Brisbane)</td>
</tr>
</tbody>
</table>
Is There Really a Greenhouse Effect?

Roger Braddock

'The Greenhouse Effect' has entered the language: in scientific journals, popular media, government policy and school curricula it is assumed to be a reality. But is this assumption valid? An environmental scientist assesses the evidence and finds it wanting.

A considerable debate has developed in the scientific and general literature on climatic change and the Greenhouse Effect. Most of the general scientific literature, including the more prestigious publications such as Science and Nature, regularly contain articles dealing with aspects of these phenomena. Such articles often start from the premise that Greenhouse is a reality and then proceed to assess the likely physical, biological and social consequences. The debate has also spilled over into the electronic media. The Prime Minister has been moved to provide funding for research in the area, to suggest that no reasonable request will be refused, and to make major policy statements with significant implications for the conduct of economic and social life.

Thus, while the Greenhouse scenarios are only predictions, they are being used for far-reaching social, planning and other decisions. There is, however, still considerable doubt as to the extent of the Greenhouse Effect, if not some questioning of its existence. The more scientific literature now carries articles which raise serious questions as to the strength and consistency of the scientific evidence of the Greenhouse Effect.1 This in turn gives rise to questions about the accuracy and reliability of the climate predictions which are being made in the name of the Greenhouse.

A detached review of the scientific evidence on which many of the Greenhouse assumptions and predictions are based must conclude that the case is not proven and that even a reasonable level of certainty may not be available for some time. Our doubts as to the outcomes must be taken as a moral responsibility to find out more, rather than to wait and see. And, there are in any event other sound environmental reasons to adopt recycling programs, conserve the use of resources and to control pollution emissions. But we should not at this stage rest fully the case for programs of action on possible Greenhouse scenarios.

The 'Greenhouse' Gases

The Greenhouse Effect is generally recognized as the heating of the global atmosphere through the trapping of radiant energy in the atmosphere by the Greenhouse gases. Radiation from the sun arrives on earth as short-wave radiation, penetrates relatively easily to the surface and may re-radiate generally in the long-wave end of the spectrum. This long-wave radiation is more readily absorbed by the Greenhouse gases and may be trapped, potentially leading to a hotter atmosphere. The Greenhouse gases include carbon dioxide, methane, nitrous oxides, chlorofluorocarbons (CFCs), ozone and water vapour. The sources of these gases vary, but they are derived generally from the carbon cycle involving the burning of oil, gas and coal.

Since the industrial revolution the carbon dioxide concentration has increased by about 25 per cent.2,3 This increase is generally attributed to our use of fossil fuels and the evidence shows a world-wide consistency. A further doubling of carbon dioxide concentration in the next 60-80 years is predicted by some experts, the predictions being based on projections of the consumption of fossil fuels2 and population growth rates. Comparable historical trends for the other Greenhouse gases are not available as their potential significance has only been recognized in the last decade. Available evidence suggests that methane has been increasing at about one per cent p.a. since the late '70s; nitrous oxides are increasing at about 0.2 per cent p.a. and CFCs at a rate of five to seven per cent p.a.4 All of these gases are radiatively more active than carbon dioxide in absorbing long wave radiation from the earth's surface. Generally, therefore, there is no doubt that the gaseous composition of the atmosphere has changed and that the radiatively active gases are increasing in concentration in the atmosphere.
Atmospheric Temperatures

How has the increase in concentration affected temperatures to date? Temperature has been recorded at various points on the earth's surface for periods of a century or more. During that time, measurement techniques have changed, as has the environment at the points of measurement.

Recently, scientists reported on a study of temperature measurements at 1,219 stations in the USA, taken over the period 1901-1984. This analysis, which attempted to correct for measurement difficulties and the well-known effects of cities in creating localised heat islands at particular points of measurement, found no long-term upward trend in temperatures. This is an example of a regional study and such studies often reveal a high level of variability.

Parlange has reported a slight recent rise in global mean temperature, but that is still within normal statistical variations based on known temperature records. Other studies suggest a mean global heating of approximately 0.4°C in the last 100 years and this has come to be a widely accepted figure. However, our temperature record for the earth's surface is very patchy, with few long-term records for the surface covered by the oceans. Confidence in the accuracy and reliability of the 0.4°C change is not high. However, the general trend of an increase in temperature has been established; the magnitude of the change is more open to question. It does lead to a questioning of the cause of the change, and the role played by carbon dioxide. This change has little to do with the model predictions (see below) but is used heavily in the politics of the Greenhouse debate.

Global Climate Modelling

A key question that arises in assessing the potential Greenhouse Effect is the reliance that can be placed on predictions of changes in climate over, say, the next fifty years as a result of the increase in Greenhouse gases. The main source of such predictions is the output from mathematical and computer-based models of the atmosphere and its physical and chemical processes. The relationships between the movement of the atmosphere and the physical properties of pressure and temperature, and physical processes such as radiation and atmospheric mixing, can be expressed in mathematical form. Hence the models are process based and do not incorporate historical trends.

Currently, the models attempt to model the common Greenhouse gases. Frequently the effects of other gases, such as sulphur dioxide, are omitted, or modelled poorly, e.g. water vapour. As additional information becomes available, it may be incorporated in existing or new models. The effects of the various gases are incorporated in the model through the prediction of future concentration and emissions. The predicted concentrations are incorporated in the related dynamical processes and resulting equations. These equations are then translated to computer code and placed in a suitably large computer.

Such models are just that; they are models which attempt to approximate a reality which is extremely complex. Due to the finite size of even the largest computers, the models are necessarily restricted. Thus, areas as large as 100,000 square kilometres are treated as a single uniform entity or a point; and areas the size of Tasmania may not even be represented in the model. Again, some processes, such as thunderstorms, are small relative to the spatial scale of the model and are not included in the model.

The models also need large amounts of input data, including input radiation from the sun, and information about the input of gases such as carbon dioxide from the surface of the earth. The output from the models constitute spatial and temporal predictions of the weather and climate. The Australian Bureau of Meteorology argues that the three models — GISS, NCAR, and GFDL — are reputable.

Although the results obtained from these models vary, they tend to predict a heating of the atmosphere generally in the range from 2°C to 5°C over the next 50-100 years. Naturally, the results depend on the input of gases being used in the model and the range of predicted temperatures relates to the concentrations of carbon dioxide used as input. The results are also heavily dependent on the region of the earth's surface which is being considered. The results all show a high variability in the distribution of the rainfall, e.g. one predicts a wet north and dry south in Australia while a second predicts the reverse.

An obvious question to ask is how good are these models and what reliance can be placed on their predictions? It should be noted that these self-same models are used in short-term weather prediction. Sceptics like myself would point out that current weather forecasts can predict weather patterns for only a few days and even then with some imprecision. But the Greenhouse scenarios are based on predictions from the models, extending 50 and 100 years into the future.

Weather models also suffer from the Butterfly Effect discovered by Lorenz in the early 1960s, which showed that even a minute change in the input data can have major effects for the global prediction from the model. Lorenz ran duplicate simulations on computers, where the input data differed only marginally, often only
in terms of seemingly insignificant decimal factors. He obtained predictions which started from the same initial point. However, the output of predictions then gradually differed until, after about 30 days they bore little resemblance one to the other. The effect has been confirmed, and results from the need of the models to have precise input data on gases, and surface factors.

**Water and Water Vapour**

In considering the adequacy of the modelling, attention must also be focused on one of the most common Greenhouse gases: water vapour. The high specific and latent heats of water imply that it is a major factor in determining the location and transport of energy in the atmosphere. Kerr has observed that the weakest part of the climate modelling is in the simulation of the clouds and related processes. The different scale sizes of clouds, and of the numerical grid systems, present a serious problem yet to be fully addressed. Further, the generation of precipitation is not fully or properly modelled in many of the models. Increasing temperatures, if realized, would see more water vapour in the atmosphere, and would add to these uncertainties.

Further, clouds and water vapour also affect the radiation balance, and the effects are not fully understood. Ramanathan et al investigated the effects of clouds on the local radiative balance and showed that the cooling effect of water vapour can be up to three times as strong as the heating effect of the current concentrations of carbon dioxide.

Clearly, therefore, water vapour has the potential to counteract the heating effects of carbon dioxide, at least at current and predicted concentrations of the latter. Future global climate modelling will need to pay greater attention to this factor.

**Testing the Models**

Generally, it is not yet possible to assess fully the predictions of the computer models. The science and the resultant models are recent developments and insufficient time has elapsed to permit statistical comparison between the predicted and observed climate. However, testing and validation of these models can be carried out by simulating past and present weather conditions and by comparing the computer predictions with the historical record. Estimates of the historical atmosphere can be obtained from bore holes in ice sheets such as in Antarctica. Estimates of temperature and sea level changes have also been obtained using geomorphological techniques.

When projected back over the last century, the models generally predict an increase of approximately 1°C in temperature. This is more than double the generally accepted value of 0.4°C obtained from observation.

In an interesting experiment, COHMAP simulated climatic change over the last 18,000 years. They used historical climate data and drove the model through centuries of prehistoric weather cycles. Their general result was that solar radiation change and climate change were induced, in general, by orbital changes of the earth and associated bodies. This supports the geomorphological hypothesis of the causes of climatic change as expressed in the literature. Thus the historical temperature record is intricately linked to variations in the orbit of the earth.

**Ocean Effects**

Mention must also be made of the great heat engine of the earth's surface, the ocean. The high specific heat of water makes the ocean the repository of enormous energy and its interaction with the atmosphere is crucial in determining weather and climate. Yet, the air-sea interactions have generally been ignored in the current generation of global climate models.

These air-sea interactions are in fact not yet fully understood and it is only recently that coupled air-sea interaction models have been built. This involves a further level of complexity in the modelling and eventually the initial models will be seen as crude, inefficient and inaccurate. Major improvements are needed in the understanding of the physics, mathematical and numerical modelling and in computing power. However, it is very sobering to note that the more recent air-sea interaction model predicts a net cooling of the oceans south of Australia of about 4°C.

Finally, there is the question of the projected rise in sea level associated with the assumed global warming. This projected rise involves the range of factors discussed above as well as the interactions of ice, radiation and ocean currents. This complex area is the least well understood of all of the Greenhouse scenarios. Indeed, one of the leading analysts of possible changes in the sea level, Robin, has commented that there are "so many deficiencies in our knowledge of the factors affecting sea change, that simple linear correlation from previous observations and records was the only avenue for prediction." He acknowledges that the data used in his model are scattered, that the relationship should be non-linear and involve variables other than temperature, and that sea level effects would lag temperature effects. Indeed, the lag should be in the order of decades to centuries, given
the relatively slow mixing of the deep ocean. It is well-known that deep ocean currents of great age can be identified e.g. North Atlantic Deep Water. 17

Robin also points out that the method of predicting sea level changes has severe limitations in that the calculation is derived on the basis of assumed temperature ranges of approximately 0.4°C over the past century. However, the predictions involve extrapolation to much greater temperature ranges. These predictions range from an increase of 0.32M up to 1.5M in sea level, corresponding to a temperature range from 2°C to 5°C.

Conclusions

The foregoing raises several questions for practitioners and policy makers who have to deal with estimates of climate variability and change and make decisions based on them. Conner concludes that undue attention has been given to the upper end of the range of predicted temperature and sea level change and that the advice to engineers is not sufficiently proven or detailed to provide a base for planning. 18 Indeed, the sparsity of the scientific evidence raises questions as to the legal and financial liability on engineers and planners with regard to their activities, particularly in the area of professional negligence, if they incorporate Greenhouse effects into planning and project design. Conner also traces the way in which Robin's source calculations of changes in sea levels have "been adapted and interpreted through a number of authors."

In the Greenhouse debate, much of the sparse evidence is thus conflicting and inconclusive and does not provide any strong causal relationships between the variables. There is a sparsity of information with regard to the essential physics and dynamics of the atmosphere, clouds and ocean and the models are deficient in their handling of water and water vapour, particularly as cloud. Again, the interrelationships between temperature and sea level are poorly understood and the simple extrapolations leave little room for scientific confidence.

In terms of establishing whether there is a Greenhouse Effect, I find the current level of scientific evidence unconvincing. While there is no doubt that the concentration of radiatively active gases in the atmosphere has increased over the past 100 years and will go on increasing if recent rates of consumption of fossil fuels are maintained, it is by no means established that this will result in increased global temperatures. The natural tendency of the increased concentration of gases to lead to higher temperatures may be offset by other natural forces, such as the effects of water vapour and interactions between the air and the sea. Nor is it clear, even if higher temperatures do occur, what the effects would be on weather patterns or sea levels. The Greenhouse case is not proven.

Notes

7. Personal communication with Dr. M. Parlange, Princeton, 1989.
8. For example at the Climate Research Unit of the Goddard Institute for Space Studies (Schneider, op cit).
12. Schneider, S., op. cit.
15. Bureau of Meteorology op. cit and personal communication.

Other References

Debt — is it still a Problem?

We have recently had the remarkable spectacle of academic economists agreeing that the Government should cease to concern itself with the level of external debt. Boiled down, the argument is that with the Commonwealth Budget in surplus and the public sector no longer being a net borrower, any further overseas borrowing must therefore be by the private sector. As borrowing decisions of the private sector will reflect its judgments about investment opportunities or about the timing of consumption spending, it will have to take the actions needed to service the debt. Hence, it is argued, the private sector can be expected to make responsible decisions about whether to undertake additional borrowing.

This approach assumes that the private sector collectively cannot get into a crisis situation because of 'over-borrowing'. But what if all or most private sector borrowers misjudge the likely growth in demand for their products? And what if borrowing is artificially encouraged through faulty government policies? For example, the combination of continued high inflation rates, the tax deductibility of interest on borrowings by business, and the inclusion in taxable income of the inflation component of interest income has almost certainly stimulated borrowing and discouraged saving. Also, looking at the past five to six years as a whole, monetary policy has arguably been too 'loose' i.e. on average, interest rates should have been higher. Looking over a longer time span, the extension of social security to a larger proportion of the population, and the accompanying increase in taxation, has discouraged saving and encouraged borrowing by households.

This is not to deny that the academics' argument has a good deal to be said for it — in theory. Carried to its logical conclusion it is rejecting the whole Keynesian notion that governments should intervene to 'smooth' the business cycle. There is a good deal to be said for the view that such intervention may often have exacerbated swings in private sector activity and that the role of government, and the potential for policies to be adopted for short term political gain, ought to be diminished.

The difficulty is that government is already intervening and distorting private sector decision making in many areas. In a sense, therefore, we need to have government intervention (to prevent 'over-borrowing') to offset government intervention (that encourages 'over-borrowing')! Further, we cannot simply disregard the historical accumulation of debt, the burden that that is imposing, and the increased exposure from our now very high gearing. Australia's gearing ratio — the ratio of net debt to net equity — has increased an astounding 10 times since 1980-81.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Equity $bn</th>
<th>Net Debt $bn</th>
<th>% Net Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>24.2</td>
<td>8.6</td>
<td>35</td>
</tr>
<tr>
<td>1981-82</td>
<td>22.0</td>
<td>16.5</td>
<td>75</td>
</tr>
<tr>
<td>1982-83</td>
<td>25.0</td>
<td>23.4</td>
<td>93</td>
</tr>
<tr>
<td>1983-84</td>
<td>25.3</td>
<td>29.9</td>
<td>118</td>
</tr>
<tr>
<td>1984-85</td>
<td>26.4</td>
<td>51.2</td>
<td>194</td>
</tr>
<tr>
<td>1985-86</td>
<td>21.1</td>
<td>75.0</td>
<td>356</td>
</tr>
<tr>
<td>1986-87</td>
<td>31.9</td>
<td>82.4</td>
<td>258</td>
</tr>
<tr>
<td>1987-88</td>
<td>30.8</td>
<td>90.3</td>
<td>292</td>
</tr>
<tr>
<td>1988-89</td>
<td>32.7</td>
<td>108.8</td>
<td>330</td>
</tr>
</tbody>
</table>

The practical reality is that foreign lenders have a record of taking action that will, sooner or later, either bring borrowing to a halt or reduce it to such an extent that it has the same effect, viz, a financial crisis, loss of confidence and recession, or an extended period of stagnation, or both. The essential rationale for government intervention is to prevent borrowing reaching the point where foreigners take such action — to provide a 'soft' rather than a 'hard' landing.

For its part, the Government has not accepted the
academics' view. Although they have not said what level of external debt they regard as 'safe', both the Prime Minister and the Treasurer have indicated that a reduction in the current account deficit is a top policy priority.

Hence monetary policy is scheduled to remain 'tight' until there is clear evidence of a sustainable reduction in the growth of domestic spending — or at least until the election date is determined, some cynics would say. Indeed the Treasurer has suggested that there is likely to be a need for spending to grow at a slower rate than output for several years, with the 'excess' output going to reduce the current account deficit.

But many are now asking what will happen once the 'tight' monetary policy has succeeded in suppressing spending. If interest rates are then allowed to fall, it is argued, spending may simply revive and we will repeat the cycle of a blow-out in the current account deficit, further increases in external debt, followed by a retightening of monetary policy, and so on. Moreover, with every repeat of the cycle the chances of debt crisis become stronger and stronger.

The Government's answer to this appears to rest on the argument that the strong increase in business investment in the two years since 1986-87 (33 per cent in real terms), and the further six per cent increase forecast in the current year's Budget, will provide the additional exports and/or import replacements needed to reduce the current account deficit to a sustainable level. The Treasurer has suggested that this increase in business investment contrasts with the experience under the previous Liberal-National Government.

However, the validity of the Treasurer's analysis is open to serious doubt:

i) Although the average proportion of GDP allocated to business investment was higher in the six years of Labor than in the previous six years, this was almost exactly offset by a lower level of public fixed capital investment. Thus, the average level of total fixed capital investment under Labor has been about the same as in the last six years of the former Coalition.

One important implication is that, when the inevitable surge comes in public investment, there will be renewed pressure on the current account deficit.

(ii) The much faster growth in borrowing by the private sector in the last five years or so has mainly reflected the financing of purchases of existing assets, resulting in a sharp increase in gearing ratios. In short, the increase in debt has clearly not been accompanied by a commensurate increase in new assets.

(iii) The published investment figures are gross (i.e. before deducting depreciation) and an increased proportion has probably gone on the replacement of outdated or worn-out equipment rather than an expanded capacity (in recent years depreciation has been around 65 per cent of gross investment compared with just over 50 per cent in the early 1970's).

