Look at the courses McDonald's is serving now.

You expect the people who manage McDonald's stores to know everything about cooking burgers and french fries.
But do they know anything about subjects like marketing and advertising?
Or how about management skills, communication skills and accounting?
The answer is yes.
Every McDonald's store operates like an individual corporation, with a much larger sales volume than many private businesses.
So every McDonald's manager has to have an expert grasp of business skills.
To make sure they do, McDonald's invest over three million dollars a year in training. Their training centre in Sydney is the most advanced and technically sophisticated in the southern hemisphere.
The courses that are taught there cover just about all aspects of running a successful business.
So it's not surprising to learn that McDonald's turns out a highly trained and extremely competent band of young professionals.
They are people who are not just expert at serving a burger and french fries, but people who are expert at business.
How Australia Can Avoid Running Out of Money
Ian Harper
The Government should not put all its eggs in one basket.

The Left is Losing: Somebody Tell the Press
Paul Gray
People in communist countries weren't meant to vote like that.

The Coming of the Anti-Business Suit
Walter Spratt
Business faces new legal threats.

How to Reduce Housing Costs
B. L. Hamley
Fewer regulations, more design innovation.

Inflation: Finding the Will to Act
John Stone
Advice for the Governor of the Reserve Bank.

Foreign Debt: the Case for Bank Regulation
David Finch
Private debt rides on the back of government guarantees.

The Fetish for Red Tape
Bureaucracies inhibit Third World development.

Green Hysteria
James Byth
Scientists and journalists have joined the stampede.

The Necessity of British History
Bruce Knox
An IPA survey finds that British History is disappearing from our schools.

Adam Smith in Poland
Tracey Harrison
Western ideas are inspiring Poland's intellectuals.

Protectionist Pressures
Anne E. Brunsdale
The battle is on, but free trade should prevail.

Films: The Pacifist Henry V
Robert Stove
The new, sensitive Shakespeare.

Anzac Memorials
Shaun Patrick Kenaelly
An insight into Australia.

Editorials
Achieving a productive culture.
Make fighting inflation a priority.

Debate: Should Pornography be more restricted?
The pros and cons of more censorship.

IPA Indicators
The widening tax bite.

A Unionist's View
Laurie Short
Union thuggery should be exposed.

Strange Times
Ken Baker
The sexual politics of meat.

Moore Economics
Des Moore
Yes, Virginia, there is a future.

Youth Affairs
Meralie Armstrong
Students are overlooking the revolution in their own backyards.

Letters
from W. a Beckett, M. Rice, R. Watson, F. Pownall, G. Thompson, R. Conway.

IPA News
Education and foreign policy conferences, new appointments.
EDITORIALS

some good if church leaders placed more emphasis on the nobility of productive employment and entrepreneurship and less on the need for a more equal distribution of the products of labour.

An OECD report published last year noted the growing recognition of the role of education in the creation of an enterprising culture. Schooling is, of course, a less significant formative influence on children than the family (a fact which points to the responsibility of parents to impart productive habits to their children). However, the complaints of employers and others that school-leavers are often inadequately prepared for the demands of the work-place suggest that education should become more relevant to the world of work. But not always in the way its advocates believe. For example, the new compulsory course in the Victorian Certificate of Education, Australian Studies, focuses on the world of work, but its orientation is sociological. The relationship between work and social differences is stressed in the Study Design. A recently published textbook for the subject devotes almost 70 of its 260 pages to the position of women, Aborigines, migrants and the disabled in the work-force. This may be a legitimate area of research but there is no point pretending that it will create school-leavers with a more positive attitude to work or more relevant skills. It is more likely to foster a sense that current economic arrangements are unjust.

A more constructive example of the creation of a productive ethos through education is that presented in the American film Stand and Deliver, based on the true story of how mathematician Jaime Escalante transformed a class of poor, unruly Hispanic teenagers into highly-motivated, hard-working scholarship winners. He did so by rejecting much of the trite educational orthodoxy of the last 20 years. To make up for lost ground, his students worked extra hours at weekends and through their summer vacation; they were regularly tested, and were actively engaged by Escalante in learning and problem solving (rather than being passive recipients of information); they signed binding contracts agreeing to work and to arrive punctually (breaking these contracts resulted in eviction from the classroom), and they undertook a serious and challenging subject (calculus). In learning that subject they imbied the virtues of diligence, perseverance, punctuality, and personal responsibility, virtues essential to the creation of a productive ethos. Moreover, Escalante dismissed (and ultimately discredited) the pleas of colleagues that his students could not achieve until their socio-economic circumstances were remedied. It is an example from which some Australian educators could learn much.

The Inflationary Disease

When the present Government came to office it spoke about combating "unemployment and inflation" — a phrase which became almost the theme of the National Economic Summit of April 1983.

That emphasis on the word "and" reflected opposition — partly genuine, partly contrived for electoral purposes — to the view that one had to tackle the problem of inflation in order to lower unemployment on any lasting basis. This was the "Fight Inflation First" slogan by which, at one time, the policies of the Fraser Government had been described — or at any rate parodied.

A detached observer, surveying the seven years since the National Economic Summit, would probably conclude that the relative lack of emphasis upon the problem of inflation in public debate during that time reflects the relative success of the Hawke Government, until recently, in marketing its Accord with the ACTU as the key to the problem.

The snag to addressing economic problems via a marketing approach, however, is that — as all good marketing people will themselves point out — you can't ultimately succeed in marketing a bad product. If your advertising budget is high enough — and the Government's has certainly been enormous — you can have some initial success, as buyers acquire the product because they believe your sales pitch, or because of the sheer appeal of novelty, or even because it seems — for a while — fashionable to do so.

After a time, however, reality will assert itself. Buyers of the product find that it simply doesn't perform to specification, or that its maintenance entails major hidden costs, and so on. Gradually the word-of-mouth appraisal becomes increasingly disparaging, the fashion seems no longer fashionable, the novelty wears off. Harder questions begin to be asked of the sales-people. Does it really work? Why didn't you tell us that, in order to make it even appear to work, we had to incur all this foreign debt as well?

After seven years of not working, the Accord — and the Big Government policies which, falsely, it has appeared to render possible — have placed around Australia's neck a (net) foreign debt of $123.6 billion,
and total (net) foreign liabilities of $163.5 billion at 31 March last. At end-June 1983 these figures were $23.4 billion and $48.4 billion respectively — and we were beginning to worry about them then.

At the same time our economy is heading deeper into recession. The rate of jobs growth is falling. Unemployment, while not soaring dramatically as it did in 1982-83 following the 1981-82 wage explosion engineered by those now running the ACTU (such as Mr Laurie Carmichael), is climbing steadily.

It is therefore of more than passing interest that, just at this time, there appears to be some revival of the view that employment growth — and hence reduction of unemployment — is best fostered in the long run by policies which do treat inflation as "Australia's number one economic disease."

It was of course Mr Keating who used that very apt description of inflation in his 1988-89 Budget Speech. Yet it has to be said that, in practice, he has never seemed to pay more than lip service to his own dictum.

Recently there appeared in *Policy*, the journal of one of our fellow think-tanks (the Centre for Independent Studies), an article on "Inflation: Its Costs, Its Causes and Its Cure." Its author, Peter Jonson, previously the Head of the Reserve Bank's Research Department, argues that "the costs of curing inflation should be endured for the sake of the lasting benefits of price stability." He expresses his conviction that "failure to cure inflation would involve costs that greatly (his emphasis) exceed the costs of the cure." A short article by John Stone elsewhere in this issue of the *Review* expresses an essentially similar viewpoint.

In testimony before the US Congress last February, the President of the Federal Reserve Bank of New York, Mr Gerald Corrigan, said: "Virtually every observable facet of economic history — here in the United States and around the world — tells us that high and/or rising rates of inflation are simply incompatible with sustained economic prosperity."

The International Monetary Fund (IMF), in its *World Economic Outlook* publication last month, also devoted considerable space to the topic "the elimination of inflation would bring about a large and lasting improvement in economic performance." (Emphasis added).