(iv) The increase in business investment in the traded goods sectors since 1986/87 has been no greater than for other sectors. There has certainly been no surge in new investments in major resource projects comparable with the early 1980s.

It should also be noted that, while in 1988-89 the current account deficit increased by $6.2 billion and total imports of goods and services increased by $8.0 billion (25 per cent in real terms), capital goods imports increased by only $2.7 billion. The clear implication is that a 'spill over' of consumption expenditure, which increased by 3.6 per cent in real terms, was mainly responsible for the higher current account deficit. Surely Government policies should not have allowed this to happen?

The move to a situation where the public sector is a net saver is an important contribution to overcoming Australia's debt problem. But if the problem is to be overcome without a recession and/or extended stagnation, major policy changes are required to create an environment more conducive to investment, particularly in the traded goods sector, and less conducive to consumption. Until that is done the level of external debt must remain a central policy concern of Government.

---

**TABLE 2: INVESTMENT** (% TO GDP IN CONSTANT PRICES)

<table>
<thead>
<tr>
<th></th>
<th>Private Business</th>
<th>Public Fixed Capital</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Av 1977-78</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 1982-83</td>
<td>10.4</td>
<td>7.1</td>
<td>17.5</td>
</tr>
<tr>
<td>Av 1983-84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 1988-89</td>
<td>11.4</td>
<td>6.3</td>
<td>17.7</td>
</tr>
</tbody>
</table>

(a) Excludes investment in dwellings and stocks

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**Notes**

1. Not all academic economists are on this bandwagon. But a significant proportion has adopted it.

2. In their second downgrading of Australia's credit rating on 23 October, Standard and Poor's emphasized that "the weakened external position raises the country's vulnerability to adverse economic developments and hampers policy flexibility".


4. For this purpose manufacturing and mining are taken to be the traded goods sectors.

5. There was also a strong increase in stocks, presumably also reflecting the growth in consumption.
**Fertile Ground**  Fearful of being left behind by the changing intellectual fashions, religious scholars are searching the Scriptures for a theology of ecology that can give the church a role in the growing environment movement. In May in Switzerland a conference of the World Council of Churches met to ponder the subject, "Justice, Peace and the Integrity of Creation", reports *Newsweek*. One of the papers discussed was an earnest treatise on "The Theological Significance of Manure" by a Dutch Calvinist scholar.

**Unity of Opposites**  What does *Labor College Review* have that *IPA Review* doesn't? I asked myself this as I leafed through the most recent issue and found every second page filled with advertisements — 4X beer, Volvo, the West Australian newspaper, Costain. I know how hard it is to entice companies to advertise in a journal of ideas. So how does *Labor College Review* do it? How does it procure almost 50 pages of advertising in a single issue?

The only substantial difference that I can detect between their *Review* and ours is that theirs is Marxist — it includes articles from Marx's offsider Friedrich Engels, a statement from the Communist Fourth International on "the origin and nature of women's oppression", an analysis of religion as "the opium of the people." It offers introductory classes on Marxism and back issues of the *Review* on "Marxist economics" and the "Rise of the Working Class."

What was it Lenin said about capitalists selling the rope to hang themselves?

**Exhibitionism**  Civil libertarians protested against the recent decision by the Corcoran Gallery of Art in Washington to cancel an exhibition of photographs by Robert Mapplethorpe, a homosexual artist who died of AIDS. The decision was forced on the Corcoran Gallery, which is heavily supported by federal funds, by pressure from a group of congressmen. As the US journal, *The New Republic*, reports: "You would not have to be a prude to be offended by [Mapplethorpe's photographs]. One showed a man urinating into another man's mouth. Another featured the artist himself with a bullwhip handle embedded in his anus. Other sights included women engaged in cunnilingus and children in erotic poses."

The question which should be asked, says *The New Republic*, is not whether this is art, but: Does it make sense to use taxpayers' money to display prominently, in a widely visited museum, pictures that most taxpayers find extremely offensive? The answer is no.

**Ho Chi Washington**  Pulitzer Prize-winning journalist Neil Sheehan's new book on the Vietnam War is described by reviewer John Forbes in *The Age* (under the heading "America's Vietnam Lie") as an anatomy of American arrogance. It gets worse: "Sheehan reinforces this impression by drawing his labels for the different factions in the Vietnam War from the American War of Independence. The South Vietnamese puppets become 'Tories', the Viet-Cong become 'Patriots', America's allies hessians and General Giap cut down the cherry tree.

"This schema may limit Sheehan's interpretation of the war," Forbes continues, "but it allows him to write the book le Carre thinks so highly of. And, in these terms it is a very fine book indeed."

**Faery Across the Tasman**  Describing it as "lateral thinking", New Zealand's Minister for Disarmament and Arms Control, Fran Wilde, has decided to fund a feasibility study to assess the costs and benefits of New Zealand becoming a world centre for the storage of information. According to Ms Wilde, New Zealand's geographical position and anti-nuclear policy make it an ideal "repository for the world's knowledge and vital records" in the event that a nuclear catastrophe befalls the northern hemisphere. Perhaps because New Zealand is so far south, the project should be called the 'New Zealand Suppository of World Knowledge'.

Proving that this was no oberration, the very next day (21 August) Ms Wilde announced that the staff of the National Library in Wellington, NZ, had organized a Maori ceremonial greeting for the arrival
of a peace quilt from Missoula, Montana in the US. "The 15 members of the Missoula Peace Quilters group spent two years creating the quilt to acknowledge New Zealand’s nuclear free policy," Ms Wilde said in her press release. "The peace quilt came into being when a daughter of a woman in Missoula had nuclear nightmares. Her mother was determined to do something positive for peace and formed the group now known as the Missoula Peace Quilters." Perhaps if the doughty daughters of Missoula could be persuaded to make a quilt big enough to hide under, it could constitute the main part of New Zealand’s defence strategy.

**The Price of Virtue**  In August ABC Radio’s Insight, a religious affairs program, interviewed liberation theologian Father Thissa Balasuriya, here briefly to lecture Australians about their sins. Our “original sin”, predictably, is “taking the land from the Aborigines” and also the selfishness of “jailing to share the vastness of Australia with more people from Asia.” Now, when Father Balasuriya says we should invite more people into Australia he doesn’t mean a mere doubling or trebling of our immigration intake; he means increasing Australia’s population to 200 million. What Australia would lose by joining the Third World, it would gain in virtue.

**Malediction**  The notion of collective guilt has expanded to fill the gap left by the collapse of individual responsibility. It raised its ugly head during the Bicentenary and does so again in Dr Jocelynne Scutt’s foreword to a new book, *Taking Control: Help for Women and Children Escaping Domestic Violence* by Tor Roxburgh. This time the charge of complicity in violence is laid at the feet not of all white Australians, but of all men: “... the blight on women’s lives will be ended only when men — all men: bashers, abusers and those who do not bash and abuse — realize their violence or complicity in the violence and determine to be violent and complicit no more.”

**Pollute-buro**  Leader of the German Green Party, Petra Kelly, told an “Ecopolitics” conference in Adelaide recently that the Eastern European countries were now in the vanguard of environmental reform. Look again, Petra! In August

**Moscow News** commented; “the costs of the command-and-administer system are most glaring in the gigantic construction projects many of which devoured immense resources but produced little in return while doing irreparable damage to the environment.” Senator Jim Short wrote in the *Melbourne Herald* on his return from a tour of Eastern Europe: “the Baltic Sea is almost dead. Sewage and other effluent flows into it from the Baltic States, Poland and East Germany. Pollution has destroyed most of the fishing industries that relied on the sea for their catches ... Half of Poland’s water is contaminated even for industrial use. More than 80 per cent of its deep wells are polluted.” So much for the socialist solution!

**No Faith in the Government**  In a prepared public statement in reply to criticism of the Victorian Government’s policies in education, the Education Minister, Mrs Kirner, stated: “The Victorian Government, teachers, parents and principals are not just paying lip service to an excellent education for all, regardless of race, gender, language, socio-economic class and geographical location. We are making it happen.” Missing from the list of “regardless of” items, points out Peter Norris of Brunswick, is religion. Is Mrs Kirner prepared to guarantee that the State will not discriminate against children sent to non-government, religiously-based schools?

**Woman of Repute**  The Sydney Morning Herald reserved a front page place for an obituary of Zara Powell, a student of women’s history at Macquarie University, a campaigner against hypocrisy, a feminist, a mother of four and Sydney’s best-known pimp — sorry, “general manager” of a “bordello”. “She approached running a bordello like running a hospital ward — orderly and safely,” ran the article. “She acted as a consultant to the NSW parliamentary inquiry into prostitution ... She helped write a book two years ago, *Memories of a Touch of Class*, which critics saw as a superficial defence of prostitution.” All in all, an exemplary citizen!
Labour Market Reform without a Wages Explosion

Peter McLaughlin

Moves to give greater freedom to enterprises to negotiate separate wage agreements need not end in chaos.

The recent pilots' strike was a forceful reminder of how far we have to go before we put behind us our reputation as a country with a poor industrial relations climate.

Why is this? Why, after the wage explosions of 1974 and 1981 which caused so much economic damage and unemployment, are we still continually on the edge of another wage explosion? Is it really the case that the rigidities of a highly centralized wage fixing system have to be tolerated indefinitely as the only practicable way of keeping the lid on things?

To even understand these questions, let alone come up with answers, it is essential to understand a couple of fundamental structural problems with our labour market regulation. These are the structure of our trade unions and our awards, which impair productivity, leave us at permanent risk of wage inflation and dull innovation. In simple terms, our bargaining structures are all wrong and there is really no permanent solution to our 'wages system' unless we understand that and are prepared to do something about it. I have just spent two years studying the question of employee relations in Australia for the Business Council, together with the Heads of McKinsey, of James Hardie Industries and the Melbourne Graduate School of Management. That experience leads me to argue the following:

• The globalization of markets is occurring at astonishing speed and we are in danger of missing the boat unless we develop more enterprises that can prosper at that level.
• Management, regulation, micro-economic policy all have to come under increased scrutiny.
• But part of the answer has to be reform of the labour market. Supporters of the current arrangements say there is enough flexibility for enterprises already and can usually point to a couple of examples.
• I am afraid that is fanciful and that short of cutting real wages by 25 per cent we will not see competitive manufacturers emerge in greater numbers without more change in our labour market.

This article seeks to identify the priorities for that and argues that it can be done without setting off a wages explosion of the 1974 and 1981 variety.

Reform starts with bargaining structures.

The key to true reform lies in our bargaining structures. What do we mean by the term 'bargaining structures'? In management ranks, in many small businesses and even in larger businesses not covered by unions, bargaining occurs between the business and individual employees. Bargains struck will tend to reflect the needs of both. The introduction of trade unions shifts the bargaining unit for employees from the individual to a collective basis. Whether the bargaining process is still able to be conducted in the context of the needs of individual enterprises and their employees then comes down to two factors. First, the form trade unions take and, second, the institutional framework in which the bargaining process occurs.

In Japan, for example, where trade unions are structured around enterprises they have close identification with the enterprise and the bargaining process reflects that. Where unions are structured along industry lines and enterprise or workplace representatives have a significant degree of autonomy, much the same result may be achievable. The system of 'local' branches of unions in the United States is a case in point. Enterprise representatives also enjoy a significant degree of autonomy in the large industry-based trade unions in Sweden, West Germany and some other European countries. In all of those circumstances the bargaining process tends to focus around enterprises and is more responsive to local needs and conditions.

Peter McLaughlin is Executive Director of the Business Council of Australia.
The problem in Australia is that our trade unions have developed around crafts or occupations as their natural bargaining unit, rather than the industries or enterprises in which their members work. The multi-employer award system, in turn, reflects the craft and occupational nature of major trade unions. This combination of unions and multi-employer awards in Australia has shifted the bargaining unit for most terms and conditions of employment away from the enterprise to the award and even national level to an extent which is almost unique in the world. One obvious manifestation of this is that Australia is one of very few countries where wages policy is a source of such regular front-page attention.

**Fragmented Bargaining is the Cause of Most Problems**

A major survey of about 340 workplaces conducted by the Business Council's Industrial Relations Study Commission has provided some of the first empirical data available on the structure of trade unions in our workplaces. The most important finding of the workplace survey is the fragmented structure of bargaining units in our medium to large workplaces. On the one hand, the survey showed a clear relationship between workplace size and the number of trade unions present in each workplace. Table 1 provides the details. The average number of unions per workplace was five.

The Survey also reveals the extent to which the dominant unions are craft and occupational rather than industry in character. As can be seen from Table 2, two unions were represented in more than 50 per cent of all workplaces, while another six unions were found in at least 20 per cent of workplaces. But only two of the top 12 covered an average of more than a third of non-managerial employees in each workplace. As Paul Kelly put it in *The Australian* of 9 August 1989:

> It is the worst possible structure, one where unions have spoiling potential but little incentive to think in enterprise terms.

Our major unions also cross many different industry lines. This can be seen from Table 3. To produce Table 3, respondent workplaces were classified into nine industry sectors, using the Australian Bureau of Statistics' Australian Standard Industrial Classifications (ASIC), with the manufacturing sector broken down into its 10 ASIC sub-sectors, giving a potential maximum score of 18 industry sectors. As Table 3 shows, most of

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**TABLE 1: NUMBER OF TRADE UNIONS BY WORKPLACE SIZE**

<table>
<thead>
<tr>
<th>Workplace</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 50 employees</td>
<td>1.5</td>
</tr>
<tr>
<td>50-99 employees</td>
<td>2.2</td>
</tr>
<tr>
<td>100-199 employees</td>
<td>3.4</td>
</tr>
<tr>
<td>200-499 employees</td>
<td>4.9</td>
</tr>
<tr>
<td>500-999 employees</td>
<td>6.2</td>
</tr>
<tr>
<td>1,000-1,999 employees</td>
<td>7.9</td>
</tr>
</tbody>
</table>

---

**TABLE 2: UNION REPRESENTATION (MAJOR UNIONS)**

<table>
<thead>
<tr>
<th></th>
<th>No of Plants</th>
<th>% of plants</th>
<th>Membership per plant</th>
<th>Average Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amalgamated Metal Workers' Union (AMWU)</td>
<td>211</td>
<td>65</td>
<td>76</td>
<td>29</td>
</tr>
<tr>
<td>Electrical Trades Union (ETU)</td>
<td>176</td>
<td>55</td>
<td>36</td>
<td>12</td>
</tr>
<tr>
<td>Federated Clerks’ Union (FCU)</td>
<td>125</td>
<td>39</td>
<td>35</td>
<td>17</td>
</tr>
<tr>
<td>Federated Engine Drivers and Firemen’s Association (FEDFA)</td>
<td>88</td>
<td>27</td>
<td>39</td>
<td>18</td>
</tr>
<tr>
<td>Australian Workers’ Union (AWU)</td>
<td>83</td>
<td>26</td>
<td>150</td>
<td>101</td>
</tr>
<tr>
<td>Federated Ironworkers’ Association (FIA)</td>
<td>76</td>
<td>24</td>
<td>219</td>
<td>29</td>
</tr>
<tr>
<td>Transport Workers’ Union (TWU)</td>
<td>68</td>
<td>21</td>
<td>49</td>
<td>20</td>
</tr>
<tr>
<td>Federated Storemen and Packers’ Union (FSPU)</td>
<td>63</td>
<td>20</td>
<td>37</td>
<td>21</td>
</tr>
<tr>
<td>Australasian Society of Engineers (ASE)</td>
<td>62</td>
<td>19</td>
<td>56</td>
<td>11</td>
</tr>
<tr>
<td>Building Workers’ Industrial Union (BWIU)</td>
<td>57</td>
<td>18</td>
<td>56</td>
<td>8</td>
</tr>
<tr>
<td>Association of Draughting, Supervisory and Technical Employees (ADSTE)</td>
<td>45</td>
<td>14</td>
<td>49</td>
<td>22</td>
</tr>
<tr>
<td>Plumbers and Gasfitters Employees’ Union (PGEU)</td>
<td>41</td>
<td>13</td>
<td>12</td>
<td>5</td>
</tr>
</tbody>
</table>

(a) The median number is the middle observation of each union. The median number is below the average number in all cases, because each of the unions has some large concentrations of workers.

(b) The average proportion of employees within each plant represented by each union where the union is present.
the large unions are spread across most industry sectors.

**TABLE 3: MULTI-INDUSTRY UNIONS**

<table>
<thead>
<tr>
<th>Represented in Number of Sectors</th>
<th>Unions</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>FCU</td>
</tr>
<tr>
<td>17</td>
<td>ETU</td>
</tr>
<tr>
<td>16</td>
<td>AMWU</td>
</tr>
<tr>
<td>15</td>
<td>FIA, FSPU</td>
</tr>
<tr>
<td>14</td>
<td>FEDFA, FMWU</td>
</tr>
<tr>
<td>13</td>
<td>TWU, ASE, BWIU</td>
</tr>
<tr>
<td>12</td>
<td>AWU, PGEU</td>
</tr>
<tr>
<td>11</td>
<td>ADSTE, FLAIEU</td>
</tr>
</tbody>
</table>

**Implications of Fragmented Bargaining Structures**

The foregoing information means that for the first time we are able to see the complex web of structures represented in our trade union movement. This web has a number of implications. One is for productivity because of the effect of the resultant demarcation on work methods, on maintenance, on capital utilization, on skill development and on the capacity of Australian workplaces to change.

The other implication is for the wage fixation process in Australia. To understand this fully it is necessary to look at how the award system, which dominates wage-fixing in Australia, mirrors the structure of the bargaining units. Table 4 shows the pattern.

**TABLE 4: MEAN NUMBER OF AWARDS AND UNIONS BY PLANT SIZE**

<table>
<thead>
<tr>
<th>Plant Size</th>
<th>Federal Awards</th>
<th>State Awards</th>
<th>All Awards</th>
<th>No of Unions (mean)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 50</td>
<td>0.8</td>
<td>1.2</td>
<td>2.0</td>
<td>1.5</td>
</tr>
<tr>
<td>50-99</td>
<td>1.5</td>
<td>1.0</td>
<td>2.4</td>
<td>2.2</td>
</tr>
<tr>
<td>100-199</td>
<td>1.6</td>
<td>1.6</td>
<td>3.3</td>
<td>3.4</td>
</tr>
<tr>
<td>200-499</td>
<td>1.8</td>
<td>2.4</td>
<td>4.3</td>
<td>4.9</td>
</tr>
<tr>
<td>500-999</td>
<td>2.3</td>
<td>2.6</td>
<td>4.9</td>
<td>6.2</td>
</tr>
<tr>
<td>1,000-1,999</td>
<td>3.3</td>
<td>3.4</td>
<td>6.8</td>
<td>7.9</td>
</tr>
<tr>
<td>2,000 or more</td>
<td>4.2</td>
<td>2.0</td>
<td>5.7</td>
<td>10.9</td>
</tr>
</tbody>
</table>

What the table shows is that while there tends to be somewhat fewer awards than unions in our medium to large workplaces, the pattern and structure is similar. That is because awards tend to be based on the employee bargaining units rather than the industry or enterprise in which the employees actually work.

What we have is a pattern of award coverage which:

- maximizes the transmission of wage pressures between unions — because several unions and awards are found in most medium/larger workplaces;
- maximizes the transmission within unions between enterprises and industries; and
- has made uniformity of outcomes necessary as a way of keeping the peace and keeping wage pressures under control.

**What can be Done?**

The fundamental importance of these bargaining structures is being increasingly recognized. They have been a major subject of attention in the recent National Wage Hearings and the major reason why the Industrial Relations Commission does not feel able to sanction a wages system without a 'ceiling' on the wage increases available.

There are essentially two ways to go. One is to try to find mechanisms to suppress or compensate for the fundamental problem represented by this structure of bargaining units. The other is to try to correct the problem itself.

The wage indexation system of the second half of the '70s was an attempt to suppress the problem. It eventually collapsed. The Incomes and Prices Accord between the present Government and the ACTU has been another mechanism to suppress the problem. Under the Accord we have not seen the concerted industrial campaigns that led to the 1974 and 1981 wage explosion and in that sense it has been a process for suppressing the basic problem. On the other hand, our wage and price inflation has remained about double that of our trading partners and enterprise and workplace flexibility has been restricted. So, while the Accord has been an improvement on a rather dismal past, it has not enabled us to match the standards of our competitors, in either labour costs or productivity.

The second-tier wage-round and the present structure efficiency round are adaptations which attempt to keep the lid on and get a better productivity performance. The 'blueprint' approach is essentially an attempt to realign the minimum rates in the major awards and to build a trade union consensus that the new relativities are 'right' and 'equitable', thus dissipating some of the tensions that have built up. In other words, the approach is to accept the bargaining structures as given and deal with tensions between awards by trying to get agreement on a new starting set of relativities.

What is the solution? The best way of approaching that question is to ask what is the most desirable shape of bargaining units. Our objective should be to see no more
LABOUR MARKET REFORM WITHOUT A WAGES EXPLOSION

than one bargaining unit in all our workplaces. Whether that one union were an enterprise union or a reasonably autonomous branch of a larger, probably industry, union is not something that is sensible or necessary to prescribe in advance. Given where we are starting from, the latter is the more likely outcome. The key objective should be one per workplace with a much stronger workplace focus than now. If we could achieve that, three things would follow which would reduce our propensity to wage inflation:

- there would be fewer unions and awards per workplace;
- fewer enterprises and industries would be covered by each award;
- more workplace-oriented unions would put more weight on how their enterprise was doing and less on what their peers in the next suburb were being paid.

Amalgamations of Limited Help

The amalgamation plans of the trade union movement will not adequately address the bargaining unit and award problems. If you go back to the major unions shown in Table 2 and compare those with amalgamations proposed or in prospect, the result, at most, would be a reduction in the number of the unions shown from 12 to nine via amalgamations of FIA/AWU, AMWU/ADSTE, ASE/ETU. But even more importantly, the amalgamating unions only occur together in a minority of individual workplaces so the average would still be five per workplace. The result will be little or no easing of the wage transmission qualities of present bargaining structures.

A workplace rationalization process is necessary in addition to amalgamations. Section 118 of the Industrial Relations Act may be of some assistance in the short term, in that it empowers the Commission to re-write union rules and, hence, ask some to vacate particular workplaces. But the Section does not seem capable of supporting the widespread reform which is necessary. What is needed is a process which complements both the existing amalgamation provisions and Section 118. The key elements of such a process would be:

- a new object in the Act to encourage a form of union representation in workplaces which allows the more effective operation of enterprises;
- an amended Industrial Relations Act, enabling employees and employers as well as unions to apply to the Industrial Relations Commission for change of union coverage in individual workplaces;
- the Commission being empowered to assist the parties to reach agreement on new coverage through negotiation and conciliation; and
- the Commission being empowered, where an agreed solution cannot be found, to order a secret ballot of employees, thereby letting them decide the coverage.

A Transition Process

Reforming bargaining structures is not going to be achieved overnight. Does this mean that meaningful labour market reform has to be put on hold? Is it true, as defenders of the status quo assert, that any moves now to give enterprises more freedom to compete must end in chaos? The answer to those questions should be a resounding “no”. Not nearly enough Australian enterprises are going to be world competitive while hamstrung by the inflexibilities of the present system. It is, therefore, imperative, as well as perfectly sensible, that we set ourselves some industrial relations reform objectives now which will contribute to increased competitiveness. These should be:

- to make the best fist we can of the award restructuring exercise which is now under way and, hence, is the focus of attention in many workplaces right now;
- to make one union per workplace a national goal now even if it cannot be done overnight;
- to make it a goal to put more enterprise flexibility into the system by providing for two streams of regulation — the existing award stream for those who want to stay in it and an agreements stream for those who want to be world-class firms or who are keen to have a crack at world markets;
- to bury some of our past differences and agree on a set of sensible disputes settling and compliance rules.

Single Union Workplaces

As a start to this process there are many things employers can and are doing today to improve the fit between their enterprise and the employee bargaining unit or units with which they deal. These include:

- negotiating with multiple unions en bloc via a negotiating Committee;
- establishing a company award or certified agreement;
- seeking ACTU/Trades Hall support for reducing the
number of unions in a workplace;

- contracting out or redesigning work to reduce the number of bargaining units.

The many employers who realize the importance of the bargaining units issue and are beginning to act on it now as part of a wider more strategic approach to employee relations are being rewarded with improved enterprise performance. They are also contributing to the creation of a climate in which a future government will feel it both necessary and possible to make further legislative changes to provide for the rationalization of union coverage at workplace level.

As well as the award system changing, a second stream is also developing:

- Company awards and site agreements are increasing in number and importance. There are already 2,000 company awards.
- Many companies are taking advantage of 'greenfield' sites to fashion innovative enterprise arrangements.
- The certified agreements provisions in the 1988 Bill will accelerate these trends.
- A second stream is developing in Queensland and probably in New South Wales.
- Even the national wage system has special case provisions.

The key issue, therefore, is no longer whether there should be a second stream, but how it should be managed and how far and how fast we should seek to develop it. Of course, as already noted, this sort of process can be sabotaged so a prerequisite to successful management is acceptance by employers, unions, the Commission and Government of two basic propositions:

- first, that leading edge enterprises trying to compete in world markets must have more flexibility than is available under the present multi-employer award system; and
- second, that the issue is not centralization versus wage chaos, but one of managing more diversity.

Provided those propositions are accepted the management process over the next few years might unfold along the following lines:

- wages policy will continue to manage the potential interaction between those, probably the majority of, enterprises continuing to stay within the existing award system and those choosing the second stream;
- it will probably need to involve, for a time, a wage ceiling as a control mechanism on overall wage outcomes in the mainstream;
- efforts should be made to rearrange mainstream awards along industry lines;
- which, together with a continued requirement for wage increases to be negotiated in exchange for improved performance, will eventually allow the ceiling to be dropped;
- company awards and certified agreements should be encouraged as a second stream;
- particularly where executed on a single employer, single union basis there should be provision for outcomes at variance with the ceiling on the mainstream provided the necessary productivity improvement is achieved as part of the bargain;
- to facilitate the quarantining of the second stream, the Commission might consider the establishment of a special 'enterprise panel' to handle such cases; with
- second stream awards and agreements having real fixed lives with effective dispute settling procedures built in.

Conclusion

With co-operation we clearly can develop a more flexible system, in which bargaining units better fit enterprises and the enterprises and their employees can exercise an option as to which stream to be in, with benefits to enterprises, employees and the country as a whole. Over time, one could see many enterprises move into the agreements stream and, in time, an end to National Wage Cases. Single enterprise and multi-employer awards and agreements would then all be negotiated according to industry or enterprise capacity to pay.

I don't believe such a system would deliver vast differences in pay. What would be different is that variations would be occurring in different industries at different times and the whole wage transmission process would have been slowed down. It is the speed with which wage pressures flow in Australia which makes us so prone to break-out. And that in turn has been a product of the union and award structures and the pressure of uniformity.

Notes

1. The Workplace Survey was conducted on behalf of the Study Commission by the National Institute of Labour Studies, Flinders University. It will be published by the Study Commission in October 1989. All tables are based on the survey.
The recent rapid rise of national movements in Eastern Europe and the USSR has taken many in the West by surprise. Over the years journalists have claimed that the vision of the USSR as a conglomeration of captive nations has been too difficult for the man in the street to grasp. It was much simpler to paint the picture of a monolithic 'Russia'.

In the 19th Century Karl Marx thought of the Russian Empire as a "prison of nations", and did not dream that communism would take root there. Yet this is where the contradictory nexus between communism and Russian chauvinism was built on the ruins of the old empire. During the inter-war period Stalin murdered millions in order to eliminate opposition to the new order. During World War 2 the Baltic States, Western Ukraine and Western Byelorussia were incorporated into the USSR, and the Eastern European satellites were established shortly thereafter.

For the next 40 years all was held together by a rein of terror as uprisings were squashed and the camps filled with dissident intellectuals. But recent developments in Poland and Hungary have gone well beyond the earlier rumblings which were met with imperial force. Today, fear has subsided and the legitimacy of communist parties is everywhere at a low point. Why?

The driving force has been economic stagnation and increased contact with the West. The imposition of economic reforms currently borders on an admission that the socialist system has not worked. After more than 70 years of bureaucratic mismanagement of territories containing more resources than any other country, even the most staunch apparatchik could see that Soviet living standards were falling further and further behind the West.

But here lies the dilemma. If perestroika is to be successful in raising economic well-being the economic reforms need to be much more market-oriented, with a clear admission of socialism's failure. This would further erode the prestige of the communist party, rendering it a second XI player as in Poland. At this stage, it is difficult to imagine Mr Gorbachev and the ruling élite entertaining such a self-sacrificing policy shift.

In addition to a market orientation, a modern economy requires freedom of information flows and freedom of movement which are inconsistent with centralized control. Increasingly, nationally-minded economists will be monitoring the flow of funds, in particular cross-subsidization, between republics. The Baltic States have already made significant moves in the direction of economic autonomy, and Ukrainian economists are now pointing to economic exploitation of their region on a massive scale.

Matters have progressed so far that a subjugation of the national movements would now require a reversion to full Stalinism. As well as economic autonomy and cultural demands such as legalization of their titular language in the western non-Russian republics, religious feeling has played a role. This has particularly been the case with Catholicism in Lithuania and in Western Ukraine, where the Catholic 'Uniate' Church has been banned since 1946. There is also the Ukrainian Autocephalous Orthodox Church, which has re-emerged after being banned since the 1930s and '40s.

The strident Russian Orthodox opposition to these churches must be viewed in the context of the fact that approximately half its nominal faithful could be lost if they were legalized. The Pope will raise this issue in his upcoming meeting with Mr Gorbachev, and the latter's response will provide an interesting case study of the relationship between the Russian Orthodox Church and the ostensibly atheistic, Russian-dominated communist regime.

The national movements themselves vary from the sophisticated and established Popular Movements characterizing the Baltic States and the emerging well-organized Popular Movement ('Rukh') in Ukraine, to volatile anti-Russian nationalism in Georgia and outright inter-ethnic violence in Uzbekistan and Azerbaijan. There are loose connections between the nationalist groups, particularly the Balts, Ukrainians, Byelorussians and Georgians.

Both the Baltic nationalists and Mr Gorbachev have recently asserted the central position of Ukraine, which, with a population of 50 million, is the largest of the non-Russian republics. In Gorbachev's view, if Perestroika fails in Ukraine it fails outright — yet he has been slow in approving radical leadership changes there and the security forces have been heavy-handed in recent demonstrations.

How might Perestroika fail? Straight economic failure through partial initiatives, lack of appropriate institutions or incentive structures is one possibility. Another scenario would see vested interests sabotage the process. For example, there could be a significant Russian nationalist backlash to the increased assertiveness of the non-Russian nationalities. The formation of groups such as 'Pamyat' and 'Russian Workers Against Perestroika' are worrying in this regard.

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Estonia
Estonians are calling for the right to an Estonian homeland. A new body known as the Estonian National Congress, which consists of a coalition of various nationalist groups, has launched a campaign to register native Estonians who lived in the republic during its free years (between the world wars). Additionally the Congress works to promote language and culture among Estonians. The Estonian Christian Union is also influential in raising national sentiment. By 1990 financial autonomy from Moscow will exist giving Estonian language official status in the republic and restricting Estonian citizenship as part of a move to restrict immigration of native Russians to the area. On 16 November 1988, the Estonian Parliament adopted a declaration of sovereignty and proclaimed the republic autonomous in all matters except defence and foreign affairs. Moscow declared this inadmissible.

Latvia
Although the level of violence is lower than in the other Baltic States, the national independence movement is strong. Last June the Council of the "Latvian popular front" voted unanimously to join in the struggle for Latvian independence. There is also talk that an independent Latvian currency could be in operation as early as next year.

Hungary
Hungary is undergoing a patriotic revival as laws prohibiting religion are relaxed. The restoration of the "sacred hand ceremony" (banned since the Communist occupation) has been described by leaders of the Catholic Church as the ultimate symbol of national revival.

Romania
In an attempt to break up rural Hungarian speaking communities in Transylvania, the government has undertaken forced resettlement of people from villages to Government apartment blocks — which will result in the destruction of about 6,000 villages.

Yugoslavia
The conflict stems from the post-War creation of Yugoslavia from three states — Slovenia, Croatia, and Serbia. Since the creation of the new nation, a separatist Croatian nationalist movement has existed. The tension is fundamentally between Croatians and native Serbians. Serbs constitute 30 per cent of the population of Yugoslavia. Croatians claim that widespread genocide of their people has taken place.

Bulgaria
More than 45,000 Turks have fled Bulgaria to Turkey in order to avoid forced assimilation. In an attempt to weaken the ethnic identity of Turks, the Bulgarian Government has changed ethnic place-names and forbidden the use of ethnic names. The Turkish language has been outlawed. As a result, officials representing the Meskhetian Turks (who are currently facing attack from the Uzbeks in Uzbekistan) believe that their only hope is to emigrate to Turkey.

Moldavia
At a public demonstration in August, the Moldavian nationalist group — The Moldavian popular front — threatened to go on strike unless the Communist Party's Central Committee allows them to speak their mother tongue. They demand that the Russian language be replaced by their native language — outlawed since Stalin seized Romania — as the official language of their republic. Many of those who attended the demonstration waved the officially outlawed red, yellow and blue national flag of Moldavia.
Kazakhstan

The autonomous republic of Germans was eliminated in 1941 by Stalin, leaving Soviet Germans without a homeland. The vast majority live in Kazakhstan and in the Volga region. Currently the Commission of Soviet Nationalities of the USSR Supreme Soviet is preparing a draft paper expected to call for the restoration of statehood for Soviet Germans. It will be submitted for consideration at the Second Congress of the Peoples Deputies. Some Soviet Germans have indicated by way of an alternative proposal that they be permitted to emigrate en masse to West Germany. Others demand that the new homeland be established in the Volga.

Uzbekistan

As with numerous other conflicts in the Eastern Bloc, the seeds of cultural tension are rooted in the rule of Joseph Stalin. The on-going conflict is between the native Uzbeks and about 100,000 Meskhetian Turks, who were deported to Uzbekistan by Stalin. National sentiment is high on both fronts. The Meskhetian Turks wish to return to their homeland of Meskhetia, and at the same time the Uzbeks demand an independent homeland. This tension recently boiled over, when at least 100 people were killed, predominantly Meskhetian Turks, when hostilities broke out on 1 June this year. The events culminated when Uzbek extremists demanded that the Meskhetian Turks leave the province within 24 hours. Moscow refuses to acknowledge that the outbreak of violence is the result of inter-ethnic conflict, preferring to attribute it to rising unemployment and, incredibly, the extremely high prices of strawberries.

Georgia

Deep rooted conflict is taking place between Georgians and the Abkhasians, who are demanding the right to secede from the Georgian SSR. Recently 239 people were badly injured, and 16 killed when both groups began arming in the expectation of an uprising. Bombs and hundreds of firearms have been confiscated from Georgians and Abkhasians alike. In June the local Abkhasian party boss was dismissed for espousing the nationalist cause. Earlier, in April, anti-Abkhasian sentiment turned anti-Russian, with demonstrators chanting anti-Soviet slogans.

Azerbaijan

Conflict occurs predominantly in the autonomous republic of Nagorno-Karabakh, where the population is mostly Christian Armenian, whilst the surrounding Azerbaijanis are Shia Muslims. The area was decreed to Azerbaijan in 1921, and the Armenian Nationalists in Nagorno-Karabakh are demanding that the region be allowed to be reunited with Armenia. Additionally there have been numerous anti-Armenian riots in Azerbaijan, particularly in Sumgait. The level of violence has been high, with reports of atrocities against Armenians, including the murder and mutilation of pregnant Armenian women and new-born babies in a maternity hospital. Azerbaijani nationalists have enforced a blockade to prevent imports coming into Armenia from other republics. The situation is degenerating by the day. Mr Arkadu Volski, head of the special committee set up to govern Nagorno-Karabakh, has warned his party that the two nations are now at the edge of war.

Armenia

On 23 February 1988 the Soviet Communist Party's Central Committee issued an appeal to the population of Armenia "not to yield to provocations by various nationalist elements." This followed several days of demonstrations in the Armenian capital of Yerevan in sympathy with Armenian nationalists in Azerbaijan. The Armenian nationalists have formed official local committees and elected leaders to press their case to Moscow.
Increasing National Assertiveness in the streets of Lviv, Ukraine, May 1989
How should American — and Australian — foreign policy respond to the apparent thawing of the Cold War and the changes under Gorbachev in the Soviet Union?