The IMF discussion is also interesting for what it says about the optimum policy path towards zero inflation (yes, really!). It makes two key points.

First, "the case for gradualism in reducing monetary growth (the key to cutting back inflation) hinges on the assumption of wage/price stickiness: if wages and prices were fully flexible, a front-loaded cut in monetary growth would result in a rapid drop in inflation with both output and the real interest rate remaining unchanged."

For Australia, where wage formation processes are probably as inflexible as anywhere in the world outside the command economies, that is a truly depressing conclusion. It means that the Accord, and the whole paraphernalia of wage determination on which it rests, would render more costly any determined attack on inflation through a monetary policy more clearly targeted on that objective.

### The Failure of Gradualism

The second key IMF conclusion is equally interesting, namely:

"The proposition that gradualism can help to reduce output losses in the transition to zero inflation is based on the assumption that the credibility of the anti-inflation program is not affected by the speed of its implementation."

The unhappy truth is that the credibility of any anti-inflation program introduced by any Australian Government always has been and will increasingly be "affected by the speed of its implementation." This is particularly so where Governments have, at most, three-yearly lives and where Ministers, of whatever persuasion, have not typically been noted either for the luminescence of their intellects or the rigidity of their backbones. Given those parameters, policies of "gradualism" have invariably failed — and not only in Australia. Interestingly, as John Stone's article recalls, our most striking and most successful post-war economic reform (the abolition of import licensing) was a case of the Government going "cold turkey", and in so doing having behind it the credibility of the personal commitment of Mr Menzies.

However that may be, the fact is that today major world Central Banks (and our neighbouring New Zealand Reserve Bank also) appear to be set upon a course of grinding down inflation in their respective economies — which, because of their "weight" in the international financial system, effectively means the world.

Can Australia hope to stand aside from these developments? Or must we eventually endure a policy-induced recession (which Senator Walsh says we already have) designed to break entrenched inflationary expectations? In particular, as we are inevitably swept up in these international developments, can we continue to afford an institution (the Accord et al) whose inflexibility will make the cost of the inevitable adjustment so much greater? ■
DEBATE

Should Pornography

The battle over censorship, which libertarians won in the 1970s, has re-emerged with conservatives on the offensive. The sides, however, do not line up quite as they did 20 years ago. Richard Neville, who as editor of Oz magazine in the 1960s, was a vocal campaigner against obscenity laws, is not alone now in thinking that things have gone too far. We are obsessed with the pollution of our physical environment; why, he asks, are we not more concerned with the pollution of our cultural environment.

Two years ago, a joint Parliamentary select committee recommended that X-rated films and video tapes, not available in the States — excluding the ACT — since 1984, should be available under a new censorship classification, non-violent erotica. But the Parliamentary Committee was divided, and so is the Australian public. Virtually everyone agrees that some censorship should exist (for example, of child pornography), but not where exactly the line should be drawn.

Safety Valve  Pornography may not be to everyone's taste, but it can perform a valuable social function. It is said of the German poet, Goethe, that by imagining and identifying with the suicide of his literary creation, the young Werther, he allayed his own suicidal tendencies. Similarly, pornography provides a channel and release for sexual drives which might otherwise be socially disruptive, leading even to violent crime. Better that the sexual frustrations of a potential assailant be dissipated in harmless fantasy than that they seek a live object.

Non-violent Erotica  Proponents of stricter censorship often cite extreme examples of material which displays sadism or child pornography. But the citing of such examples is based on a false premise. Violent erotica and the involvement of minors in pornography are both currently outlawed everywhere in Australia, even in the ACT where X-rated videos are permitted. Moreover, even legally available material is not legally available to all. An R-Restricted Audience classification on a film means just that: children are prohibited from seeing it.

Liberty  Freedom is indivisible. The freedom of adult citizens to read and see what they like is fundamental to a democracy. Further restrictions on pornography could easily flow over into restrictions on the expression of political opinion or on freedom of religion.

Paternalism  Even if pornography does in some way harm its audience (which is doubtful), governments have no right to treat adult citizens like children who need protection from themselves. The maintenance of a liberal society depends upon individual responsibility; it is undermined by paternalistic laws. The availability of pornography does not compel anyone to use it: most people don't.

Black Market  Further restrictions would simply boost the black market, which would allow organized crime to prosper — just as the prohibition of liquor in the USA during the 1920s gave rise to a lucrative black market in alcohol from which organized crime benefited.

Community Mores  The trend for the last quarter century has been an increasing tolerance of sexual explicitness both in mainstream literature and the cinema. The role of the law is not to lead public morality but to reflect it. The law has thus rightly followed the trend in the community towards greater tolerance of pornography. There is no indication that the public as a whole is reverting to more puritanical attitudes, so nor should the law.

Pornography or Art? Obscenity is in the eye of the beholder. What is art to one man is pornography to another. One cost of prohibiting greater amounts of material would be the risk of banning a genuine work of art. It is only a few decades ago that D. H. Lawrence's Lady Chatterley's Lover was banned in Australia.
be more restricted?

YES

Rising Sexual Crime Rate  Between 1973 and 1987 the reported incidence of rape in Australia rose from almost six per 100,000 to almost 15 per 100,000. Over the same period the availability of hardcore pornography expanded dramatically. Pornography serves to excite sexual appetite, not to appease it; it adds to sexual frustration and so contributes to the inclination of some individuals to commit violent sexual crimes.

The experience of the last 20 years has been that the relaxation of restraints on sexual expression has also meant the opening of a Pandora's box of vices and perversions. Liberal arguments against censorship were based on a naive and idealistic view of human nature. As Freud recognized, sexuality and aggression are closely linked in the human unconscious. Non-violent erotica may thus be something of an oxymoron.

Threat to Children  The proliferation of videos has made it far more difficult to protect minors from exposure to pornography than was the case when pornographic movies were confined to the cinema. Parents cannot always be at home to monitor what videos their children are watching.

Degrades Women  Pornography degrades women, encouraging men to view them solely as sexual objects, perpetually available for the purpose of sexual gratification. In this way it also contributes to violence against women. Realizing this, many feminists who were once advocates of liberalizing obscenity laws are now supporters of tougher restrictions.

Corrodes Core Values  Defenders of the relaxation of obscenity laws appeal to the importance of freedom of expression in maintaining a liberal society. But can a liberal society afford to tolerate attacks on its central values? The values of privacy, intimacy and individuality are at the core of a liberal order. Pornography undermines each of these. It violates the boundary between private and public by displaying in public what should belong only in private; it attacks the values of individuality and intimacy by rendering its subjects depersonalized, anonymous objects. Pornography numbs the moral sensibilities of those who view it habitually: their sense of humanity is eroded. Thus, while pornography depends on the tolerance of a liberal society, it devalues the currency of freedom.

Effect on Mainstream Culture  Pornography cannot be insulated from mainstream culture. The relaxation of the prohibition on pornography has undermined standards in the mainstream media, as reflected in the tendency towards ever more lewd advertising and rock video clips.

Further reading
Proportion of taxpayers subject to 40 per cent tax rate in 1982-83

25%  

In 1988-89 52%

New jobs created in Australia since 1983: 1.6 million (a growth in employment of 25.5 per cent). Main areas of job creation.
Community services: 247,900.
Finance, property and business services: 240,300.
Recreation, personal and other services: 132,200.
Construction: 89,700.


Change in workforce participation rate between 1980 and 1989 for men: down 3 per cent. For married women with children under school age: up 32 per cent.

Family Matters, Australian Institute of Family Studies, April 1990.

Thickness of the press clippings file ‘climate’ at London’s Daily Telegraph for the years 1967-76: 8mm; 1977-81: 11mm; 1982-86: 20mm; 1987-89: 43mm.

The Spectator, 3 March 1990

Gross annual cost of servicing Australia’s overseas debt and other foreign investments: $22.4 billion.
This as a percentage of total external income: 32.
Year in Australia’s history when this percentage was last higher: 1932 (36 per cent).