Suddenly, after several decades of unusual clarity and certainty, there is great confusion concerning international politics and American foreign policy. The substantial consensus about the verities of the old paradigm — bipolarity, ideological competition, containment, deterrence, and all that — has shattered, and there is no agreement about what is to take their place.

The President speaks of “beyond containment” and others of “the end of the Cold War”, but many remain sceptical. Terms like “multipolarity”, “interdependence”, and “the declining efficacy of force” are thrown around, but are sketchily and variously explained. There is disagreement about the meaning of perestroika and glasnost, their chances of success, and their significance in terms of Soviet foreign policy. Some proclaim a global “democratic revolution” and the triumph of the market economy, others fear a world of protectionist trade blocs.

The same uncertainty exists concerning America’s future role in the world. Are decline and retrenchment inevitable, or has the United States just won a spectacular and conclusive ideological victory? Do the times call for boldness or caution? Should we react to the astonishing developments in the communist world by standing aloof or becoming heavily involved? Where are our allies — particularly West Germany and Japan — going, and what should we — can we — do to influence their choices?

The problem is not one of silence but of confusion and cacophony, not an absence of answers but a profusion of conflicting ones. In the circumstances it may be useful to attempt a sort of provisional taxonomy of the more prominent attempts at providing explanations and prescriptions — not in order to make final judgments but, more modestly, as a preliminary sorting out exercise. Here then is my list of six prominent positions that contend for support in the current debate, with a few comments about the strengths and weaknesses of each.

Old Faithfuls

This group differs from all the others in that it maintains that nothing has changed fundamentally. Its message is that the Cold War model that has served us for the last 40 years is still valid and should not be traded in.

The Soviet Union may be in deep trouble economically, but it is still our principal adversary and still very dangerous. There has been much more talk than actual reform, and nothing has happened that is not reversible. Moscow’s foreign policy goals remain unchanged and it continues to have enormous military power at its disposal. It would therefore be very foolish to change our policies. Adherents of this position are sceptical about Gorbachev. Some believe that he is engaged in an elaborate, deceptive operation to confuse and divide the West; others, that in any case Gorbachev’s intentions and prospects are not the real issue: the nature of the regime, its force posture and capacity, and its interests are. As events in China recently demonstrated, totalitarianism lives.

Opponents of this point of view tend to dismiss those who hold it as rabid ideologues, people so habituated and committed to the Cold War that they cannot bear to acknowledge its end. As was said of the English conservative Prime Minister, Stanley Baldwin, their spiritual home is the last ditch. But while this description no doubt fits some accurately, it does not apply to all; and in any case it establishes nothing about the truth or falsity of the position. As the late, lamented Sidney Hook once put it, “Before impugning a person’s motives, answer his arguments.”

There are some serious arguments to be answered. In particular, Soviet military spending and production have not slackened during the Gorbachev years, despite the economic crisis and the existing superiority in

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conventional arms. Soviet forces in huge numbers remain in place in Europe, and large subsidies continue to flow to Nicaragua, Cuba, and Vietnam. And Gorbachev is undoubtedly playing on the hopes and illusions of the West, particularly the Germans. Whatever else, drawing attention to these facts provides a necessary corrective to facile optimism.

That having been said, however, the Old Faithfuls are open to the criticism that they underestimate seriously the significance of the changes that have taken place. The Soviets have retreated on the ideological front to the point where a serious ideological contest no longer exists, and the mobilizing capacity of Marxism-Leninism has almost certainly been damaged irreparably. A Cold War deprived of this ideological dimension, one that is no longer a struggle for possession of the future, cannot remain the phenomenon we have known by that name. If it is not ending, it is certainly changing very significantly.

Again, the assumption that the Soviet leaders are prepared to destabilize their own power base — by unsettling political reforms, heretical pronouncements on doctrine, unprecedented glasnost, etc. — in order to deceive the West is thoroughly unconvincing. For any regime, but particularly for one that gives such systematic attention to the seizing and holding of power, the need to protect that base must far outweigh the achieving of any foreign policy objective. If actions are now being taken that threaten it, they must be explained in terms of an unavoidable reaction to a perceived crisis, not in terms of sophisticated manoeuvre.

All in all, it is intellectually perverse to cling to a position that cannot offer any adequate explanation of what has happened in the Soviet Union over the last four years.

**The Prudentialists**

This group is strongly represented in the Bush Administration, with Brent Scowcroft perhaps being its purest exponent. Unlike the Old Faithfuls, its members do not deny that very important changes are happening in the Soviet Union, ones that are likely to transform the regime and its international conduct. But they maintain that we do not yet know enough about these changes and where they will lead to make radical changes in our own policy: what is permanent and what is reversible; how much is thought out and how much improvised; what is the balance of forces within the Party; how controllable are the processes that have been initiated; how will developments within the Soviet Union and Eastern Europe translate into foreign policy?

The proper response therefore is a cautious “Wait and See”, or at most a deliberate step-by-step policy with a careful testing of the ground at each stage. We should not make irreversible concessions (like granting Soviet membership of the World Bank and the GATT) in return for things that are easily reversible. We should applaud perestroika but not pay for it; trust, but verify (i.e. don’t trust). Underlying this approach in some cases is not only a sense of prudence but a belief that, with its adversary in trouble, the United States is in the box-seat and can afford to let matters develop without prodding them very vigorously. Why hurry to change a policy that has contributed to such a successful state of affairs? Why strive to make deals when passivity seems to lead only to better offers from Moscow?

Two criticisms are commonly leveled against this position. First, it cedes the initiative entirely to the Soviets, and whatever Gorbachev’s problems at home he has shown himself to be a virtuoso performer on the international scene, one capable of producing seemingly endless initiatives and appealing effectively to Western public opinion over the heads of governments. If the United States does not compete vigorously and imaginatively, the disintegration of the Western alliance may well keep pace with the dismantling of the Soviet empire.

Second, and tactical considerations apart, the Prudentialists run the risk of failing to rise to an occasion that may mark a genuine turning point in world history. Through lack of vision and boldness, it is argued, a great opportunity to create a more stable and harmonious international order may be lost. In the absence of a forthcoming Western response, receptive and reasonable Soviet leaders will be discredited and replaced with harder men. We cannot afford to respond to perestroika and glasnost as mere spectators; our behaviour will be a crucial variable in determining the outcome of these experiments.

To all this the Prudentialists reply that the extent to which we can influence events in the Soviet Union is grossly exaggerated, and that in any case we do not know enough to be sure about what effects our actions would have. Or, alternatively, they maintain that the most effective way of ensuring the continuation of reform in the Soviet Union is to avoid doing anything that relieves the Soviet leaders from the necessity of facing hard choices in the allocation of scarce resources: more guns or more consumer goods. To let them off that hook for the sake...
of good will would be a disastrous error, serving neither the interests of the United States nor those of the peoples of the Soviet bloc.

In support of their position, the Prudentialists can cite the most famous piece of diplomatic advice ever offered: Talleyrand's "N'ayez pas de zèle."

The Grand Designers

If the previous category represents Realpolitik at its most nervous, this one includes those realists with a taste for boldness and strategic vision. Henry Kissinger and Irving Kristol come to mind.

The time is ripe, this group argues, to explore the possibilities of a new European grand settlement, one that will end the division of the continent and the massive confrontation of military power at its centre. The belief that a deal can be made does not rest on any soft-headedness about Gorbachev and what is happening in the Soviet Union, but on the changed realities of the continent and the need of both sides to adjust to them. The Soviet Union needs Western help to deal with its desperate economic problems, and at least a temporary relief from the burden of an activist and expensive foreign policy. Its grip on Eastern Europe is weakening, and the costs — political as well as material — of trying to halt (let alone reverse) that process is close to prohibitive. Rather than hanging on and being involved in the mess usually associated with the retreat from empire, it is in the Soviet interest to come to terms with the inevitable — if it can be assured that its strategic adversary will not seek to exploit the situation.

For its part, the United States must recognize several things. First, if perestroika and glasnost continue and the Eastern bloc disintegrates, NATO will not long survive. Second, 1992 is probably going to mean the end of America's leadership of Western Europe in any case, and if the US does not move soon the Europeans — and the Germans in particular — are likely to make their own deal with Moscow. Third, it is better for the liberation and democratization of Eastern Europe to happen in an orderly way, with Soviet compliance, than through a series of convulsions. And last, if the cost of the Cold War has become impossibly expensive for Moscow, it has also become uncomfortably so for Washington and domestic support for the existing commitment to Europe is going to be difficult to sustain. Why, then, not try to negotiate a settlement with Gorbachev while the circumstances are opportune, one that will result in a substantial if not total military withdrawal of the superpowers from Central Europe and the removal of barriers between East and West?

All this is persuasive, but there are problems. It is hard, for example, to think of a grand settlement acceptable to the Russians that would not leave the United States at a strategic disadvantage in Europe. We would have to pull back much further than them, and the political difficulty of reversing an American withdrawal if need arose would be formidable. And there is the special problem of West Germany. If the Germans are already shaky, will not a significant weakening of the American presence in Europe increase the likelihood that they will bolt the Western alliance and yield to the temptation of playing an independent role?

The Classicists

This group, which has an eloquent spokesman in Charles Krauthammer, thinks that the key to the new era is that international politics will resemble the 'classical' power political system of the 19th century more than at any time since 1914. It will be multipolar rather than bipolar, with four or five major and relatively independent actors. It will be less static, disciplined, and positional than the two-bloc system we have grown accustomed to, more complex and volatile. As the possible permutations will be many, adroitness in manoeuvre will be at a premium. As well, in the absence of a powerful totalitarian actor the system will be less ideologically charged than at any time since 1917, which will also make for more flexibility and a more mundane pursuit of secular interests.

The sophisticated representatives of this position do not maintain that the end of Cold War will necessarily make for a relaxed and comfortable existence. On the contrary, the system will be less stable and predictable, and difficult to manage. The United States — whose experience as an active great power is almost entirely restricted to the comparatively simple We-They politics of the Cold War, and which has a traditional distaste for the game convincingly be played by similar rules under the shadow of the mushroom cloud (and in the absence of transcendent ideological conflict)? If the answer is no, what will replace military force as the final arbiter? If, on the other hand, it is yes, then it may be premature to write off bipolarity altogether. For the United States and the Soviet Union will continue to outgun other states decisively for a long time to come. In
that case, instead of thinking in terms of a bipolar system being displaced by a multipolar one, it may make more sense to think of the one being grafted onto the other. This would make for even greater complexity and uncertainty about roles and appropriate modes of behaviour.

The Triumphalists

For this group, what is happening in the communist countries (and in much of the rest of the world) represents, above all else, the victory of democracy in its great fight against totalitarianism. It is a group well represented among Scoop Jackson Democrats, past and present, and younger neconservatives. For a rousing version of the position see Gregory Fossedal’s book, The Democratic Imperative: Exporting the American Revolution (Basic Books, 1989).

The argument is that the appropriate course for America, now that she has won the ideological conflict, is to declare victory and proceed to press home its consequences. The democratic revolution, it is maintained, is already well under way in both the communist and third worlds. If the United States remains true to its destiny and avoids the mistake of snatching compromise from the jaws of victory, we shall enter an era in which the principles of the Founding Fathers and Adam Smith prevail without serious challenge, and the next century will be the Democratic Century.

Now it may well be true that the prestige and attraction of the democratic idea and the market economy are currently higher than they have ever been. There is also force in the argument that for an American foreign policy to gain the necessary popular support it must represent values that lift it above considerations of narrow self-interest and power.

But those who hold this position give inadequate attention to two things. First, a viable democratic system is an extremely difficult thing to install and sustain; only a few countries have so far managed it. Even when the idea is attractive, translating that idea into reality requires special and complex conditions, ones which do not exist and cannot easily be created in most countries. It may be possible to install a Corazon Aquino with “people power”, but as long as a corrupt semi-feudal political culture remains in being, the result will not be democracy. Similarly, Marxism-Leninism may be dying in the Soviet Union, but there is little in Russian history or Soviet society to sustain the belief that what will replace it will be in any real sense democratic.

Second, the United States has many important interests to protect and advance in the world and it cannot consistently subordinate all the others — its security, the maintenance of international order, economic prosperity, to name but three — to the propagation of democracy. Any commitment it has to the latter will have to find its place in a complicated and shifting hierarchy of interests. Furthermore, if there is not to be rapid disillusionment it will have to be undertaken on the understanding that what the United States can do to promote lasting democratic regimes (a) is quite limited, and (b) will require an intrusive policy of systematic meddling in the internal affairs of other countries.

The Euphoric Welcomers

The message of this last group, an important one, is that the whole nature of international relations is being transformed in desirable ways. Everything is changed, changed utterly — and they like what they see.

As with the other positions listed, there are simple and sophisticated versions, but the essential conclusion is the same: the events and trends of the last few years signal not only the end of the Cold War but the end of war as such (at least on a serious scale), the end of power politics, the end of ideological conflict, and, according to a striking essay by Francis Fukuyama, the end of history (properly understood) itself. The world is destined to become a gentler, more harmonious place — with the efficacy of force declining, competitiveness among states losing its vicious edge, barriers between peoples lowering, democracy and the market economy spreading, and prosperity rising.

For most who hold this view, the crucial fact is the growth of ‘interdependence’. As they see things, the interests and activities of the industrialized states of the world are becoming so intertwined and mutually dependent, there is such a fine and intricate mesh of relationships, that we have either reached or are fast reaching the point where sheer self-interest demands co-operation, and rules out war as counterproductive. This interdependence applies not only to economic interests in the narrow and conventional sense, but to environmental, ecological, demographic, and other concerns. The decline of ideological conflict both reflects and reinforces the process, as does the growing global commitment to the market economy.

This is not a new line of thought. It goes back at least to Sir Norman Angell, whose influential book The Great Illusion (1910) sought to demonstrate the futility and irrationality, if not the impossibility, of war in a modern, capitalist world. War, he claimed, no longer paid; and that, essentially, is what the interdependence school says today.

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The thesis is half-right and half-wrong; but unfortunately it is the wrong half that is the more important. Even in 1910, Angell was correct in saying that war was no longer an economically paying proposition for those who resorted to it. But four years after his book appeared the great powers engaged in the most bloody war in history. They did so because, in extremis, the passions generated by nationalism, religion, and ideology; the political strategic calculations necessary in an anarchic state system; the ambitions, vanities, and rivalries of leaders — all these outweighed considerations of economic gain and loss.

Marxism-Leninism may be dying in the Soviet Union, but there is little in Russian history or Soviet society to sustain the belief that what will replace it will be in any real sense democratic.

Perhaps things have changed between 1914 — or 1939 — and now. Perhaps the existence of nuclear weapons makes a decisive difference. But perhaps not. Until the matter is put to the test by an acute crisis — one in which the participants will have to decide whether to abide by the cost-benefit calculus of interdependence and accept a political defeat, or to fight — we do not have much evidence to go on. And even after such a crisis we would not know whether the same decision would be made the next time around. In other words, there is no objective way of determining what would be enough interdependence to ensure the end of war. All the current claims amount to is that if the world's leaders shared the priorities of the interdependentists, then peace would be assured.

Many of those who preach the gospel of interdependence tacitly concede this, perhaps without realizing that they are doing so. For in other contexts they join the ranks of those who are alarmist about the dangers of the “arms race” and worry about the global economy degenerating into a confrontation among protectionist trading blocs. Such concerns indicate a less than perfect faith in the power of interdependence to ensure a state of international harmony.

It may be, as Fukuyama argues, that with the triumph of liberal democracy something like a “common marketization” of international politics will happen, with all passion spent and economic calculation in the ascendent. But many remain sceptical that the spirit animating traditional power politics will be so easily exorcised. Nationalism is alive and well in the Soviet empire. Religion is a more powerful and intolerant force in South-West Asia than it has been for centuries. Some, like Josef Joffe, argue that even in Western Europe traditional rivalries and “the perverse, age-old logic of international politics” have only been held in check by the American presence, and that it is dangerous to assume that they will not assert themselves once that presence ends.

All in all the Euphoric Welcomers take a lot for granted. Consider this: the most interdependent social organization entered into by human beings is the family. It is also the most dangerous, in that most murders are family affairs. Why should it be otherwise among states?

I acknowledge that this attempt at distinguishing the main positions in the current debate is not very tidy. The six positions outlined are not all mutually exclusive, and they mix up analysis and prescription very freely and in unequal amounts. But that — at least as I see it — is the way things are.

Which of these positions, if any, is the right one? I don't know. The easy, comfortable answer is: time will tell. But that will not do, for time will not tell. How things turn out in five, or 20, or 50 years is not preordained. It will depend largely on what policies prevail in the West, and especially in the United States, in the meantime. Whatever the outcome, we shall never know for sure how things would have turned out had our policy choices been different. (To take a frequently quoted example, who can say what Europe would have looked like in 1950 had Britain and France responded firmly when Hitler occupied the Rhineland in 1936?)

In any case, the United States will have to opt for some policy in the meantime, without waiting until all the evidence is in; and a decision to prevaricate will be a policy decision as much as any other. There is no escape. In the closing pages of The Necessity for Choice, Henry Kissinger writes movingly about “the tendency to recoil before the act of choosing among alternatives, which is inseparable from policy-making, and to ignore the tragic aspect of policy-making, which lies precisely in its unavoidable component of conjecture.” In a time of ambiguous signals and conceptual confusion, those are words worth remembering.
No Justice Without Jobs

Who is to be believed on the Federal Government’s approach to young people? The Treasurer, Mr Keating, or the Minister for Employment and Education Services, Mr Duncan?

Soon after last year’s Budget Mr Duncan addressed the Youth Affairs Council of Australia Congress to outline the Federal Government’s revamped youth policy, to be known as the Youth Social Justice Strategy. In the speech, Mr Duncan made the revealing comment that “the adequacy and the availability of ... jobs is the test of a just and fair society — not the adequacy and availability of measures that promote dependency.”

Against this background, it seems remarkable that Mr Keating’s much heralded commitment to youth in the 1989 Budget should take the form of a “social justice package”, being promoted not on the basis of job opportunities, but with a mere reference to its price tag — $24 million in the first year and $100 million in total over four years.

During the 1980s Federal and State Labor Governments have won themselves a reputation for scrapping existing youth policies almost as quickly as advertising agencies can dream up substitutes. The trend has been towards bold initiatives which address upsurges in public concern. First came the failed job creation scheme ‘Priority One’. Next was the ‘Drug Offensive’.

Now the Burdekin Report into youth homelessness has led the Government to focus on a different area. The Australian Financial Review (16 August 1989) summed up the situation: the Government has been “under intense pressure” to deliver in this field because the Burdekin Report has “shocked many with its graphic description of life for many young homeless Australians.” The commitment amounts to an increase in payment to homeless youth, introduction of indexation, a drop in the waiting period for benefits and more funds for medium and long-term accommodation. All of these initiatives are in the classic ‘hand out’ tradition and appear to be in direct contradiction of the Duncan ‘jobs, not dependency doctrine’.

An amount of $5.5 million over four years is allocated in the Budget to establish “adolescent mediation services” to help keep young people at home and off the streets. It would be quite unfair to attack the Government’s motives for this new counselling service, but concern needs to be expressed that the Government is extending its ‘nanny’ role and forcing its way into the family lounge room. If public servants can assist in resolving disputes between young people and their parents we will all rejoice, but the prospects seem dim. Such an initiative seems firmly based in cloud cuckoo land rather than on planet earth.

Another interesting aspect of the Budget was the response of the welfare lobby. Recent Budgets have given rise to a bitter war of words between Treasurer Keating and Mr Julian Disney, former head of the Australian Council of Social Service. This year Mr Disney wore a rare smile when he announced, “Young homeless people will get more money and, importantly, they’ll get it more quickly in a crisis situation.” It seems that Mr Disney attaches as little significance as Treasurer Keating to Mr Duncan’s doctrine. However, Mr Duncan can claim a victory of sorts. In his speech to the Youth Affairs Council he was at pains to stress the Government’s willingness to develop youth policy in closer consultation with the welfare lobby. The result? The lobby takes its place at the decision-making table and the Government avoids the customary post-Budget flak.

So, where does youth unemployment fit into the Government’s latest version of youth policy? Extra funds have been allocated for job creation schemes which are intended to benefit “especially disadvantaged” young people — in particular, long-term unemployed teenagers. Considering the Victorian Government’s disastrous shortcomings with a similar program, the...
Federal Government will have to be on its guard to prevent a parallel debacle.

Victoria's Auditor-General reported in October 1988 that work and education places which had been earmarked for a specified group of disadvantaged young people were allocated to others who did not meet the criteria. Inadequate screening procedures were blamed for Victoria's failures. With the benefit of hindsight, the Federal Government should be in a position to deliver new opportunities to those most in need. The umpteenth reorganization of the hopelessly inefficient Commonwealth Employment Service is also intended to improve job access.

Although youth unemployment remains at an unacceptably high level, it is clear that the Government's acute embarrassment at the collapse of its Priority One traineeship project has left it no choice but to place the jobs issue on the backburner. Such a move makes Mr Duncan's words about jobs being the test of a fair and just society sound rather hollow. The Government's loss of credibility in this field is a small price to pay compared to the hardship which unemployed young people are continuing to experience. The human cost of broken promises and gimmicks should not be overlooked.

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Government Manipulation of the Media

Mark Birrell

Governments at both Federal and State level are utilizing taxpayers' money to manage the media and restrict public access to information for party-political ends.

"If the public is not properly informed it cannot take a genuinely effective part in the democratic process. The complementary techniques of secrecy, disinformation and news management are readily available to those in power to restrict and obfuscate the information which is available to the community as a basis for its conclusions."

When Tony Fitzgerald QC uttered this perceptive statement, in an all too rare public address in Melbourne late this year, he signalled the need for Australians to question one of the most disturbing political developments of the 1980s: the unwarranted use of taxpayers' money and legislative power to manipulate and distort public debate.

Of particular concern to Mr Fitzgerald was the role of government media units and the emerging misuse of press secretaries to 'control' and disseminate the flow of information to the public. In his Royal Commission report he alerted Australians to the costs associated with government manipulation of community debate and concluded that "there is no legitimate justification for taxpayers' money to be spent on politically motivated propaganda."

All governments must heed this strongly worded warning. If the waste of public funds on politicized media units is not exposed, and the abuse of the powers of office not scrutinized, then the essential elements of our parliamentary democracy will suffer permanent damage. Central to Australia's system of government is the concept of an informed electorate that is free to participate in wide-ranging debate. Significantly, citizens must have the right to know what ministers or bureaucrats are doing on their behalf and the freedom to challenge their actions.

Today these rights and freedoms are in doubt, as governments adopt policies of secrecy and disinformation that are designed to cover up mismanagement. Unprecedented amounts of taxpayers' money are being squandered on hiring media minders, a primary purpose of which is to advance purely party political interests. The superficial pursuit of cute photo opportunities, and the more dubious efforts to suppress damaging media scrutiny, have become the motivating force of government media units, rather than the legitimate role of informing people about government programs or services.

In a covert manner the Federal Government has built up a propaganda machine of record dimensions. Its National Media Liaison Service (known unaffectionately as aNiMaLS) is a stark example of public sector employees being used against the public interest. The role of this 'Service' is to help the Labor Party and harm the Coalition.

The Hon. Mark Birrell, MP is Liberal Leader of the Victorian Upper House. A solicitor before entering Parliament, he is a prominent advocate of Freedom of Information.
Noted journalist Michelle Grattan has concluded that "...it is a questionable use of taxpayers' money because it is totally political. One of the more extraordinary features about it is that perhaps 80 per cent of the transcripts it has put out publicly this year are not from Government Ministers but from the Opposition."\(^3\)

The standard line of defence used by Bob Hawke and the Minister to whom the Media Liaison Service reports, Graham Richardson, is that the number of journalists on the payroll is similar to the number employed during the period of the Fraser Government. This is not true. Under Malcolm Fraser there were 16 press secretaries. The Hawke entourage numbers a staggering 32 journalists, plus at least 12 back-up public service staff.

So, at a time when the Prime Minister alleges that he is tightening the purse strings and limiting the size of public employment, he finds no difficulty in boosting the number of media minders by 100 per cent. Mr Hawke will not divulge the total cost of this exercise, but evidence before a Senate Estimates Committee\(^4\) suggests that the taxpayer is over $1.2m worse off each year as a consequence.

What galls many observers, however, is that the government media units constitute only part of the costly propaganda budgets. It is in this area that the Victorian Premier, John Cain, sets the pace. Without doubt the current Victorian Government has set a new standard for building walls of secrecy around its mistakes and creating false images about its actions.

| TABLE 1: PUBLIC FUNDS SPENT ON VICTORIA'S MEDIA UNIT |
|-----------------------------|-----------------------------|-----------------------------|
| 1983 | 1989 | Percentage Increase |
| Salaries | 372,000 | 782,000 | 110.2 |
| Expenses | 100,000 | 145,000 | 45.0 |
| Total Cost | $472,000 | $927,000 | 96.4 |

In a self-indulgent splurge, Mr Cain has almost doubled the cost of his State Media Unit from $472,000 in 1983 to $927,000 in 1989. As the accompanying table reveals, the salary cost alone for Cain's media advisers has soared by 110 per cent over the last six years. Other Media Unit expenses, such as interstate air travel, book subscriptions, lunches and 'petty cash', have increased 45 per cent to an annual cost of $145,000. The journalists are paid well in excess of AJA award rates with salary packages of $53,000 being not uncommon.

As an aside it is worth remembering that the State Opposition is provided with only two paid staff for media relations work; little wonder that the 22 people on the Government's staff make it easier for the ALP to get their message across!

But the Cain Media Unit is just the tip of the iceberg.

Documents released under the Freedom of Information Act reveal that the Victorian Premier spends another $30,000 of our money each year on hiring speech-writers, $25,000 on engaging a 'media consultant' and $40,000 to employ someone to analyze public opinion polls. $46,000 was put aside to employ Bob Hogg as a consultant. Let us also not forget the Premier's separate Ministerial Advisers Unit which has its own salary budget of $464,000.

Add to this the scandalous allocation of $4m over the last five years to pay for secret public opinion surveys and you fill in a costly picture of information control.

It is not possible to justify such waste, especially at a time when tax relief or the employment of more police, nurses, etc would be a far more suitable target for expenditure.

Instead of justifying this behaviour, Mr Cain has gone to extraordinary lengths to cover up the truth. For example, in an effort to deny public access to internal files on his Government's opinion poll spending the Premier initiated a High Court action, with the aim of exempting such sensitive documents from the Freedom of Information Act. The Full Bench rejected his argument\(^5\) and focused attention on Mr Cain's determination to end the public's right to know.

Understanding and exposing such a pattern of political abuse is an important element in re-establishing high standards of accountability and responsibility.

Whether it be the Hawke, Cain or Bjelke-Petersen government, the public has had enough of its money used for propaganda and media manipulation.

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Notes
1. Address to the VFL Grand Final Breakfast by Tony Fitzgerald QC, 30 September 1989, p. 4.
3. Address to journalism students at the University of Melbourne by Michelle Grattan, 9 December 1988.
Australia and the Future of New Caledonia

David Anderson

Until 1988, most pronouncements on New Caledonia by the South Pacific Forum gave all-out support to Kanak demands for independence, and damned the French. The 20th Forum, held in Kiribati on 10-11 July last, took a position which was in sharp contrast with those of earlier years.

The Forum's strong endorsement of present French policy in New Caledonia reflects a similar change in Australian policy. The Australian Government is no longer pressing for quick independence and now seems to see Australian interests as best served by a lengthy cooling-off period and an evolutionary approach. This is to be welcomed.

Australia's main interest in New Caledonia is, of course, security. That interest was first demonstrated in September 1940, three months after the fall of France, when the pro-Vichy administration of the islands was overthrown by Free French elements with Australian support. New Caledonia subsequently became a base which played a key part in the Allied victory in the Pacific War. Given the strategic position of New Caledonia off our eastern seaboard and across our sea communications with the United States, Australia has a permanent security interest in seeing that the Territory remains in friendly hands, and in conditions of peace and stability.

What are friendly hands? Until a decade or so ago, we took it for granted that they would be French. New Caledonia was a French Overseas Territory with a degree of local autonomy, in which civil and political rights had been granted to the indigenous Melanesian inhabitants, or Kanaks, as well as to the European and other ethnic groups. The multi-racial electorate of New Caledonia sent representatives to the French National Assembly and Senate and to the Assembly of Overseas France, as well as to the local assembly in Noumea. The metropolitan government took care of foreign affairs, defence, customs and immigration, currency, foreign trade and a good deal else. It also provided large subsidies to an economy which, despite its rich nickel and other mineral resources, was not self-supporting. Living standards were high by Pacific Island norms, although the gap between the European and Kanak communities in economic and social terms was wide and deep.

The emergence of the Kanak independence movement put paid to the comfortable assumption that New Caledonia would for ever remain French, and friendly. Australian policy-makers began to make new calculations. But the arithmetic was complicated. The Kanaks, the original inhabitants of New Caledonia, were the largest single ethnic community, and a majority of them supported the independence movement. Their leaders in the Kanak Socialist National Liberation Front (FLNKS) also claimed at first that Kanaks alone should determine the future of their islands. But the other communities — Europeans, Polynesians, Indonesians and Vietnamese, many of them resident for many generations in New Caledonia — together outnumbered the Kanaks and in their great majority voted in a referendum held in 1987 to remain a French Overseas Territory.

Some observers predicted that the Kanaks would eventually outnumber the other communities, so that independence under Kanak rule was inevitable. Other observers maintained that higher birth-rates among the Polynesians would ensure a continuing majority for the 'loyalists'. The position was complicated by claims that certain categories of voters newly-arrived or not born in the territory should be disenfranchised. At a fairly early stage, Canberra seems to have decided that the future lay with the Kanaks, and that their friendship should be sought by giving virtually unqualified support to their demands for independence. (As a corollary, official Australian statements made it clear that referenda which resulted in a majority for continued attachment to France fell short of our criteria for self-determination.) Pro-Kanak pressure from Island governments at the Pacific Forum was also a factor.

Given the demographic arithmetic, however, it is painfully clear that there can be no peaceful or stable future for New Caledonia, and no durable constitutional settlement, unless that settlement is acceptable to both

David Anderson, a former Ambassador, is Executive Director of the Pacific Security Research Institute.

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the main ethnic communities, Kanak and European, and unless the divisions between them can somehow be reconciled. The political divisions, of course, have their roots in profound economic, social and cultural differences, and these cannot be changed overnight. The process of reconciliation can only be a long and arduous one.

Under the Chirac Government, which pursued heavy-handed policies while the Kanaks resorted to violence and disruption, the prospects for intercommunal reconciliation and harmony looked bleak in the extreme. Prodded by the Forum, Australia continued to urge France along the road to self-determination and independence for New Caledonia. Yet early independence would probably have led in practice to domination by the Europeans and their allies, with the Kanaks pushed into armed resistance and guerilla warfare. Kanak predominance, although unlikely in present conditions to emerge from a genuine act of free choice, would have provoked an equally violent reaction from the Europeans. Premature independence, with either party predominant, would have been a recipe for protracted instability at best, and civil war at worst.3

Matignon Agreements

Against this background the Matignon Agreements, prepared by the Socialist Government of Michel Rocard and negotiated in June and August 1988 between the leaders of the Kanak 'independentist' FLNKS and the 'loyalist' RPCR party, represented a triumph for reason and common sense. As the preamble to the Agreements declares, "the two parties have acknowledged the imperative necessity of contributing towards the establishment of civil peace, in order to create the conditions enabling the populations freely to choose, with confidence in their future, how to take their destiny in hand."

The Agreements provide among other things for:

- the division of New Caledonia and the outlying islands into three provinces, each with a locally elected assembly and executive with extensive powers of local government and substantial financial resources;
- the establishment of a Territorial Congress, comprising the three provincial assemblies meeting together, and a territorial executive headed by the French High Commissioner, with powers over taxation and the Territorial budget, equipment and infrastructure for the Territory as a whole, roads, waterworks and national elementary school programs;
- retention by the French State of powers over defence, external relations, customs and immigration, currency, foreign trade, law and order, etc;
- establishment of a customary consultative council in each province and a Territorial Customary Advisory Council to give advice on civil and land law;
- establishment of a Kanak Cultural Development Agency;
- increased French development assistance and training programs, mainly for the Melanesian community;
- a referendum on self-determination in 1998, the electorate to be limited to those with continuous residence in New Caledonia since 1988.

The Agreements carry certain dangers. For the Kanaks, they hold out a prospect, but no guarantee, of eventual independence — and this cannot satisfy the radical elements among them. Europeans living in provinces which will be run by a Kanak-majority executive are apprehensive about their future. The administrative division of the Territory into three provinces — two run by Kanaks and one by Europeans — could open the way to partition if other solutions failed; and partition would be an economic nonsense as well as a political disaster. But despite the dangers, the Agreements have provided a breathing space after conflict, and have bought time for lifting Kanak living standards, reducing divisions and promoting reconciliation between the ethnic communities. These are the indispensable conditions for peace and stability in an independent or autonomous New Caledonia.

In referenda held in France and New Caledonia on 6 November 1988, clear majorities voted in favour of the Agreements. Although the voter turnout in France, where voting is not compulsory, was only 37 per cent, the Yes vote was 9,896,998 to 2,474,743 for the No's. In New Caledonia, with a turnout of 58 per cent, the Yes Vote was 57 per cent against 43 per cent for the No's. The strong "No" vote came mainly from 'loyalist' areas, but opposition to the Agreement also came from FULK, the extremist wing of the FLNKS, which continued to demand immediate independence.

When the moderate FLNKS leader, Jean-Marie Tjibaou, one of the architects of the Matignon Agreements, was murdered with his colleague Yeiwene Yeiwene in May, there were understandable fears that a new wave of violence would ensue and that the Agreements would go up in flames. Instead, the assassinations — and the earlier bloodletting on the island of Ouvea which preceded them — seem to have had a cathartic effect and — if only momentarily — to have brought the Kanak and other communities closer together. Europeans who had rejected Matignon were now apprehensive about a future without it. Although the FULK extremists refused to condemn or disavow the
assassins, the great majority of the FLNKS and its supporters were shocked and outraged and under new leaders have continued to follow Tjibaou's policies and support the Agreements.

Elections to the provincial assemblies were duly held on 11 June in orderly conditions and — despite threats of disruption by the FULK — without incident. This time, 69 per cent of the electorate voted. As expected, the FLNKS won clear majorities in the Northern and Islands provinces. The 'loyalist' RPCR took 21 of the 32 seats in the larger provincial assembly in the South, and 27 of the 54 seats in the Territorial Congress. The outcome reflected a swing away from extremists on both sides and back to the two major parties that had concluded the Agreements. In an atmosphere of conciliation and tolerance, the Territorial Congress has elected FLNKS representatives to three of its Vice-Presidencies. Jacques Lafleur, the leader of the RPCR, has dropped the label 'loyalist' as a description of his political position.

The South Pacific Forum, held one month later, "welcomed the positive measures being pursued by the French Government, in co-operation with the people of New Caledonia, to promote political, economic and social development in the Territory" and expressed its continuing support for the Matignon Agreements. The Forum, as it had done in 1988, further restated its strong support for an act of self-determination "in which all options, including independence, would be open, and which would lead to a settlement that safeguards the rights of the indigenous Kanaks and all New Caledonians in a multi-racial society."

There is something almost disturbing in this present atmosphere of love and light. Is it too good to be true? Can it endure?

We must, of course, reckon with the probability that the Libyan-backed extremists of the FULK, who reject the Agreements and demand immediate independence, will resort to new acts of violence and try to undermine or overthrow the FLNKS leadership. We cannot exclude the possibility that random incidents will reopen old wounds and provoke new conflicts. There are already reports of new disturbances on the troubled island of Ouvea, and of a split in the FLNKS itself. Some Europeans remain suspicious about the Agreements and where they are leading, while many are resentful of the necessarily high proportion of development aid going to the Kanak-majority provinces. An enormous amount of mutual tolerance will be needed on both sides if the new provincial and territorial assemblies and executives are to work effectively and harmoniously. And there can be no assurance at all that the Agreements will hold up until the act of self-determination scheduled for 1998. All that can be said is that at least for the moment the chances for an orderly and peaceful political evolution in New Caledonia look brighter than for many years past.

Australians can only welcome this prospect. At the governmental level, if we want to see a peaceful, stable New Caledonia in friendly hands, we must continue — both at the Forum and in our bilateral dealings — to support the political process opened up by the Matignon Agreements, and to behave as a good neighbour. We also need to refrain from some of the rhetoric and intrusive advice in which we have sometime indulged, and cultivate a better understanding of the factors and forces at work. It is a pity, if not perhaps surprising, that so little has been said or written in the Australian media about the more hopeful course that events are now taking in so close a neighbouring territory. But then, as a media personality once remarked: "Progress makes very poor television." And good news is no news.