Two-party preferred votes received by the ALP in the 24 March Federal Election: 4,909,013. Votes received by the Liberal-National Coalition: 4,948,977

The Age, 9 May 1990.

International visitors arriving in Australia last year: 2,080,300.
Decline since 1988: 8 per cent.

Bureau of Tourism Research.

Percentage of Australians in unions affiliated with the ALP who object to the affiliation and associated payment of membership fees: 56.

Roy Morgan Research Centre, reported in The Age, 26 April 1990.

IPA Review, Winter 1990
Head offices of Australia's largest 100 companies located in Melbourne: 29 (down from 33 in 1986). In Sydney: 60 (up from 52 in 1986).

Study by Associate Professor Bob Fagan, reported in the Australian Financial Review, 16 February 1990.

Bank robberies in Australia in 1989: 250. Years it has taken bank hold-ups to halve in number: 2.

Bank robberies in Australia in 1989: 250. Years it has taken bank hold-ups to halve in number: 2.

Australian Bankers' Association
Australian Institute of Criminology.

Percentage of women aged 20-24 who are or have been married.

In 1891: 34.9%
In 1971: 64.3%
In 1989: 27.4%

Family Matters, Australian Institute of Family Studies, April 1990.

Proportion of children born out of wedlock in 1988: 19 per cent. In the 1950s (average): 4 per cent.
Bureau of Immigration Research, reported in The Australian, 5 April 1990.

Average length of time people in Poland can expect to wait for a new telephone to be installed: 13 years. Telephones per 100 people in Poland: 13. In the United States: 90.
The Australian, 5 June 1990

Muscovites who agree it should be possible for an individual to set up and own factories in the Soviet Union: 57 per cent. Those who express a positive reaction to the concept of competition: 74 per cent. The concept of profit: 53 per cent. The concept of capitalism: 34 per cent.
Moscow News poll, reported in The Economist, 17-23 March 1990.

Senator Gareth Evans, reported in The Age, 18 May 1990.
How Australia Can Avoid Running Out of Money

Ian R. Harper

Large Commonwealth budget surpluses present the Government with an unusual problem. Allowing private banks to issue their own legal tender is one possible solution.

It's funny how times change. For years we worried about large budget deficits and the problem of how to prevent the money supply from growing too quickly. After just three years of record budget surpluses, we are now faced with the opposite problem of how to make sure there is enough money to meet the needs of a growing economy. Rather than straining to prevent the money supply from growing out of control, we must now take positive steps to ensure that it grows at all!

Why the budget surplus creates a problem

A surplus in the Commonwealth budget means that the Commonwealth's receipts of taxation revenue and other income have exceeded its expenditure, with the government's account with the Reserve Bank thus accumulating a cash surplus. Were the government simply to allow this cash surplus to grow, the banking system (and ultimately the public at large) would gradually be starved of cash. Unless some offsetting action were taken, there would be an unplanned tightening of monetary conditions as the private sector slowly ran out of money.

To avoid this problem (and to lessen the burden of interest payments), the Commonwealth returns the proceeds of the budget surplus to the private sector by repaying out-standing Commonwealth debt. Some of this repayment occurs automatically as various Commonwealth loans and securities mature. In the past two years, however, the value of maturing loans and securities has not been large enough to absorb the surplus. As a result, the Commonwealth has sought to repurchase securities in the open market and through public tender, and to negotiate the early repayment of loans. These actions have combined to reduce markedly the net indebtedness of the Commonwealth government.

While such repayments of Commonwealth debt put cash back into the banking system, they do no more than offset the withdrawal of cash caused by the budget surplus. In particular, they do not provide the net addition to the supply of cash necessary to finance a growing economy.

The whole problem has been complicated by the fact that, at least until recently, banks were obliged as a prudential measure to hold 'prime assets' equal in value to 10 percent of their liabilities (excluding shareholder's funds). Such 'prime assets' include vault cash and deposits with the Reserve Bank, Commonwealth government securities and deposits with authorized money market dealers secured by Commonwealth government securities. Since vault cash and deposits with the Reserve Bank do not bear interest, the requirement was met primarily by the banks acquiring Commonwealth government securities, either directly or via the authorized dealers.

With the supply of Commonwealth government securities falling as a result of the budget surplus and continuing bank demand, it soon became apparent that further growth of bank balance sheets would fairly quickly absorb the entire supply of Commonwealth government securities on issue. Especially in view of the stricter capital adequacy standards recently imposed on banks, increasing pressure was placed on the government and the Reserve Bank to abolish, or at least reduce, the Prime Assets Ratio. Accordingly, on 12 February this year, the Reserve Bank announced that the Prime Assets Ratio would be reduced in three stages to six per

The issues raised in this article are discussed more fully in Ian Harper and Julian Pearce, "Implementing Monetary Policy in an Era of Budget Surpluses", Program in Monetary and Financial Economics, Occasional Paper No. 2, Faculty of Economics and Commerce, University of Melbourne, November 1989.

Ian Harper is Professor of Monetary and Financial Economics at the University of Melbourne.
Managing the Money Supply without Commonwealth Government Securities

The increasing scarcity of Commonwealth government securities is not only a headache for the private banks. The Reserve Bank uses the secondary market for Commonwealth government securities to increase or decrease the rate of growth of the money supply. In particular, the Reserve Bank purchases Commonwealth government securities when it wishes to increase the rate of growth of the money supply. With the stock of outstanding Commonwealth government securities shrinking as a result of budget surpluses and growing demand from banks, the Reserve Bank is facing the problem of how to ensure an adequate rate of growth of the money supply.

As the Reserve Bank itself has pointed out, however, the problem of how to manage the money supply without Commonwealth government securities, while significant, is not insoluble. For example, the Bank could become a net purchaser of commercial bills issued by the private sector. This was last done during the credit squeeze of 1974. There are no regulations which prevent the Reserve Bank from holding such non-official obligations in its portfolio. Net purchases of commercial bills would serve just as well as net purchases of Commonwealth government securities as a means of supplying cash to the private sector.

However, Reserve Bank ‘endorsement’ of a bill, which would occur if the Bank sold a bill it had purchased in the market, would oblige the Bank to honour the bill in the event of default by the acceptor and the other endorsers. This would involve the Bank underwriting the obligations of private corporations, including banks, which would represent a significant departure from its statutory responsibilities. In all likelihood, a new market would develop for “Reserve Bank Bills” — that is, commercial bills endorsed by the Reserve Bank — which would trade at higher prices (lower yields) than other bills, including the bills accepted or endorsed by the banks.

This problem would not arise if the Reserve Bank were to hold the bills it purchased to maturity; but then dealings in commercial bills would only be useful for one side of the Bank’s money management operations, namely increasing primary liquidity through purchases of commercial bills. The Bank would need another mechanism when it wanted to reduce primary liquidity.

A More Independent Reserve Bank

Moving to a system in which the Commonwealth banked with the private banks rather than the Reserve Bank would involve the Treasury assuming full responsibility for the management of the financial assets and liabilities of the Commonwealth so as to maximize its financial advantage. The Treasury would be responsible, in consultation with the Commonwealth’s bankers, for the sale of Commonwealth debt instruments and the investment of its financial assets.

At first glance, such an assignment would appear to strip the Reserve Bank of much of its raison d’être. To the contrary, the scope for the Bank to pursue its statutory objectives would be enhanced and the foundation laid for greater independence of the Reserve Bank from the Commonwealth government. The Bank would be relieved of the need to offset the impact of flows of funds to and from the Commonwealth on the general level of liquidity. It could instead concentrate its efforts on ensuring that the rate of growth of the money supply was no greater or less than that required to maintain steady, non-inflationary growth of real economic activity. Since the growth of the money supply would be less volatile with the removal of daily flows to and from the Commonwealth, the Bank’s performance as a manager of the money supply would be more conspicuous both to itself and to the public. This would serve to enhance the accountability of the Reserve Bank and have the potential to increase the credibility of its efforts to control inflation.

It is this last point which motivated the New Zealand Government in its recent overhaul of the constitution of the Reserve Bank of New Zealand. Among other changes, the Reserve Bank of New Zealand is no longer banker to the New Zealand Government — that role has been assumed by the Westpac Banking Corporation. Moreover, responsibility for managing the financial affairs of the Dominion has passed to the Debt Management Office of the New Zealand Treasury. These changes have freed the Reserve Bank of New Zealand to concentrate on its primary statutory objective of “achieving and maintaining stability in the general level of prices.”
The problem of how to reduce liquidity would not arise if the Reserve Bank were to introduce its own tradeable liability to replace those of the Commonwealth government. The money supply could then be changed through purchases and sales of this instrument, avoiding problems associated with the endorsement of commercial bills. One difficulty with this proposal, however, is getting the new instrument into the hands of market participants in the first place. Selling them would merely add to the downward pressure on domestic liquidity with which the Bank is contending as a result of the budget surplus.

A More Radical Solution

Managing the budget surplus itself would not be a problem if the government banked with the private banks rather than the Reserve Bank. Since the government holds its account with the Reserve Bank, net flows of funds in favour of the government arising from the budget surplus drain cash from the banking system. If the government were to hold accounts with one or more of the private banks, on the other hand, net flows of funds in favour of the government (or, for that matter, against the government, as in the case of a budget deficit) would have the same effect as net flows of funds amongst the banks' private customers. The budget surplus would be reflected in larger balances held in the government's accounts and smaller balances held in the accounts of individual taxpayers, but there would be no net loss of funds from the banking system as a whole. In particular, while there would be a significant realignment of responsibilities between the Reserve Bank and the Treasury (see the separate box), there would be no need for the Reserve Bank to purchase Commonwealth government securities from the private sector in order to reverse the effects of the budget surplus on the money supply.

While such a change in administrative arrangements would solve the problem of the budget surplus per se, it would not answer the question of how the Reserve Bank would manage the growth of the money supply in the absence of Commonwealth government securities. Of course, since it would no longer be necessary for the Bank to purchase Commonwealth government securities simply to restore the level of cash in the banking system, the stock of securities outstanding would fall far more slowly. Nevertheless, it would fall as the Reserve Bank purchased securities to fund the underlying growth in the demand for cash.

One radical solution would be to allow the private banks to issue their own currency in competition with the Reserve Bank. As it becomes more difficult for the Reserve Bank to expand the supply of its notes owing to the shortage of Commonwealth government securities, rather than have the Bank purchase other assets, the private banks could be allowed to exchange deposit balances for currency notes issued in their own names. This would see the revival of a system of private note issue identical to that which operated successfully in Australia for nearly a century until it was monopolized by the Commonwealth Treasury in 1910.

Urgency

Much of this would be fanciful day-dreaming if it were not for the urgency of the problem. Some relatively straightforward arithmetic shows that the stock of Commonwealth government securities will have completely disappeared by the second half of 1992 if the Commonwealth budget surplus remains of the order of $10 billion in this and each of the next two financial years and the Prime Assets Ratio remains at six per cent. Radical solutions of the type described above are unlikely to be adopted within such a short time horizon but the Reserve Bank will nevertheless need to prepare itself to deal more actively in other markets.

The obvious candidate in the first instance is the foreign exchange market, and we should expect the Bank to be a more active participant in foreign exchange swap agreements over the next year or two. In the longer term, especially if the budget surplus continues to be a problem, the Bank will turn to the commercial bill market and/or the market for bank certificates of deposit. By making net purchases of financial instruments in these markets, the Reserve Bank can ensure that we never run out of money. ■

Notes

1. A second solution would be to manage the money supply through purchases and sales of foreign currency. The effect on primary liquidity of Reserve Bank dealings in foreign exchange (basically, liabilities of foreign governments denominated in their home currencies) is precisely the same as that of Reserve Bank purchases and sales of Commonwealth government securities. The Reserve Bank already deals in foreign exchange on behalf of its customers (primarily, the Commonwealth government) and also, from time to time, on its own account as it attempts to smooth conditions in the foreign exchange market. The difficulty with this proposal is that the demands of domestic monetary management may conflict with the Bank's objectives in the foreign exchange market. While the fortunes of the domestic money market and the foreign exchange market are linked inextricably, there is something to be said for intervening in each market separately to achieve separate objectives.
The Left is Losing
Somebody Tell the Press

Paul Gray

In free elections, Marxist regimes around the world are being rejected by their subjects. Yet, as Paul Gray discovers, sections of the Australian media are reluctant to accept the new reality.

From Europe to Central America, moderate and conservative candidates have won crushing victories in a number of elections this year. In several countries, the Marxist regimes which had been imposed on local populations were at last given the treatment they so richly deserved. At times it seemed like a ballot box re-run of last year's revolution in Rumania.

Press Caught by Surprise

To the Australian media, however, the popular support shown for right-wing parties seemed to come not only as a surprise, but, in at least one case, as a grave disappointment. In Nicaragua, Violeta Chamorro's victory over the Marxist ('Sandinista') President Daniel Ortega did not conform to the standard left-wing mythology, which had it that the people were ready to fight to the death for "the Revolution." As it turned out, the people felt differently. The headlines in the Melbourne Age on the day before the vote — "Ortega favourite for re-election" and "Memory of Somoza overshadows anger at country's poverty" — began to look embarrassing a few hours later.

Press coverage of the East German election also seemed a bit confused. Prior to the event, the Canberra Times (18 March) had reported that the two major contestants — the conservative Alliance for Germany and the left-liberal SPD — were likely to win about 35 per cent of the vote each, "with neither able to form a government without the other." The Sydney Morning Herald's reporter, Mark Coulton, reported that opinion polls were showing that the SPD had more than 50 per cent support, while "the latest results show that the more conservative Alliance for Germany has surged to 30 per cent" (17 March).

In the event, the conservatives won over 48 per cent of the vote, and the Social Democrats less than 24 per cent. The polls had been wrong. Australian journalists were amazed. Richard Yallop, of The Age, spoke of "massive and unexpected support for right-wing parties" (20 March). This does, of course, beg the question: unexpected by whom?

By the time the Hungarian elections rolled around (25 March), Australian journalists were being more circumspect; but they still seemed predisposed to accept reports down-playing the rejection of Marxism. In Hungary, the real contest was between the Alliance of Free Democrats and the more right-wing, nationalistic Democratic Forum. Early opinion polls, faithfully reported by the Australian press, put the Alliance ahead; later reports suggested that the vote would be evenly split (The Age, 26 March 1990).

They were wrong. When the results came through, Democratic Forum had won more votes than anyone else, and was confident of putting together a conservative coalition government. Imre Pozsgay, the Hungarian communist leader most associated with Gorbachev-style reform, received a paltry 17 per cent of the votes in his electorate.

The message was clear. Given a free choice, people forced to live under Marxism were voting for the most anti-Marxist candidates available.

Generous treatment of Marxists

As well as missing this point, Australian newspapers were being particularly generous in their assessment of the vanquished Marxists. Several reports during March indicated that the Ortega regime was dutifully handing over power to the new government, like good democrats, when in fact there was clear evidence that the Sandinistas were trying to destabilize the situation.

For example, in its 13 March issue, The Age's US

Paul Gray is a Melbourne freelance journalist and frequent contributor to the magazines News Weekly and AD2000.
correspondent, Peter Stephens, reported from Washington: "Mr Ortega has surprised many American and Nicaraguan observers with the grace and apparent sincerity of his behaviour since being trounced in Nicaragua's first fully democratic poll." The Canberra Times (10 March), in a report titled "Pledge by Ortega to hand over power," highlighted a pronouncement by the Sandinista leadership that they would do the right thing even if their enemies did not.