Notes
1. The population of New Caledonia in 1983 was 145,368, made up as follows:

<table>
<thead>
<tr>
<th>Ethnic Group</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indigenous Kanaks</td>
<td>61,870</td>
<td>42.6%</td>
</tr>
<tr>
<td>European settlers</td>
<td>53,974</td>
<td>37.1%</td>
</tr>
<tr>
<td>Wallisians and Futunans</td>
<td>12,174</td>
<td>8.4%</td>
</tr>
<tr>
<td>Tahitians</td>
<td>5,570</td>
<td>3.8%</td>
</tr>
<tr>
<td>Indonesians</td>
<td>5,319</td>
<td>3.7%</td>
</tr>
<tr>
<td>Ni-Vanuatu</td>
<td>1,212</td>
<td>0.8%</td>
</tr>
<tr>
<td>Vietnamese</td>
<td>2,381</td>
<td>1.6%</td>
</tr>
<tr>
<td>Others</td>
<td>2,868</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

2. Even so, it was odd that Australia should at one point have appeared ready to support exclusivist claims to independence by an indigenous minority within a territory colonized only 65 years after New South Wales. It was not at all odd, but strikingly inconsistent, that Australia should later reject similar claims to political dominance by the indigenous minority in Fiji.

3. A further consequence of premature independence, when the Chirac Government held office, could have been the severance of French economic and financial aid — as occurred when Guinea declared independence on its own terms. That would have meant in the first place economic disaster for New Caledonia, for no other benefactor or set of beneficiaries could have replaced the French. Beyond that, it would have meant the effective withdrawal of the French presence and influence from the South-West Pacific. In sensitive as French policies in the Pacific have often been, France is well equipped to play a constructive role in the economic, social and cultural development of the region — a consideration to which earlier Australian policies gave little weight.

4. The wording of this last sentence is significant, implying as it does that independence is not the only option open and that non-Melanesian Caledonians have rights too. In the final analysis, we may find that some option (such as associated independence) intermediate between territorial status, which would not satisfy Kanak aspirations, and full independence, on which the other communities have reservations, will be best suited to the particular conditions of New Caledonia. But that must be for the inhabitants — all of them — to decide.
Tania Mathewson
Age 23
From Canberra, Educated
Australian National University
Bachelor of Science (Zoology)
Now showing
throughout Australia

Tania 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, Tania is well on the way to fulfilling her major aspiration: to share her excitement of science with people so that they too understand and enjoy science.
DEBATE

Should Hard Drugs

Once advocated only by moral libertarians, the legalization of hard drugs is now supported by eminent conservatives such as William F. Buckley, Jr., economists including Milton Friedman and Gary Becker and journals such as the London Economist. Some senior police are also known to support this position. On the other hand health practitioners and, probably, the majority of Australians resist the idea. Who is right? Marc Mowbray and Ken Baker summarize the cases for and against legalization.

YES

A Regulated Market  It is a myth that keeping drugs illegal regulates their usage. While it remains illegal, drug use largely eludes government regulation. Decriminalization of drugs would bring a largely unregulated activity under control. It would mean that the government rather than criminals would control future directions in the supply of drugs.

Less Crime  Maintaining a heroin addiction can cost $200 a day or more. Thus many addicts are forced to turn to crime — theft and prostitution, in particular — in order to fund their addiction. Legalizing hard drugs would dramatically reduce their cost and so virtually eliminate the pressure on addicts to turn to crime.

The involvement of organized crime in the import and supply of drugs would also diminish greatly once the economic incentives were reduced. An obvious benefit of this is that pressure on courts and police having to deal with drug-use and associated crimes would be reduced. Police would also be relieved from the danger of going underground and having to co-operate with criminals to obtain the intelligence required to catch major drug dealers.

The severing of funds to organized crime from drug sales might also help undermine related criminal industries, such as prostitution, illegal gambling, and car theft rings.

Adolescent Rebellion  Young people, acting out natural, rebellious impulses, are often attracted by the illicit, non-conformist image of the drug subculture. This lure of the forbidden would be eliminated once legalization had occurred.

Less Corruption  While drugs remain so profitable for suppliers (millions of dollars can be involved) the temptation for corruption among law enforcement agents and other officials is too great for many to resist, as the recent conviction of a former head of the South Australian drug squad attests.

Reduced Health Risks  Control over the quality of drugs would reduce health risks from contamination and over-doses (caused by varying strengths of drugs). The spread of diseases such as AIDS and Hepatitis-B could also be better controlled if addicts could more openly come forward without the threat of legal or moral persecution.

Heroin would again be available as a pain-killer for people suffering painful terminal illnesses, such as cancer.

Economic Benefits  The flow of Australian money overseas from drug importation would be stemmed. Tax revenue would increase as drugs were removed from the black economy and brought into the legitimate economy. This revenue could be used to educate people on the dangers of drug use and the rehabilitation of addicts.

A viable industry would be created for legal farmers. There are also economic benefits in reducing the pressure on police, the courts and prisons.

Individual Rights  Drug use in itself is a crime which harms no-one other than the user; it should therefore, in a liberal society, be a matter of individual conscience. To prohibit its use is a violation of individual rights.

Better Information Flow  Legalization would better enable information to be collected about drug users and the drugs world — currently hard to procure because of its illicit nature. Accurate information could also be openly communicated at the point of sale to users about the long-term effects of drug use on their physical, mental, financial and social well-being.

Marc Mowbray is a student of economics and law at the Australian National University and a freelance writer.
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be Legalized?

Rise in the number of Addicts  The reduction of legal, social and economic obstacles to drug use would result in a marked increase in the number of users and addicts. Most people may not be tempted to use heroin or cocaine if they were legal, but for a certain proportion of the population (five per cent?), all that stands between them and drug use is the fear of imprisonment, the social stigma and the high costs. Once drugs were legalized each of these obstacles would significantly diminish or disappear altogether.

Some may be attracted to the drug subculture because of its illicitness, but the prospect of entering a criminal underworld repels most. To normalize drug use would make it more tempting than it is now to most people.

Economic Costs  An increased strain on medical services would result from the additional number of users. Also, users of narcotics are less mentally and physically productive than non-users. Welfare dependency and absentee rates from work would likely increase.

New Drugs  To stay ahead of the government-controlled drug market and to stimulate and cater for the rising demand the underworld would likely create new drugs.

Attraction of Unsavoury Elements  If Australia legalized drugs and other countries did not, users and potential users would come to Australia to take advantage of our laws. Drug users tend be people of weak character, prone to dependence and unproductive. These are people we could well do without.

Inconsistent  Increases in the rates of violent crime and burglary in Australia and fears that these crimes are getting out of control have not resulted in calls for reduced penalties. Rather, it is increased penalties that are being called for. The same is true with alcohol abuse and drink driving. Why then the call to decriminalize drugs?

No Free Choice  Use of hard drugs such as heroin is highly addictive. As soon as the user becomes an addict, he is effectively deprived of free choice. Arguments for legalizing drugs which appeal to a liberal philosophy of freedom of choice are therefore ill-founded. Moreover, the argument for freedom of choice cannot apply to children who would be more exposed to the temptations of drug use were legalization to occur.

Threat to Social Fabric  By failing to prohibit such self-destructive behaviour as hard drug use, a society weakens the sense of shared moral solidarity upon which the security and well-being of its members depends. To survive as a morally cohesive whole, a society must be prepared to define and enforce boundaries of conduct which distinguish social from anti-social behaviour. Clearly drug use is anti-social and so, for the good of the society as a whole, should be forbidden.

Informal Controls are Absent  Use of legal drugs is regulated largely by informal controls. The use of alcohol, for example, is controlled by a complex web of social norms which mostly prevents excessive consumption and associated anti-social behaviour. Such complex norms can only build up gradually over a long time. Were heroin to be legalized it would not have this informal system of social controls to regulate its use and to distinguish between social and anti-social usage.

Further Reading

Can Unionism Survive?

ACTU Secretary, Mr Bill Kelty, is likely to be disappointed in his mission to save Australian unions from further decline. For his plans to succeed there would have to be a strong economy, friendly governments and vastly changed attitudes by some union groups.

This must all take place in the next few years because Kelty says there is not much time left for unions. He doubts that they will be around in their present form beyond this century.

As evidence of the grave situation facing unionism, one opinion poll, which was taken by the Sydney Morning Herald, showed that only 15 per cent of people say unions are doing a good job, while 41 per cent consider they are doing a poor or very poor job for the community. This critical view was particularly marked among people living in Melbourne, where 50 per cent said unions are doing a poor job, while only 11 per cent said they are doing a good job. This result must cause deep concern in the union movement.

Among other consequences, governments will have less difficulty in passing and enforcing anti-union laws than was possible when unions were more popular. No doubt the Liberal-National Coalition welcomes the poor union showing and will give industrial relations more emphasis in the lead up to the next federal election. Strike leaders, like Mr John Halfpenny, could yet save Mr Peacock, whose popularity is also low.

The cornerstone of the Kelty plan is a quick reduction in the number of unions from 308 to 20, mainly by amalgamation. This is an impossible dream and is focusing on the wrong issue. Because of the resistance by full-time officials, and the rank and file, the rate of union amalgamations is slow. In the last five years fewer than 10 unions have merged while four others have tried but failed. At this rate it would be well into the next century before Kelty's ideal number was reached. But, he is emphatic that unions would be dead by then.

Experience in other countries shows that the size of unions is not crucial for their survival. Most British unions are losing members because of government policy, economic conditions and the antiquated attitudes of many union leaders. Their size and number is almost irrelevant in the diagnosis of their terminal illness. The Japanese have hundreds of enterprise-based unions; West Germany has 19 industry-based unions. In neither country are unions in serious decline. These union movements are successful because they have responsible policies and because their countries are democratic and prosperous.

The Soviet trade unions are the world's biggest. But they are servile creatures of the regime and are despised by the millions forced to join them. Their failure is caused by the failure of communism. By contrast, in Poland, unionism is popular because it has become identified with the cause of freedom, democracy, and resistance to communist tyranny.

If Australian unions are to survive in the next century, they will have to persuade the workforce, and the electorate, that they are democratic, constructive and dynamic. They will have to provide a greater variety of services and avoid long and costly strikes, especially those that have the potential to become violent or to seriously inconvenience the public.

An opinion poll recently published in the Melbourne Herald shows that, while a majority surveyed believe it is important to belong to a union because of "the protection provided," unions which are militant and strike-prone, such as the Australian Railways Union, the Waterside Workers and the BWIU have a very low public approval rating. The most popular were the Shop Assistants' Union and the Police Union, both of which have moderate, responsible records. There is an obvious lesson in this for union leaders concerned with winning back public acceptance and securing the future survival of the union movement. ■

Laurie Short, 50 years a unionist, was the National Secretary of the Federated Ironworkers' Association from 1951 to 1982.
Dead Poets Don’t Deliver

Shaun Patrick Kenaelly

*Dead Poets’ Society*, one of the most popular and seductive films of 1989, carries romanticism too far. Twenty years on, Jaime Escalante, in *Stand and Deliver*, must try to undo the damage.

Two films: both about schools. One is a good school and the other a bad one; an élite academy and a high school in the slums. Two films: both about teaching. A teacher of English and a teacher of mathematics; two men devoted to their vocation. Both have unlimited faith in their ability to educate; by personal example, by teaching.

Such harmonies are pleasant: they may also lead us false. One film, *Dead Poets’ Society*, is a current triumph at the box-office, as directed by Peter Weir, with Robin Williams as the teacher, Mr Keating. The other, *Stand and Deliver*, directed by Ramon Menendez, with Edward James Olmos as the teacher, Mr Escalante, has enjoyed critical praise but a modest public reception. Released in 1988, *Stand and Deliver* is already consigned to the home-video market. Where Robin Williams is an international star, Edward James Olmos owes his previous reputation to his character-part in the TV series, *Miami Vice*. Peter Weir directs great, lyrical cinema: Menendez’ work seems almost destined for the small screen. Weir is Australian, favoured son of the local renaissance; Menendez a childhood refugee from Cuba — a child who spent a lot of time at the cinema watching the films of John Ford. It shows. *Stand and Deliver* is the better film by far.

Two schools; two teachers. *Dead Poets’ Society* enjoys popular success because it offers a perfect set-up in which to indulge the fantasies of a weakened culture — or a frozen culture rather — one still intent upon recycling the dreams of the 1960s; it sets up facile oppositions: poetry against commerce; spontaneity against discipline; a romantic teacher against an authoritarian headmaster; hard father against sensitive son; the 1960s grand ethos of “Life to be Lived” in opposition to the wheel which pins and crushes butterflies. A grand finale presents one of the boy-poets committing suicide: proof of everything — as if it needed to be made so obvious. It does, of course, because every weak romantic loves a victim and everybody loves a dead poet. *Stand and Deliver*, by contrast, ends with the class of ’82 passing their exams and looking toward college.

*Dead Poets’ Society* belongs to the 1960s. It opens in the Fall of 1959, the time acting as a hinge between one age and the next. So too the place: Welton Academy, an old-established, élite senior-academy in Vermont. It is the Puritan heartland. The school itself is stunning and the country around utterly beautiful. Weir owns a lovely sense of time and place. The school re-assembles at the end of summer; the autumn comes with the fall of leaves and the flocking and passing away of wild geese. The boating-crews are coxed on the river, over the lawns from their palladian school; but soon enough the cold sets in: snow and the river frozen. It is the country of the dead poets: New England, Protestant, romantic poets; with Whitman at their head.

Welton Academy is Protestant: St Andrew's Cross is a consistent motif. The film opens with a commencement ceremony. A kilted piper is seen putting together his instrument; itself a task of skill and devotion to the satisfaction brought by mastery of work. At a signal he leads an honour-company into the hall where the boys, their parents and their masters are assembled. Each boy in the company carries a school banner, bearing charge and motto: duty, tradition, excellence, honour. In their forms the boys all light a candle, one from the next: it is the light of learning, and in the transmission the heritage of the ages. The headmaster stands to the lectern and addresses the assembly. His words are to do with recent achievement and the achievement to come, to be worked for. It is also business-like: this school gets results. It is all a sure and moving ceremonial, the one or two moments in the film which really do count. It may also be said that this is the right way for a school. It is the only way. To see in this merely the substance — or the fictions — of an élite, private academy is to miss everything.

Into the school comes the new English teacher, young Mr Keating, himself an old boy. The very first thing he tells the boys in class is that he is a 40-pound wimp: the kind of wimp who gets sand kicked in his...
Robin Williams plays radical teacher, John Keating, in Dead Poets Society: stuck in adolescence.

face at the beach. But then, he loves poetry, and it makes him strong. The class is unsure whether to laugh or not -- you don’t, in schools like this. Besides, it is a little embarrassing. Here then, the liberal teacher. Embarrassment is one of the forms of reserve you have to break down. You try to win loyalty by trailing your coat for it; otherwise you try psycho-drama. He leads the class out into the hall and bids them look carefully at the sepia class-photographs of school-boys long ago. He points out that all these boys are now dead. Dead! And as an antidote: “Carpe Diem, lads!” he cries. “Seize the day! Make your lives extraordinary!” Carpe Diem: its source is Horace’s Odes, but it became the great leftist cry of the 1960s.

The first taste of seizing the day offers very little more than a petty-vandalism of a kind found as a matter-of-course in the slum-school of Stand and Deliver, Garfield High. Mr Keating orders them to tear out pages from their stuffy textbook. With reluctance, they obey him. Carpe Diem: doing your own thing; which is to say, not very much indeed. But always the boys are led down this false trail. Soon enough he has them standing on the desks in order to show independence; and practising John Cleese-Silly Walks out in the courtyard. He has them recite their own homespun poetry in front of the class. One boy, who is truly sensitive, unwilling to face the show-trial, is seized by his teacher, and spun around like a top, with his eyes blindfold, until the desired, delirious utterances are forced from him. Another boy, eminently sensible, declaims “the cat sat on the mat”, in a gesture of the cold contempt which is the hallmark of a good pupil faced with a demented teacher. Mr Keating is the hippie-godfather to all the second-rate English teachers who promote creative writing classes for illiterates, treasuring each clumsy spelling mistake as if it were a mirror into the pure soul.

Growing Up

Nevertheless, Mr Keating shines and inspires. “O Captain, my Captain!” he bids the boys call him, a line out of Whitman. He is their chief. From his old school year-book his students glean details of his own career as a pupil. He was head of the Dead Poets’ Society, a club which met in a cave in the woods for the purpose of reading great poetry out loud. They revive it. To do so
they must break bounds and hours, making their way to the cave at midnight. Now this is a slightly different story. Under patriarchal law the prime conflicts are always those between the fathers and the sons. The bounds are laid down clearly, but must be tested, in order to prove character.

What makes this film enjoyable is the presence of a second level of story within it; the story of growing up. The boys gloat in their woodland haven, defying the gods. One rebel brings along some girls from the town. For some, growing up means nothing more than constructing a radio, forbidden by the rules, so that they may hear taboo rock 'n' roll — to which violation, a stern conservative teacher turns a Copenhagen eye. The boys take the dead poets for heroes, but only one has the sense to recognize the greatness of Longfellow. Taking Hiawatha as a text, he pursues and wins the girl of his dreams; breaking bounds and hours to do so and getting beaten-up by her boyfriend in the process; football captain of the local high school. This is growing up. It has little to do with Mr Keating. Indeed, the boy first sets eyes on the girl at a formal dinner party, with his headmaster at his shoulder, as chaperone. Patriarchal order supplies the canons. Another boy disrupts his school assembly. He is flogged for it, but as the Headmaster tells him: he is not the first to court the honour of expulsion by such stunts. It is growing up. You test the laws; the young men taking on the old. Yet it is this theme of growing up about which the film and Mr Keating are fundamentally ambivalent.

Mr Keating's most apt pupil proves to be Neil, the boy who wants to be an actor. His father forbids such extra-curricula pursuits. He must study hard and "make it." It is a fruitful source for a battle-royal between father and son; most sons know this. Stand up to the old man and you just might get somewhere. One boy risks a beating from the football captain, another a flogging from his headmaster. Neil won't face it at all. To his credit, Mr Keating tells him to have it out with his father — but then, he knows that the boy is lying to him when he says that he has done so — a lie he ignores.

Against his father's wishes, Neil gets a part in the school production of A Midsummer Nights Dream. Naturally, he is to play Puck; the Peter Pan, the eternal child. It is an important symbol, summing up perfectly the romantic creed which Mr Keating and the film embrace: resist the rigid, cold and unfeeling world of the fathers, reject the sterile values, the dull middle-class conformity of the adult world; hold on to the creativity, the imagination, the spontaneity and innocence of childhood. It is a seductive vision, but where does it lead? The transition from the carelessness of childhood to the responsibilities of adulthood is never easy: a good teacher will help guide his students toward maturity. Mr Keating's romanticism leaves its victims stranded in adolescence — or worse. Neil gives a terrific performance as Puck — and then blows his brains out.

Twenty Years On

If the Keatings have their victory during the 1960s, then Stand and Deliver shows what their triumph has secured. It is 1982. The film opens with Mr Escalante, the remedial maths teacher, driving through the streets of East Los Angeles on his way to his first day at his new school. It is a trip through a wasteland. Touts run toward the car and offer drugs for sale. He is supposed to teach computer maths, only there are no computers. There is a pile of human excrement in the corridor. Here there is no river, no eight, no wild geese to come and go. The turn of the year is marked only by the intense heat of summer; no real change at all, for the atmosphere is always one of a pressure-cooker.

Garfield High is a largely Spanish-American school, all quite without a Protestant ethic to guide it; merely the false solidarity of gangs. Mr Escalante stops a boy after class and three or four members of the gang range themselves in support. When a fight breaks out in the yard, Mr Escalante does not move to break it up, but grabs one of his pupils on his way to join in; holds him against the wall. You cannot rescue everyone, but you must make a start: by restoring authority.

There is no authority left in the school, which is demoralized and in danger of losing its official accreditation. Staff-meetings are presided over by a silly woman whose left-liberal creed tells her nothing, except that you can't teach children from the slums to learn anything until you improve their socio-economic conditions. It is weak, radical nonsense. The class understands very well. "Let's all stand in a circle and discuss feelings!" cries one boy in the first class. "Let's talk about sex!" shouts a girl. These are the children who have been schooled by the Keatings. It is a long way from Welton Academy, but the descent is sure enough. Authority fails first among the élite and the ravages move downward.

Mr Escalante has several advantages. For one, he too is Spanish-American and can talk to his pupils. At times the argot is too much for an Australian audience, but again, it is the pressure-cooker. A second advantage he has, which is very important, is that he has come into teaching from a good, well-paid job in private industry. That means he has vocation: it also means he is immune to all the liberal-radical cant. In actuality, he is bringing the ethos of business back into the school. Third, he has the advantage of knowing what a good school ought to
look like. It ought to be something like Welton Academy. His staff-philosophy is simple. "If you want to turn this school around you have to start from the top," he says. There are no dead poets at Garfield, named after a dead President.

Restoring Authority

Mr Escalante makes it his business to teach mathematics to bored teenagers who supposedly cannot be taught anything. He begins by cutting-up pieces of fruit to show the difference between a half and a quarter. Then, he is drawing equations on the board. The blackboard becomes the centre of this class, not the classroom tricks. Boys and girls are called up to it and given pieces of chalk. Demonstrate! He sets them homework and gives them tests. He sends them out of the room when they shuffle in late. He doesn't take excuses. In short, he does everything an old-fashioned master would do at Welton. More, he gets away with it. The children somehow come to believe in him. How? Because he means it. He is a consistent man. He faces them down; he encourages. He scorns their folly and rewards curiosity. He rarely lets up. He has restored authority to the classroom. If there is any release in this film it is when he drives with a student or two around the city, catching the breeze that is the small liberty they may extract from the pressure-cooker. He is their chief. "Kim O Sabe!" they call him, in the tongue — still the language of Whitman; but this first time the lines actually mean something: "O Captain! My Captain! Our fearful trip is done. The ship has weathered every rack, the prize we sought is won."

Winning prizes is what this film is all about, something fearful to the radical teacher, who suspects all signs of achievement. Indeed, this film is a true account. We follow the progress of the class over a year or so. In their senior year Mr Escalante teaches them calculus. The goal is an advanced examination and the reward, college. He has them work through the summer. He hands them contracts on the first day of term; contracts to be signed by themselves and their parents. The ceremonial is beginning to be restored, out of the laws of business. Calculus. The boys and girls sit their exam and all pass it. This is where their troubles really begin.

The true history of Stand and Deliver is as strange a thing as any dream of the New England poets. No one in their right mind believes that Latin slum-children can pass exams. That they have done so suggests only one thing: cheating. An official enquiry is launched and the class is made to re-sit their exam — and is vindicated. Above the pressure-cooker world of the school, higher authority has failed. It is a major problem in this film and not fully tackled within it.

There is a problem also, perhaps, in the attention given in both films to the importance of an individual teacher. In one sense it works to the good: the notion of a good, charismatic teacher, alert to his vocation, is still abroad in our culture and people believe it when they see it on the screen. But do we ask too much of teachers when all else has fallen away? A wrecked school in a wrecked suburb. Is charisma the quality we ought to seek?

Stand and Deliver ends with the list of exam achievements rolled onto the screen; growing year-by-year. In a word: the runs are on the board. Garfield High graduated 18 students through the calculus exam in 1982, 31 in 1983, 63 in 1984, and 87 in 1987. The new Garfield High does not promise redemption through education. It does offer a way out of the slums. Hard work gets results. Discipline must be learned. A good teacher is there to teach and not to save souls. It is a spartan creed, without much poetry, but it is a good one. Mr Escalante understands what Mr Keating does not: that the proper place for the dead poets is out in the woods, under the wind and stars. In a classroom you have to teach.
During the last decade, human rights have come to play a major role not just in Australian foreign policy but in the domestic politics of policy-making. Foreign Affairs officials say that emphasis on human rights issues is one of four major pillars of Australian foreign policymaking and has been so both under Mr Bill Hayden and Senator Gareth Evans. It seems worth considering this strand of policy, its meaning and implications, a little further.

In the first place it seems clear that human rights is a popular issue in our liberal democratic society — as well as others, for instance in the United States — and perhaps especially popular in the media. A large number of vocal and powerful pressure groups — Freedom from Hunger, Amnesty and the like — have a vested interest in its promotion and it would be difficult if not impossible to attack the principle successfully in the political or public arena. In addition it is right and proper, and in any event inevitable, that the expression of Australian views and interests abroad should closely accord with the principles of Australian public life and our general political and social preferences. We are by no means the only people who assume, as a matter of course, that the right way for others to behave around the world is, or should be, very similar to the way we think people should behave here. Such a view is indirectly but powerfully encouraged by the notion, which is also highly popular, that peoples everywhere have views and needs which are essentially similar, that “they are really just like us.”

It is also clearly the case that there are many gross violations of even minimal interpretations of human rights around the world, and suffering and oppression in many places. And that Australian or other international representations can sometimes do good for real and deserving people. That is clearly an important plus.

In addition, an ability and willingness to make a noise about human rights and to criticize others, especially in international forums, makes us noticed, which is something that Ministers and officials find helpful. It displays, especially to the domestic public, not just a proper regard for suffering everywhere, but Australia's independence and willingness to stand up for what is right, even if that sometimes makes foreign friends uncomfortable. At the same time, since it is the squeaky wheel that gets the oil and not the silent one, others and especially those who are or might be the subject of Australian criticisms find it necessary to pay closer attention to our own needs and wishes on a wide range of issues.

There are other benefits, in particular the avoidance, even deterrence, of vocally hostile or critical attitudes by others. Suppose, for example, that some country wished to take advantage of our domestic difficulties over Aboriginal policy in order to embarrass the Australian Government publicly. In current circumstances it would probably not be useful to make the classical response that that was our own business and others should not interfere in our domestic affairs. It is surely more intelligent to respond by saying that there is indeed much to criticize in Australia's past and present treatment of Aborigines, that we would be glad to discuss these important issues at any time but that, of course, by the same token, we would be no less interested in discussing any human rights problems which our critic or accuser might have. Since Australia has an incomparably better human rights record than most potential accusers, critics are likely to find it inconvenient to invite such a response.

Moralizing has its price

That is not, however, the end of the matter. There is also a downside. For one thing, emphasis on human rights, precisely because it is popular, plays to a major weakness in Australian public attitudes to foreign affairs.
the tendency to moralize and to believe that foreign policy consists of the pursuit of what we regard as virtue. To encourage the domestic constituency to insist on moralism in foreign affairs can incur vast penalties and always has. George Kennan made the classic case against it in US policy in a famous lecture series in 1949/50 and the point was by no means novel then.

Also, such an emphasis almost always leads — and has certainly done so in Australia's case — to an over-emphasis on the role and function of international organizations in general and the United Nations in particular. That can and does mislead people into regarding the UN as something like a Parliament of Man and to accord to its votes a quite unmerited and impractical legitimacy and even authority.

There can be very practical consequences of this. It can contribute strongly to the Australian public's acceptance of the Commonwealth Government's use of international agreements and, when convenient, UN majorities, to override or constrain domestic legislation and perhaps even previously accepted constitutional arrangements. The point is by no means confined to the issue of States' rights. As and when the UN, or some other international body, makes agreements on the "Rights of Indigenous Peoples" or on the "Rights of the Child" or, for that matter, on the Antarctic, it seems overwhelmingly likely that the consequences will be taken to constrain, and perhaps to alter, Australian practice in such areas as Aboriginal rights or Family Law, and to do so in ways which largely or entirely bypass the normal parliamentary legislative process. The result can only be to some degree to undermine the powers, prerogatives and even sovereignty of the Australian Parliament.

The matter goes further. Emphasis, or at any rate over-emphasis, on human rights in our external dealings encourages the view that the world either is or ought to be run in accordance with principles and practices of which we approve. It is, to that extent, an encouragement to a kind of ethno-centric or cultural imperialism, strongly though the proponents of the policy would object to such a description. It is in any case certain to create endless and acerbic dispute with others. What do we say to someone who argues, as honestly as we might do for our views, that the overridingly most important human right is to obey the will of Allah as interpreted by the Ayatollah Khomeini? Or to someone who believes fervently that the human rights of Vietnamese peasants can only be protected by expelling all ethnic Chinese merchants and money-lenders from Vietnam?

If and when the wheel of fortune turns and Australia becomes the subject of serious and sustained foreign criticism, perhaps on some issue which we cannot now even foresee, to what principle shall we then appeal to be left to deal with Australian affairs by ourselves?

If that is so, then over-emphasis on human rights could undermine our very claim to be sovereign in our own country. Or, at minimum, subordinate that claim to sovereignty to other principles and criteria acceptable to powerful groups in the international community. If things go that way, what happens to the notion, the principle, of Australian self-determination and independence?

This raises another and in some ways even more basic difficulty. We appear to be living in a world where the principles of self-determination and equality appear to have become irresistible. If a people does not have self-determination, it is accepted without question that it is 'oppressed'. If that people is not 'equal', for example in economic matters, that is widely taken to mean that policies should be adopted, by them and the international community, to make it so. Certainly the rapid expansion of the number of states in the world since 1945 has been based very largely on the idea that these ideas must be implemented.

But just as these principles have, over the last century or less, 'liberated' today's nation-states from the old empires, so the same ideas must in the end prove to be hostile to, and subversive of, the nation-states we know. For by what principle do we ultimately define that entity which is as of right entitled to self-determination and equality? In today's world it is obviously impossible to define it in ethnic or language or cultural terms. It is probably not possible to define it satisfactorily in territorial terms either. What, then, is left? If we say that any group that regards itself as a 'nation' has a right to be accorded self-determination and equality, then how — other than by mere arbitrary force — do we prevent Aboriginal Australians, or Queenslanders, or the Welsh, or the Kikuyu in Kenya, or the Sikhs of India, or dozens of other groups from deciding that they too are separate nations and deserve to have these principles applied to them?

And what might happen in a world where the locus of political authority which is both legitimate and effective is apt to shift in such ways over fairly short periods of time? Even if we love human rights, to what authority shall we be able to appeal to implement them?
Why People are Losing Faith in their Churches

Hal Colebatch

Following B. A. Santamaria's article on the decline of Christianity (IPA Review, Dec-Feb. 1988/89), Hal Colebatch asks, "Are churches alienating their natural constituency?"

SURVEYS all round the nominally Christian world in recent years, from Australia to Sweden, have shown there are much higher numbers of people with some type of Christian religious belief than there are active members of churches. Even in Western countries where active church members are a small minority, believers are a majority, usually an overwhelming majority, of the population. The ratio of believers to church-goers is often three to one, sometimes more.

The fact that the numbers of non-church-goers who still believe is so large may be as significant as the fact that the numbers of church-goers is so small.

The implications of this fact are usually described along the lines that the believing non-church-goers, having moved out of church life, are now in a kind of half-way house between religion and atheism, often with a further implication that they are drifting away from Christianity and will end in non-belief.

The image is sometimes given of the lapsed Anglican who, having left the church, is still walking through the church-yard, with its atmosphere of ancient, mossy grave-stones, hymns and organ music dimly heard, but who will eventually arrive in the street of the entirely secularized world. George Orwell, writing of what a future socialist Britain might be like (that is a democratic socialist Britain, not the totalitarian state of 1984), suggested that though the churches would be gone, "a vague respect for the Christian moral code" would be retained. It is an idea which has coloured the writings of many commentators.

However, if in fact the decline is not being caused by people drifting away from the churches, but, in many cases, by people being driven out of them, that is something radically different.

Let me give a few examples.

If I were a Vietnamese refugee, driven from my home with my loved ones perhaps murdered or in labour camps because of communism's victory in Vietnam, I would find it very hard to be active in a Student Christian Movement which publishes a book like John Pairman Brown's The Liberated Zone, which claims that "the Twelve Apostles were born Viet Cong."

If I or the family I loved were, by some definition, rich, I would not be impressed by the comment in a religious school-text that "Christ... offered no hope of salvation for the rich" (irrespective, in this context, of the uses to which riches might be put). Were I a theologian, I might even describe this as heresy.

If I were an American sailor visiting Australia I would not like to see myself denounced without trial in a religious magazine as an AIDS-spreader.2 Nor would I like to see 'proofs' offered that America is war-mongering in the Pacific by the publication of misleading figures comparing the displacement of fully-loaded American and empty Soviet aircraft-carriers (arguing that since the American are so much bigger, they must be so much more aggressive!).

I do not like all that my taxes are spent on. Still less do I like to see churches calling for higher and higher levels of personal taxation when I know that the churches themselves take advantage of tax exemptions at the expense of the rest of the community.

If I believed the use of nuclear energy better for environmental conservation than the continued burning of fossil fuels, especially since it seems the Greenhouse Effect may be starting to occur, I would not be impressed by church-sponsored comic strips depicting uranium mining as evil, and uranium miners as deliberate enemies of life.

Aware of the devastating failure of communism wherever it has been tried I would be deeply uneasy at the links which have been identified between various church-associated 'peace' and 'aid' organizations and communist rebels in the Philippines.

Hal Colebatch is a lawyer, journalist, poet, novelist, and at present Managing Editor of Debrett's (Australia). He has recently written a book-length study of some of the themes examined here, titled Return of the Hero.
WHY PEOPLE ARE LOSING FAITH IN THEIR CHURCHES

The Potential Church Member

Let us take a potential member of a Christian church. Someone who, say, is fairly intelligent and has some spiritual appetites. He has grown up in the post-war world, and is dissatisfied with pure materialism (though he is economically literate), has an uneasy feeling there is something bigger than the top man, and a desire (which he does not feel is merely a biological accident) for something 'higher'.

Let us make our potential church member quite well-read and acquainted with popular and successful mythological works of the present day. Works of fable from 1984 to The Lord of the Flies educate his imagination to the idea that political utopianism does not work, and he has seen from afar the death-throes of Marxist ideology in Eastern Europe and China. Like most Australians, he is broadly conservative in social outlook and believes Australia should remain aligned with the world's liberal democracies. He rejects political extremism, and finds all forms of oppression repugnant.

In his tastes in entertainment and the imaginative life he is fairly conventional. He, like countless millions of others, watched the Star Wars films, and was captivated by their theme of the struggle of good and evil in which good eventually triumphs against all odds. Perhaps at the climax of Return of the Jedi he was moved by the repentance of Darth Vader and perceived that the theme of the trilogy was not at bottom about the struggle of galactic empires but about the salvation of an individual soul. Like people his age and older all over the English-speaking world he has read The Lord of the Rings, which set a comparable theme in a romantic world of high, poetic adventure, and C. S. Lewis's "Narnia" books, which gave adventurous fantasy a particularly Christian setting. If he has a questing mind in such matters, he may have been led to many other such stories, such as the Arthurian romances and the writings of G. K. Chesterton.

Thus, he has become well-acquainted with a flourishing and successful modern culture which, although not always specifically Christian, and certainly not identified with any particular church today, has given him what is potentially a grounding in many aspects of Christian values and 'Western' values. To use C. S. Lewis's phrase, his imagination has been baptized.

This, to repeat the point, is a common experience for millions. None of the works mentioned is obscure or inaccessible. Far from it: they are enormously popular, and this very popularity is itself significant. The mental furniture of our potential church member is the common property of millions today. Tolkien would have died unknown and George Lucas would be a poor man.

| Religious beliefs in Australia and selected European countries (c. 1983) |
|-----------------------------|------------------|-----------------|-----------------|-----------------|
| Belief                      | Australia | Denmark | Great Britain | West Germany | Italy |
|                            |           |          |                |                |      |
| Per cent believing in      |           |          |                |                |      |
| God                         | 85        | 58       | 76             | 72             | 84   |
| A soul                      | 73        | 33       | 59             | 61             | 63   |
| Sin                         | 69        | 29       | 69             | 59             | 63   |
| Life after death            | 59        | 26       | 45             | 39             | 47   |
| Heaven                      | 64        | 17       | 57             | 31             | 41   |
| The devil                   | 42        | 12       | 30             | 18             | 30   |
| Hell                        | 40        | 8        | 27             | 14             | 31   |

Beliefs about higher power

|                            |           |          |                |                |      |
| A personal God             | 42        | 24       | 31             | 28             | 26   |
| Some sort of spirit or life force | 38   | 24       | 39             | 40             | 50   |
| Don't really know what to think | 14   | 22       | 19             | 17             | 11   |
| Don't think there is any sort of spirit, God, or life force | 7        | 21       | 9              | 13             | 6    |

otherwise. If Professor Alan Bloom states in *The Closing of the American Mind* that "moral relativism" is the dominant idea in our civilization, he is saying too much. (Of course, if it is the dominant idea in our universities, that is portentous enough.) Most people, even when they do not say so in as many words, believe good and evil have a real existence and that the world works by certain rules. I have not mentioned exposure to specifically Christian works, or the Bible itself, but obviously these are also available to our potential convert.