About the time of this report, a Belgian freelance journalist, Philippe Cosyn, faxed a report to News Weekly about the Sandinistas' post-election behaviour — as distinct from their post-election speeches. Cosyn had been in Nicaragua during the election campaign, but he also stayed on after most of the foreign press had left. His report, entitled "Nicaragua in the Twilight Zone" (News Weekly, 17 March) made a sharp contrast with most Australian press reports.

Cosyn dealt at length with the upsurge in violence in Nicaragua brought about by Sandinista militants attempting to intimidate members and supporters of the new government:

"The violence is mainly against grassroots workers of the UNO [i.e. the Chamorro coalition] in Managua, and in the cities of Leon, Chinintega, Matagalpa, Jinotega, Ocotal and Somoto. But ranking leaders of the UNO have also been targeted. The day after election day, some 50 Sandinista youths surrounded the house of Christian Democratic Party leader Augustin Jarquin, whose name is mentioned as a future Minister in the UNO government..."

Some of the violence was also directed at demobilizing Contra troops. The Age reported (21 May) that the Contras had suspended demobilization, "because of alleged attacks against their units by government troops." At the time of writing, the Sandinista's intimidation campaign had not blossomed into a full-scale revolt, but various threatening public speeches by Sandinista leaders, as well as a general strike by the Sandinista-controlled union federation, had been added to the repertoire.

Significantly, Mrs Chamorro is permitting the 'disarmed' Contras to govern and police their new resettlement areas (The Australian, 1 June 1990); this could establish permanent non-Sandinista forces capable of restraining Sandinista muscle. If, therefore, Daniel Ortega does come to console himself with only a share of power, it will be due to the constraints imposed on him, rather than his supposed "grace and sincerity."

Anti-Americanism

In Australia and other Western countries, left-wing academics and activists have been fulminating for years now that the US has not been allowing Nicaragua to go its own, independent-minded way. The US sanctions on Nicaragua, and Washington's funding of the "Contras", were repeatedly held out as evidence of superpower gangsterism.

The election, one might have thought, would terminate that particular argument. The Nicaraguan people have at last spoken in a free poll, and chosen their own government. The US, far from stopping the vote, encouraged it at every turn.

But SBS TV was having none of that. On the night the results came through, its current affairs segment highlighted an interview with Dr Jim Levy, from the University of NSW. Like Sandinista admirers all round the world, Levy was obviously in shock at the outcome. In slightly incoherent sentences, he tried to convey the idea that what the election really proved was that the US would go to any lengths to subvert attempts at "reform" in Central America. Levy drew a sinister parallel between the Nicaraguan election and the military coup in Chile in 1973.

This was ridiculous, of course, and was made more
ridiculous by the fact that Levy's anti-US sentiments were expressed in a strong American accent.

In the following weeks, the professional Left amplified this revised version of the anti-American line throughout the print media. *Tribune*, the official newspaper of the shortly to be renamed Communist Party of Australia, ran a front page editorial claiming the election had been blackmailed. United States 'bullying' had forced an unfair result, *Tribune* argued. Letter-writers to the daily press echoed this line.

The *Sydney Morning Herald* added to the clamour with a dramatic, if not conspiratorial, headline in its 28 February edition: "Right tightens its grip on the region." Underneath the headline was a 15cm x 19cm photo of Sandinista Leader Daniel Ortega being comforted by his wife. The photograph of the winner, Violeta Chamorro (the first female President in Central America, incidentally) measured 15cm x 9.5 cm.

**Advocate of Dreaming**

This treatment of the issue looked positively professional, however, beside one major article in the religious press. Melbourne’s official Catholic Church newspaper, *The Advocate*, devoted its 8 March editorial to the subject. The author blamed the US for "the chaos and the bankruptcy" in Nicaragua. Using a peculiar form of non-specific rhetoric unique to liberal religious commentary, it referred to the Sandinista Government as "the dreamer", and to the US as "the force of power and destruction." Ten years of Marxist rule in Nicaragua were summed up in a sentence: "The people began to sow the seeds of their dreams, but they were destroyed by youthful inexperience, external interference and a foreign manipulated civil war." *The Advocate* editorial concluded with a photo of Daniel Ortega riding a white horse.

The serious question raised by articles like this is who should be blamed for Nicaragua’s problems: the Sandinistas or the Americans?

Jorge Alaniz, a Nicaraguan economist who worked in a senior position for the Sandinistas for four years (1979-83), strongly argues the former. In an interview with the present writer, just published in *Australia and World Affairs* (Autumn 1990), Alaniz said the Sandinistas effectively destroyed production in Nicaragua through a series of politically motivated decisions early in their reign.

Highly restrictive business regulations were brought in, and, on the advice of 'co-operators' from communist Cuba, a number of expensive and inefficient agricultural projects were begun. Nicaragua’s reasonably diverse export base was narrowed, and the production of sugar boosted — just as the world price dropped.

On the political front, a system of totalitarian control was set up, thousands were arrested and hundreds executed. As the Sandinistas became entrenched in power, the number of refugees fleeing Nicaragua rose to record levels. The political atmosphere was poisoned. This was the origin of the Contra War.

However, the Australian media has written the Sandinistas into history as a sincere group of youthful idealists who made honest mistakes. The theme was summed up in a feature article by Peter Stephens (*The Age*, 8 March), titled "Requiem for a Great Revolution":

"The Sandinistas suffered for their country. They had the courage to lay down their lives for a cause in which they believed, and even in office they appear to have remained honest to their revolutionary principles. People criticize them for many things, but no one accuses them of the crimes and excesses of East European socialist leaders."

A few days later, it emerged that the Sandinistas' final act in government was to pass an amnesty against prosecution for any crimes committed during their 10-year rule. Just like in Argentina. ■
Gangsterism is on the rise again in some Australian unions. The violent brawl at a recent meeting of the Victorian Trades Hall Council (VTHC) is a manifestation of this ominous trend.

Mr Frank O’Grady, Victorian President of the Building Workers Industrial Union (BWIU), said that the brawl, in which he was injured, had been pre-arranged by some members of the Builders Labourers Federation (BLF), Transport Workers’ Union (TWU) and the Food Preservers’ Union during a meeting at a hotel near the Melbourne Trades Hall. He said this meeting laid “the groundwork for a climate of violence.”

BLF General Secretary, Mr Gallagher, denied that members of the BLF were involved in the brawl, claiming that “the BWIU provoked [it] and got a hiding.”

The BWIU is demanding both an inquiry and the BLF’s expulsion from the Trades Hall Council. The Victorian Premier, Mr Cain, condemned the violence and said the BLF should have been isolated from the union movement years ago.

The BWIU is unlikely to get a VTHC inquiry. The Secretary, Mr John Halfpenny, is opposed to it, and so are a number of other influential union leaders. They deplore the brawl, but say an inquiry could develop into a witch hunt.

Opinion polls show that unions have a low approval rating in Victoria. Failure to act against those responsible for violence at union meetings is not the way to win public support.

Just because the VTHC will not confront the thugs, does not mean that they need go scot-free. The injured BWIU official knows who assaulted him. He should lay charges. If he and his union cannot get justice from the VHTC they should call on the courts. The general public applauds court action against bashers.

I was once the victim of an organized attack at the entrance to a union meeting. It was during the 1949 general coal strike, and because of the power shortage, lighting of public buildings was severely restricted.

As a result, the entrance to the meeting was only dimly-lit. I was set upon by a group of thugs in semi-darkness, and was unable to identify them in order to lay charges.

A revival of Stalinist gangsterism is occurring today in some Victorian unions.

However, through a libel case against Mr Ernie Thornton, the then-publisher of the Federated Ironworkers’ Association (FIA) journal, Labor News, I was able to prove that I had been assaulted. Labor News had asserted that I invented the bashing.

Mr Thornton declined to go into the witness box, where he could have been questioned, and called no evidence. I spent hours in the witness box.

The jury decided that I had been libelled and awarded me damages and costs.

In the FIA elections at the end of 1949, I defeated Mr Thornton for the position of FIA National Secretary. Because the ballot was “marked by fraud, forgery and irregularity on a grand scale,” to quote from the judgment of a court inquiry into the 1949 FIA election, I was not declared elected until November 1951.

Violence, ballot-rigging and libellous attacks on anti-communists were used by the Stalinists in the FIA and other unions in the 1940s.

A revival of Stalinist gangsterism is occurring today in some Victorian unions.

Responsible unions and governments have a duty to expose and outlaw this thuggery.
The Coming of the Anti-Business Suit

Walter Spratt

Proposed reforms to the law of tort in Australia threaten to impose new costs on business, retard the development of new products and, as in the United States, generate an explosion of litigation.

Among the distinguishing features of the United States’ legal system are laws embracing strict liability for products, class actions and contingency fees. Separately they serve as catalysts for a wide range of litigation. Together they can be an overpowering combination. All three issues are now on Australia’s agenda.

Liability and Litigation in the US

Until now product liability exposure in Australia has been quite different from that experienced in the United States. Product liability suits in the United States have moved away from the tort system with its standards of negligence, towards the concept of ‘strict liability’. According to the latter an injured party need not prove there was negligence in the manufacture of a product, nor that a warranty had been breached, only that a defective product has led to any injury.

Whereas under the tort system the injured plaintiff needs to establish fault, under strict liability a plaintiff need not show fault. The manufacturer and all those involved in its chain of distribution are potentially liable for any real or imagined, direct or indirect injury, that has some connection with the product used. A judgment could involve not only the manufacturer, but also wholesalers, distributors, retailers, lessors and licensors.

Any company which has considered exporting to that huge market which beckons from the United States should be aware of the risks. By treaty a judgment by an American court against an Australian manufacturer may be enforced in Australia. In a brochure it prepared for businessmen proposing to do business in the United States, New Zealand Insurance (NZI) highlighted some of the problems encountered with product liability. NZI advised that it was not a valid defence to prove that when the product was made it met the standards available. If the “state of the art” had advanced since the date of manufacture so as to eliminate or reduce the exposure to injury from the prior design, the manufacturer is likely to be held responsible on the grounds that the hazard should have been foreseen or corrected by adjustment.

Here are other telling points made by NZI:

“Even if the product was safe as manufactured it may be modified or improperly used by the purchaser or subsequent user. The courts have increasingly held the manufacturer responsible even so.

“If a product is still in use the manufacturer maybe held responsible even though the product has been in the hands of numerous owners or substantially rebuilt through repair and parts replacement, or used well beyond the normal or intended shelf life.”

Employees injured in the workplace in the US receive workers’ compensation benefits but generally have lost the right to take common law action against their employer. However, this does not prevent their suing any manufacturer whose products are used as

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components or as tools at the employee's workplace. In fact between 60 and 70 per cent of all product liability claims in the US involve employees.

US lawyers naturally try to identify and net every firm which played a role in the design, manufacture, servicing, sale or use of a product. Often they will launch an attack leading an army of litigants — a class action which has the potential to increase the defendants' liabilities enormously.

Litigants need make no financial commitments. If the action has been fought and won on a contingency fee basis, the spoils go to the victors. Lawyers acting for successful plaintiffs may take one-third or more of the proceeds. Thus they are strongly motivated to prosecute their cases vigorously. There are no prizes for losers...and no clients' fees either!

Contingency Fees in Australia

In July 1989, the Law Institute of Victoria, having conducted an inquiry and weighed up the evidence, approved a policy for introducing contingency fees in Victoria. The Institute's decision was not without opposition.

Submissions received by the Law Institute's Legal Fees Committee showed sharp divisions of opinion, and the Committee itself was divided. An example of opposition to the proposals was the submission from the Victorian Committee of the Australian Association of Surgeons. It pointed a cautionary finger at America, stating:

"Contingency billing and excess litigation in the United States have helped accelerate the decline of the US as a manufacturing nation...its severe trade deficit with Japan and Europe is no doubt in part due to the litigious nature of US society, with contingency billing aggravating their situation."

In supporting contingency fees, the Law Institute was no doubt demonstrating sincere concern with allowing greater access to the courts for people denied legal aid, but with insufficient funds to pursue an action. However, as the Insurance Council of Australia argued in its submission, the Law Institute has yet to produce evidence of what proportion of the population are disadvantaged in this way.

The crux of the problem, as the Insurance Council of Australia (ICA) saw it, was the interaction of contingency fees with those matters which have been occupying the attention of the Australian Law Reform Commission — class actions and product liability reform. ICA argued that it was impossible to separate the contingency fees issue from a legal climate created by a wider range of tort reforms.

The potential impact of these reforms together on the Australian economy is enormous. The Confederation of Australian Industry has estimated the cost in billions of dollars, with a potentially stultifying effect on business development and prospects for employment.

Class Actions

An Australian Law Reform Commission (ALRC) report recommending a class action scheme was tabled in Federal Parliament in December 1988. The package of proposals has been ticking relentlessly ever since. Consumer and business groups have subsequently had discussions with the Government. Otherwise there has been an ominous silence.

The report, entitled Group Proceedings in the Federal Court, recommended reforms designed by the ALRC to help individuals or businesses who suffered significant, but relatively small losses. Compensation

Hidden Tax

"There is a hidden tax in America. It accounts for 30 per cent of the price of a stepladder and over 95 per cent of the price of childhood vaccines. One quarter of the price of a ticket on a Long Island tour bus and one-third of the cost of a small aeroplane goes to pay the tax. Soon it will cost cities as much as they spend on fire and sanitation services. The tax is called tort liability and it is collected and disbursed through litigation..."

The US Conference Board conducted a survey in 1988 of 500 large and 250 small corporations to determine "The Impact of Tort Liability." The findings were:

<table>
<thead>
<tr>
<th>Type of Impact</th>
<th>Percentage of firms reporting such impacts (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed production plants</td>
<td>8</td>
</tr>
<tr>
<td>Laid off workers</td>
<td>15</td>
</tr>
<tr>
<td>Discontinued product lines</td>
<td>36</td>
</tr>
<tr>
<td>Decided against introducing new products</td>
<td>30</td>
</tr>
<tr>
<td>Decided against acquiring/merging</td>
<td>17</td>
</tr>
<tr>
<td>Moved production offshore</td>
<td>4</td>
</tr>
<tr>
<td>Discontinued product research</td>
<td>21</td>
</tr>
<tr>
<td>Lost market share</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: Peter Young, Nightmare on Bow Street (Lessons from America on the Reform of Legal Services), Adam Smith Institute, 1989.
claims in those circumstances were usually discouraged because of the high cost of individual legal proceedings.

The proposals apply to actions in the Federal Court, which is the only court empowered to deal with trade practices, anti-discrimination and similar matters. However, it is conceivable that cross-vesting legislation passed in 1988 could extend class actions to State courts via an exchange of authority.

Warren Pengilley, a former Trade Practices Commissioner, confirmed in his article "Class Actions", that the scope of the current proposals is limited. However, he does not see them remaining so, believing they may be open-ended for two reasons. Firstly, foreign affairs powers permit the extension of Commonwealth jurisdiction. More importantly, the Australian Law Reform Commission model could be adopted by the States, reaching a large audience of potential litigants and leading to a far greater volume of actions.

Pengilley points out that Australian law already contains provisions for group liability actions without the huge downside of class action litigation. The Trade Practices Act allows the Trade Practices Commission to commence representative actions on behalf of a group of claimants. This was clearly demonstrated by the Commission's involvement with depositors when the merchant bank Rothwell's collapsed.

Moreover, Victoria's Supreme Court (Amendment) Act 1984 permits common issues of liability to be tried together, with the quantum of damages suffered by individual plaintiffs then decided in individual cases.

Pengilley says that, if current trends in legal reform continue, we can expect to see cases brought in Australia for sizable groups. He drew on a study in the United States which suggested an average class size there of 300,000 members. Fifty cases for which figures were available for the District of Columbia showed that class action sizes ranged between 10,000 and 100,000 people.