Where to go?

But where does our potential convert go from there? If he ever feels his values and spiritual instincts are on the point of taking him into one of the Christian churches, what does he see? Perhaps something like the following:

The Anglican Church is wracked with grotesque convulsions over the ordination of women, a battle which seems to have far less to do with the purported issues than with an urge to destroy traditional structures for the sake of destroying them. Among other things, one of its senior bishops in Britain appears to be denying the basis of Christianity with professional impunity. In 1985 the Church published in Britain an extraordinary document which specifically denied the existence of the human soul, whose care is the churches' alleged *raison d’etre*. In the aftermath of the American bombing of Libya some Anglican (and other) church papers either condemned the Americans or portrayed Reagan and Gaddafi as interchangeable terrorists. It devotes a great deal of effort to attacking oppression in South Africa, but seems uninterested in many other instances of oppression, for example in Burma and in other African States. The proportion of the population that belongs to the Anglican Church is falling, and its American equivalent, the Episcopal Church, which has become even more closely identified with an agenda of radical causes, has experienced an even greater fall.

The Roman Catholic Church is torn between

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**Trends in Church Membership**

A comparison of the data from the 1954 census and the 1986 census shows at least a close correlation between the extent to which the churches have taken to theologically 'modernistic' and/or politically left-wing policies and public pronouncements and the extent to which they have lost supporters, as it also shows a resurgence or at least maintenance of strength for the evangelical and fundamentalist— the theologically and politically conservative— churches. The findings can be seen as indicating a vote of 'no confidence' by former members of the Anglican and particularly the Uniting Churches.

The Anglican Church in 1954 claimed the allegiance of 3,408,850 people or 37.9 per cent of the population. In 1986 it claimed 3,723,419 people or 23.9 per cent of the population (this was before the damaging controversy over the ordination of women reached its full intensity). The Roman Catholic Church had gone from 2,060,986 people or 22.9 per cent of the population to 4,064,413 people or 26.1 per cent of the population in 1986, making it easily the largest church in Australia, and displacing the Anglican Church from the position of superiority it had enjoyed since the first settlement.

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The Uniting Church, the most politically radicalized and 'modernistic' of the major established churches, showed by far the largest decline. It went from 1,917,627 or 21 per cent of the population in 1954 to 1,182,310 or about seven per cent of the population in 1986. By contrast, the continuing Presbyterian Church, made up of those generally theologically conservative Presbyterians who had rejected the merger of generally progressive Presbyterians, Congregationalists and Methodists which created the Uniting Church, numbered 560,025. Far from being a discredited and dwindling conservative rump, as they had at first appeared after the merger, they now number nearly half as many as the Uniting Church itself.

Meanwhile, the group marked on census as 'other Christian' — largely the evangelicals and fundamentalists — went from 1.8 per cent of the population to 4.9 per cent. There had also been a spectacular increase in 'Orthodox' (presumably owing to immigration) from 0.8 per cent to 2.7 per cent. The Lutherans and the Salvation Army maintained their percentages of the population, perhaps contrary to what might be perceived as the encroaching secular spirit of the age.

The group marked as 'no religion', which in 1954 had been a negligible 23,684 or 1.8 per cent of the population, increased to 1,977,464 or 12.7 per cent. It is important to note that this question did not necessarily differentiate between those who had no religious beliefs and those who did not consider themselves active members of any particular church. The portion of the population who did not state their religion went from 9.7 per cent to 12.3 per cent, which again may suggest growing disillusionment with the major churches.
Bureaucrats do not a Church Make

Warren Clarnette

A report from a Uniting Church national committee concludes that financial difficulties facing the church are symptomatic of more fundamental problems — but that’s where the insight ends.

HAL COLEBATCH, in his article in this IPA Review, may be right. Much of the current flight from the churches may be due to the policies of church bureaucracies. The non-church-going public, then, may be described more correctly as disappointed seekers after inspiration, rather than as secularized hedonists thumbing their noses at religion.

One can only hope that Colebatch’s thesis reaches the ears of official churchmen, to produce some reappraisal of their attitudes and policies. But church members should not hold their breath. Official doctrine has it that there are two causes for the ills of denominations. One is the unarguable fact of sociological change. The other is the shortcomings of church members — the people whose long-suffering tolerance and willing generosity support the growing religious bureaucracies.

As for the bureaucrats themselves, they are novices in the art of self-examination. An example comes from a Uniting Church national committee, which last year produced a report titled What Future for the Church? for church-wide study. The committee states that it has, “by thought and prayer attempted to reflect God’s will for the church and present a challenge to its members.”

Their report is a typical example of its kind, and offers a fair sample of the kind of selective arguments which pass for serious research and leadership in the modern ecclesiastical bureaucracies. According to the report the church is in serious trouble. Numbers are in decline. Influence is waning. Sunday attendance is down. Those who continue to worship are predominantly over (in some cases well over) 30. Too many are over 60. The young are not attracted.

Why is this so? According to the report, the congregations are to blame. They lack imagination, commitment and generosity. On the largest scale, the problem is “the slowness of the church to respond to the changes occurring in society.” Moreover, the church has concentrated on the wrong people: it has geared its activities to the interests and needs of people with higher socioeconomic status and higher levels of education. The remedy is to “get involved with the multicultural nature of the surrounding community.” There is more than a hint here that some sections of our society are not worthy of concern, and others are. A section headed “A positive response to the present situation” attempts to inspire willingness to embrace new strategies.

Two comments might illustrate the banality of what is offered. One: as a Uniting Church parish minister wrote in a response to the report, it is “saturated with general platitudes, dominated by a series of ‘motherhood’ resolutions, and seems largely comprised of an aggregation of uncritically posited propositions which are boldly and confidently asserted but rarely — if ever — argued.” The reader tires of phrases like: “Need for radical change”, “nation-wide action”; “creative ideas”; “additional funds through increased parish offerings.” Platitudes, in this report, suggest more than the exhaustion of bureaucratic vocabulary. They convey the assumption that it is the priorities of church members which are wrong, never those of the official leadership.

The second point is that the report contains no hint that the church’s main function is to represent that historic community of which its creeds speak and to which its scriptures bear testimony — the one, holy, catholic and apostolic church vivified by a transcendent Spirit and moreover, by virtue of its essential theological self-understanding, not adequately defined by the formal categories of sociological enquiry. The report gives no hint of such

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What Future for the Church?
A report from the Joint Assembly Standing Committee/Finance Committee Task Group — Mission Resources of the Uniting Church in Australia. Published in 1988 by Assembly Communications, 222 Pitt Street, Sydney, 2000.

Rev. Warren Clarnette is a Minister of the Auburn Uniting Church, Victoria.
an understanding. The authors prefer to remain firmly on solid empirical ground.

They find “a source of hope” in “an understanding of the patterns and trends which have occurred in the church and society” — a statement astonishing in its implication that a matter of such life-and-death magnitude (if not for the society at large, then at the very least for the church) requires for its solution such a simple application of intelligence. The conclusion is hard to avoid that the secularized drop-outs from the historic tradition of faith include the church’s official leadership.

As for the reliance on faith, which is said to have played some part in the heroic resistances and renovations of the church in previous centuries, this appears to be a source of inspiration which never enters the heads of these leaders. To be sure, they do state that a “leap of faith” is required of recalcitrant parishioners, but they must leap, not into the arms of God, but into the embrace of “new approaches and new levels of activity...”

The bewildered parish member, perusing this document, will not be wrong in believing this report to be no more than an exercise in self-motivation and wishful thinking. Half a page devoted to biblical excerpts fulfil, in a perfunctory way, a merely symbolic role in this document. Unfortunately, the biblical quotations seem designed simply to reassure the readers that the scriptural snippets have some essential connection with the remainder of the presentation. But the texts neither inform the spirit of the report nor add to the development of its argument.

This document strengthens Colebatch’s conclusion that church memberships are likely to continue to decline “as a direct response to the churches’ own policies, pronouncements and perceived public images.” Does this mean that there is no hope for the church? Not when the situation is reviewed from the perspective of the parish. Church bureaucracies are not the church. Only a quirk of sociological fashion defines “the church” as the centralized, vocal and publicly busy headquarters officials whose original purpose was to perform functions not possible amid the distractions of parish duties. They assumed the status of leadership not in response to the originitative impulse of the Christian message, but through the will to power which attaches to all organizations.

**Vitality Does Not Lie in Structures**

The hope of the churches lies in the transcendent dimension referred to above. Their spiritual vitality draws nothing from ecclesiastical structures. Such structures demonstrate so often that their official incumbents have other agendas than the strengthening of parishes for the tedious, unspectacular and misunderstood work of maintaining faith and obedience to the gospel in the place where people live, work and attend to personal, family and civic responsibilities.

Not surprisingly, this Uniting Church report concludes with a stirring call for greater financial sacrifice by members. This is partly because the authors’ first business was to solve the church’s financial problems. But neither the analysis of the church’s present condition, nor the invitation to try alternative ways will do anything to halt the statistical decline.

There is not the slightest indication that the authors recognize that the crucial battles of church decline will be won or lost in the parishes. They seem unaware of the loyalty and commitment of hard-pressed parish members. They give no hint of having spared any thought for the effect of their policies or attitudes on people both inside and outside the churches. Nor does their report suggest any awareness that the churches’ problems are far deeper than a mere absence of lateral thinking or honest-to-God dedication.

If the parishes are the battle ground where the future of the church will be decided, it is on the intellectual plane that the battle must be fought. And since church leaders have shown little aptitude for open enquiry about issues of faith or society, that is a war in which the parishes must not wait for direction from official sources, nor should they be too particular about obeying suggested strategies. But that is not a heavy burden. Once parishioners know what they believe, not only in the ‘heart’ but in the mind, questions of financial giving solve themselves. Churches thrive and grow. Bureaucracies become redundant. What this report on the churches’ future failed to say was that the crisis is in the mind (theological) not on the drawing-board (strategic).

Colebatch has recognized this far better than those whose job it is to see that the churches do not fail. ■
WHY PEOPLE ARE LOSING FAITH IN THEIR CHURCHES

modernists and traditionalists. As in the Anglican Church, some of the modernists appear prepared to deny what most people consider to be the basics of Christian belief. The leading philosophers of these modernists appear to include Teilhard de Chardin, Jean-Paul Sartre, Hans Kung and John Pilger. The figure of the Pope — an embodiment of traditional values and beliefs — commands public respect, and on his visit to Australia millions of people, by no means all Catholics, welcomed him. It is perhaps due to the personality of the Pope alone that the Anglican Church has recently fallen behind the Roman Catholic in membership, but the Pope often appears an almost isolated figure standing against an army of rebels.

The Uniting Church is apparently the only one of the three major Christian denominations in Australia to have actually lost members. Its traditional members are among the most socially conservative of the population, yet a number of its public figures and publications have adopted a radical-progressive political agenda, supporting, for example, the unsavoury regime in Vanuatu, and condemning in extravagant language South Korea but not North Korea for oppression.

The ‘born-again’ Christian churches have obviously arisen in response to the failings of the major and established churches to cater for spiritual appetites. As far as I know they embody nothing directly hostile to traditional Christianity but plainly are not everybody’s cup of tea. The same goes for the Evangelical churches in general. I can imagine our character attending an Evangelical church, even taking part in the service, but feeling, for various cultural reasons, not that he had anything against it but that he was not part of it. However the Evangelical churches plainly do suit some people because they have a vigorous life and are gaining members. The character we are talking about wishes them well.

Our hypothetical potential Christian church-goer has no use for the Orange People, Hare Krishnas etc., though again with these cults we may see the expression of spiritual appetites and instincts which have been denied any other sort of expression.

The Australian Council of Churches, the World Council of Churches, and other ‘ecumenical’ organizations with which the churches and sub-groups are connected (the Roman Catholic Church is not a member of the WCC but has links with it of various kinds), subscribe to a selective agenda of left-wing political causes which has now become quite blatant. This frequently includes ‘anti-Zionist’ attacks on Israel.

The image we tend to take for granted when discussing religion in Australia and other Western countries today is of a secular society with hard cores of belief — that is the churches themselves — surrounded by penumbras of people with a “vague respect for the Christian moral code.” This image is unfair to the traditional church people of all denominations and at all levels within the various churches who stick to their posts, but is an inevitable consequence of the image the churches have acquired for themselves today. The churches exist (and their privileged position in society has been given partly in recognition of this) to supply religious values. There is a widespread perception that they are failing in this and have become political organizations.

The converse of this is that the churches which are not involved in extremist political campaigns, such as the evangelicals and the Salvation Army, seem to be doing well.

According to this argument, if the churches have abused their congregations, who in marketing terms might be said to constitute their customers, those congregations have taken the revenge which abused customers take everywhere: they seldom demand in a loud voice to see the manager, which is embarrassing and stressful for most, but they leave the store and don’t shop there again.

Obstacles to Reform

The insights of Public Choice Theory are applicable too: transaction costs are too high, and perceptible benefits too small, for all but a few exceptional individuals to be prepared to undertake the wearying, time-consuming and often personally stressful lobbying and other political work that changing churches’ political positions from the inside would call for. On the other hand, those who have given the churches radical and modernist agendas have received concentrated benefits which give them much greater incentives to work to maintain their positions. These benefits may include not only the spiritual satisfaction of the implementation of their programs and the exercise of power but also jobs, livings, quasiclebrity status in some publications and, for many in the Ecumenical, Aid and Peace areas, much free or subsidized foreign travel to a plentitude of international conferences. They enjoy the political advantages of incumbency.

Furthermore, the organizations of many churches are bewildering to an outsider, and that of the World Council of Churches particularly so.

Private individuals as a rule can do even less to alter the policies of major churches than can minor shareholders with major public companies, unless they want to spend years getting onto the right committees, cultivating supporters for number-crunching and building up a reputation for being ‘sound’. When one gets to the ‘ecumenical’ level the effect a private individual can
have on policy-making is virtually zero.

Given these things, a continuing decline in church membership, not because of any secular spirit of the age but as a direct response to the churches’ own policies, pronouncements and perceived public images, seems probable. This situation may go on for some time, but it is not stable. Mr Santamaria’s insightful words are worth repeating:

If doctrines are not asserted or taught for two or three generations, they fade out of human consciousness far more effectively than if they had been denied.

The general attitude of belief, however widespread, which we have now, is not enough for the long-term survival of Christianity or Christian values. But it should not be totally discounted either, and it is important to recognize that our society outside the poorly-attended churches is not necessarily composed only of secularists, atheists or even agnostics. The institutional church also has ignored, insulted and disappointed believers.

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**Notes**

1. *Poverty and Justice*, published by Marist Brothers, Sydney Province (see also *Quadrant*, July 1979, p. 11).
2. Cyclostyled sheet given out in grounds of church at Social Justice festival.
4. Cyclostyled sheets.
5. See, for example, various issues of *News Weekly*.
6. *The Spectator*, 21-28 December 1985: “Philosophy has moved far beyond Descartes and has finally exorcised the Ghost in the Machine: few philosophers now allow for a separate component or ‘soul’ with which religion can be uniquely concerned...Everything tells against the notion that there is a ‘soul’ independent of social and economic conditions, to which an entirely personal gospel may be addressed.”
7. One report of such a conference which I read described at length the delegates’ feeling of guilt at staying in a luxury hotel in an impoverished country. This guilt, however, was not sufficiently agonizing as to actually cause them to seek humbler accommodation elsewhere.
NSW Premier Opens IPA Sydney Offices

The new offices of the IPA at 124 Phillip Street, Sydney were officially opened on 17 October by the Premier of NSW, Mr Nick Greiner. The new offices house the Education Policy Unit of the IPA, headed by Dame Leonie Kramer; and the new Pacific Security Research Institute, of which Professor Owen Harries is President, and David Anderson Executive Director.

Among guests at the reception were: Leader of the State Opposition, Mr Bob Carr; NSW Education Minister, Dr Terry Metherell; Sir John Carrick, Chairman of the NSW Committee of Review into Education; Sir John Mason, former UK High Commissioner and member of numerous boards including ACI International; Mr Michael Easson, Secretary of the NSW Labour Council; and Vice-Admiral David Leach, former Chief of the Naval Staff.

Mr Greiner welcomed the IPA's presence in Sydney. This, he said, "would provide the type of constructive, stimulating strategic thought and commentary that is so greatly needed as we continue to position ourselves as a leading economic, cultural and intellectual centre in our region." The IPA, Mr Greiner concluded, was well placed "to provide the catalyst we need to encourage our political, business, academic and social leaders to raise their horizons and think in global and regional terms."

Opposition Leader Bob Carr said he was happy to be associated with such an important forum, established at a time when so many significant things were happening in the world — the disintegration of Marxism, the economic transformation of East Asia and the contraction of American power.

Mr John Iliffe, Chief Executive of AWA, said that the work of the Institute in promoting the study of Pacific security was of great value, not only to Australia, but to all of the Pacific and Pacific Rim countries.

New Staff

David Parker has joined the IPA, taking up the position of Marketing Manager. David, who was previously on the staff of the Leader of the Opposition in Western Australia, will be responsible for the IPA's business development and marketing functions.

Also joining the IPA is Jim Hanna, who has taken up the position of Company Secretary. Jim previously worked with the Guide Dogs Association as Finance and Administration Manager.

Education Monitor in Demand

Since the launch of the IPA's new quarterly journal, Education Monitor, in July, over 1,400 new subscriptions have been received—many from schools.

Education Monitor is directed at teachers, parents, policy-makers and others concerned with lifting standards in Australian education.

The Spring issue of Education Monitor includes a feature article contrasting the very different approaches to educational reform in NSW and Victoria.

For subscription advice, see page 41.

States' Policy Unit Moves Offices

The new address for the IPA States' Policy Unit is:
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46 Kings Park Road
WEST PERTH WA 6005
Telephone: (09) 321 1420
Fax: (09) 321 1479

The States' Policy Unit was established principally to review State budgets and financing.
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