In Australia, independently of the Australian Law Reform Commission, the Senate's Standing Committee on Legal and Constitutional Affairs is now inquiring into the cost of legal services, including contingency fees and class actions. Preliminary hearings begin in mid-July.

Reservations about the economic impact of the ALRC's proposals on class actions have been expressed by the Industry Commission; however the Commission saw the need for greater public protection than currently exists. Further hearings are now being held.

### Liability for Products

Eight months after the tabling in Parliament of the Australian Law Reform Commission's proposals on class actions, a report from the ALRC on products liability was tabled.

There is a nexus between the two reports. Class actions will be the heavy artillery which fires much of the ammunition manufactured by new product liability laws.

As things stand, product liability claims in Australia are now generated essentially through acts of negligence, contract or provisions of the Trade Practices Act 1974, an Act which already provides for a limited form of strict liability.

The new proposals will, according to John Simpson,

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**Class Action as a Legal Weapon**

The notorious Agent Orange case, whose tentacles extended to Australia, is an example of how corporations can be intimidated by class action and the skilful orchestration of public opinion.

- A group of lawyers began appearing on television talking about illnesses caused to American troops in Vietnam by the defoliant Agent Orange.
- Because they were unable to sue the Pentagon the lawyers decided to mount a class action against the product's manufacturers.
- Their persistent publicity campaign provided them initially with thousands of veterans for a class action. Finally, 2.4 million veterans, their wives, children, born and unborn, were grouped together in one massive class action.
- The chemical companies, horrified at the prospect of continual litigations, settled out of court for US$180m — despite the fact that the case had absolutely no merit!

The case had been conducted on a contingency fee basis, but when the plaintiffs' lawyers demanded their share of the settlement, about US$26m, Federal Judge Jack Weinstein refused, allowing them only limited fees, stating:

"I am not going to reward attorneys for bringing a case that had no merit...Given the fact that I find, and have found, that you've shown no factual connection of any substance between the disease and the alleged cause, I do not believe it desirable to encourage cases like this."

Source: Peter Young, Nightmare on Bow Street (Lessons from America on the Reform of Legal Services) Adam Smith Institute, 1989
Chairman of the Products Liability Committee of the Litigation Lawyers' Section, extend Australian law beyond the current reach of product liability throughout the USA and some of the EC member states, notably the United Kingdom. The ALRC's proposals will certainly reduce the plaintiff's burden of proof and increase the number of defendants potentially liable.

Simpson argues that compensation will in effect be based on "full strict products liability." Claimants need only establish that damage was "caused by the way goods acted." Prima facie, everyone in that category will be entitled to compensation, whether they are 'buyers' under contract, 'consumers' within section 4B of the Trade Practices Act, are owed a 'duty of care' in negligence, or are mere 'innocent bystanders'.

This will then take Australia a step closer to the concept Americans jokingly refer to as "No Fault Negligence!"

Concessions and Costs

The ALRC made two major concessions in its final report. It retreated from its original proposal to severely limit the defence that when manufactured a product met available standards. It also finally baulked at opening the floodgates to claims from employees whose injuries at work are caused by goods.

While the impact of the ALRC's proposals on business and thus the economy will be significant the Commission has stated that exact costs and benefits could not be ascertained. Nevertheless, it suggested that national costs would include:

"Increased cost of liability insurance resulting from rights to claim compensation being conferred on a wider section of the community and being more easily enforced than under existing law..."

The ALRC said:

"These costs will be reflected in prices of goods and will affect the calculation of the inflation rate. They may impact on broader macroeconomic issues such as employment and the balance of payments."

Other costs identified by the ALRC include the effect of the changes on research, development and product innovation, and also on the competitive position of Australian business in both domestic and export markets.

But the ALRC pointed to a number of potential national benefits. Among these were:

- An increase in productivity at both national and individual levels. This would include reduction of absenteeism, sick leave, etc and reductions in the cost of publicly funded health care services and social security.
- Compensation delivery systems would become more efficient through reduced litigation and savings in transaction and infrastructure costs associated with litigation, such as the cost of the court system.

The Commission concluded that laws of the type recommended will produce an overall increase in economic welfare. But social welfare was also an important consideration. This, said the Commission, "would be improved as burdens are shifted from those suffering the loss or injury to manufacturers and suppliers, who can bear them at the lowest cost."

If the ALRC is implying that increased litigation will lead to a more efficient court system it should turn its eyes to the USA and Japan. A 1984 study showed that for every 1,000 people, America had about 27 times the number of lawyers found in Japan. That year almost 17 million civil suits were filed in the USA, which has a population about twice that of Japan. And how many suits were filed in Japan that year? A mere 160,000! One US commentator believes his country could recover its competitive advantage by exporting thousands of American lawyers to Tokyo. That, he said, would clog Japan's economic arteries and clear those in the US.

Conclusion

Australian business is likely to face a liability crisis within the next few years if much of the legislation now being promoted is enacted. Not only will this entail a new cost burden for business and disincentives for new product development, but the current soft market for public liability insurance will have been and gone. Rates will harden overnight. Some businesses will find that insurance is unavailable at any price.

The threat of this new climate of expanded liability and litigation recalls the thought expressed by the Chairman of the Chrysler Corporation. He said this:

"It used to be the dream of everyone to get rich by making a better mouse trap. Today it is easier to get rich by suing someone who does." ■

Notes

How to Reduce Housing Costs

B. L. Hamley

High interest rates are not the only burden borne by home-buyers. Excessive regulation, red tape and inefficient land usage all add to the price of housing.

Over the past three years, the cost of building a house has sky-rocketed. Combined with high mortgage interest rates, this has had a profound impact on housing affordability. Even with prices steadying recently, the median price of a Melbourne house is now around $145,000, or 65 per cent more than three years ago. The increase in Sydney’s prices has been even larger (about 82 per cent). Over the same period average weekly earnings have increased by only 23 per cent and the CPI by 24 per cent.

It is clearly important to reduce the cost of housing. There is plenty of scope to do so. Research indicates that land development costs could be reduced by up to $1 billion a year. This will require a major change in attitudes and policies, particularly at the local government level.

Delays in Approval Process

Probably the most important cause of the increased housing prices has been the sharp rise in land prices. In Melbourne, for example, the price of a typical block on the urban fringe rose from $38,500 in 1987 to $60,000 in 1989. Essentially, this reflects the fact that, as the stock of land available for housing development is very much less than it was a decade ago, the system cannot cope adequately with sudden surges in demand.

This fall in the stock of available land reflects several factors. The length of the approval processes for the rezoning of rural land is still a problem, as is the length of the approval process for development. Moreover, the fact that the servicing of land is a responsibility of the State or local government tends to delay the provision of servicing until the last possible time.

Most State Governments are now moving to encourage more efficient use of existing land, such as metropolitan in-fill areas. However, policies are also needed to encourage greater flexibility in the provision of higher housing density and smaller allotments. There is a significant bottleneck at the local government level because of the lengthy approval processes for other than traditional developments.

Government policies must recognize that the traditional detached house is much less relevant to today’s average household. Twenty-five years ago, households of one or two persons constituted only about 30 per cent of the total: today they represent about 50 per cent. But, despite every indication that the demand for townhouses and medium density dwellings has increased commensurately, four-fifths of new dwellings constructed are traditional detached houses. In effect, there is an enormous wastage of space and resources and enormous unsatisfied demand, because policies have not adjusted to major changes in the housing market.

One important initiative directed to overcoming this problem is the government/industry “Green Street” Joint Venture. By the use of innovative servicing techniques and by more effective use of open spaces and landscaping, the cost of developing an allotment can be cut by up to 30 per cent. “Green Street” savings have been demonstrated time and again on many estates and are feasible for widespread adoption. If this approach had been used for all lots developed in 1988-89, total savings would have been well in excess of $1.0 billion.

The Special Premiers’ Conference on Housing held in 1989 allocated $15 million over three years to promote such projects and to undertake research into ways of improving the supply of land and speeding up the various processes of land development. The Indicative Planning Council, a joint government-industry body, and the Federal Government’s chief source of advice on the industry, is undertaking a detailed research program which will include attempts to improve the data base on the supply of land and the factors influencing demand.

B. L. Hamley is Chairman of the Indicative Planning Council for the Housing Industry, but the views expressed here are entirely his own.
Materials

The building materials industry is generally regarded as having enough installed capacity to cope with all but the largest surges in demand. Localized shortages normally can be met by inter-regional distribution; the potential for imports keeps a competitive edge to the industry.

Notwithstanding this, in the 1988-89 up-turn, when housing commencements reached a record 175,000, the effective capacity of the building materials industry was exceeded. In consequence, the index of materials prices for all capital cities rose by 10.9 per cent between 1987-88 and 1988-89, whereas the Consumer Price Index rose by 7.3 per cent over the same period, thus exacerbating pressures on housing costs. The relaxation in housing demand should relieve these pressures. But if they are to be avoided in the future, there may need to be an increase in the industry's production capacity.

Interest Rates

The increase in housing mortgage rates from 13.5 per cent to 17.0 per cent has been an important factor in the increased cost of housing over the past two years. But, while the easing in monetary conditions may allow some reductions in mortgage rates, Australia's external debt problems seem likely to keep interest rates at high levels for some years to come.

In these circumstances it will be important for financial institutions to continue to offer alternative forms of housing finance, such as the fixed rate loans which have so far been provided at the lower rates applying at the larger end of the market. The problem remains of the ceiling of 13.5 per cent on loans made before April 1986. Although such loans now represent less than half of the banks' housing loan portfolios, they still impose a burden of about one percentage point on interest rates charged to current home purchasers.

Overly-Rigid Regulations

Part of the costs incurred by the housing industry are non-productive, being merely compliance with localized and overly rigid building regulations. In general these regulations over-prescribe for the achievement of health and safety objectives. Often the localized nature of these codes cannot be justified on any genuine regional considerations, such as differences in geography or climate.

A new Building Code of Australia, which will be

Green Street

The Green Street project identifies and promotes a wide variety of techniques by which the cost of residential land development can be reduced. These techniques include:

- street and lot shapes, house positions and types of car accommodation which, by maximizing the use of land, permit smaller block sizes;
- diminished pavement areas, which decrease raw material costs and, by minimizing interference with the soil's water absorption, enable savings to be made in artificial drainage;
- the use of common trenching and plastic (PVC) piping for services, reducing installation and maintenance costs. Housing developments, in all capital cities, are increasingly using some or all of the “Green Street” techniques.
HOW TO REDUCE HOUSING COSTS

adopted by all States and Territories by mid-1990, may help alleviate this problem. This will include a National Accreditation Scheme for new and innovative building products and systems and local authorities will accept accredited products and systems as meeting required standards. The outcome should be a streamlining of the building process and lower overall costs.

Labour

Labour for the housing industry in Australia is essentially organized under the sub-contract system and the industry (with the exception of high-rise dwelling construction in some States) has historically been free of unions. This facilitates the efficient allocation of available labour and provides some supply flexibility to meet demand surges. However, shortages can occur if both the residential and non-residential sectors boom simultaneously, as in 1988-89.

The main contribution to keeping labour costs down would be to adopt more flexible apprenticeship and immigration policies. Some action is being taken in both these areas but there is scope for more.

Both the Commonwealth and State governments have recognized the problems that are preventing lower housing costs and are pursuing a number of initiatives in a new spirit of cooperation. Although much remains to be done, a considerable amount of goodwill is also being built up at local government level, which should assist in clearing the way for regulatory reform and speeding up the process of land subdivision and development. Home ownership will continue to be the goal of most Australians. However, in future people will demand something that differs from the traditional detached house on a quarter-acre block. Industry, planners, governments and local councils will need to respond realistically.
A Plea from the Cell  John Wauk, who attended a three-day “Healing Mother Earth” Expo in Manhattan, describes in National Review his encounter with New Age slime: “My favourite booth was the one selling Super Blue-Green Algae. The algae-monger handed me a flyer with notices about ‘AIDS and Algae’ and a hard-pitched sell from the algae itself: ‘I am the immortal descendant of the original life form ... So, partake of my immortal body each day. Eat three billion years of cell memory and a concentration of protective nutrients. Renew your own health, renew your connection with your sisters and brothers in the Third World.’”

Better to Give than Receive  When Elsa Reuter’s parents collected from the post office a teddy bear sent to her by a friend in the United States they also collected a bill for $175 government tax. Australian Customs valued the parcel containing the teddy bear, a blanket and a sweater at $319. The Reuters were charged $136 duty and $39 sales tax. A Customs spokesman told The West Australian that he considered the government policy on taxing unsolicited gifts to be “very liberal.” Mr Reuter said his family couldn’t afford to receive any more presents and he would have to ask the family friend in the US to stop sending them.

Intervention  The General Secretary of the Victorian Public Service Association, Mr Jim Young, has described the Victorian Government’s interventionist economic strategy as “highly effective” — despite the collapse of the Victorian Economic Development Corporation (VEDC) and the unprecedented losses incurred by the State Bank. Indeed, he describes criticism of Vic. Inc. as “shortsighted, opportunist and hysterical.” Mr Young, as it happens, is also on the board of the Victorian Rural Finance Corporation, which took over the VEDC after its collapse.

Loose Connection  Democrat candidate for the seat of Goldstein, Di Bretherton, known better for her campaign against war toys, arrived back in Australia from Vietnam to launch her campaign only a week before the 24 March Federal Election. When asked to explain why she had spent four of the five weeks of the campaign in the Mekong Delta, she was unfazed. “It seems a long way from the Mekong to Port Phillip Bay, but in fact the dioxins tipping into the ocean there affect us here,” she said at a press conference (reported in The Age). “I think people in Goldstein will see the connections between my work in Vietnam and my work here.” Whether they did or not, they certainly didn’t vote for her.

Species-Purity  The Wilderness Society has announced its plans for Western Tasmania. Conservationists had previously demanded a Western Tasmania National Park free from all mining and logging. But the Wilderness Society wants to go further. It wants to remove all non-native plants and animals from the region.

Is there a clue here to the opposition of some environmentalists to immigration? Only the most extreme anti-immigrationist would propose what the Wilderness Society is proposing for Western Tasmania: repatriating all foreign species.

Fortunately, someone at the Springvale City Council in Melbourne has spotted the hidden anti-multicultural agenda of the greenies. In March, the local Conservation Officer was challenged for proposing a ‘greening’ of Springvale with Indigenous flora only. This “did not take account of non-Indigenous species and exotics imported by immigrants,” said the complainant.

Sex Education  A Department of Health report issued in March (and reported in the West Australian) shows the incidence of the sexually transmitted disease, chlamydia, to be five times higher among university students than among prostitutes.

Man-Eaters  Digby Anderson in his Food column in The Spectator, recently mentioned a new book called The Sexual Politics of Meat. Having noticed the “Meat is Murder” graffiti around the inner suburbs of Melbourne, where the Rad Fems dwelled, my interest was aroused. According to the book’s author, a lady named Adams, the struggles against meat and men are essentially the same: feminism is the natural ally of vegetarianism. Both, according to Adams, go with lesbianism, teetotallism, opposition to capitalism, and peace. Rape she compares to the act of holding down a piece of meat with a fork so that it can be cut with a knife. Apparently the positions are the same, so is the use of an ‘implement’ and the exploitation.

This form of feminism, Digby Anderson hastens to point out, is “the extreme loony variety,” rather than the “I want the taxpayer to subsidize my children’s day
Ms Adams is not a one-off case: Australian journalist and therapist, now living in London, Heather Formaini, is reported in The Australian as claiming: “Most men are homosexuals who have few friends and marry women they do not love ...” Formaini quotes many studies, “one of which produced the startling statistic that between 50 and 70 per cent of men in Western society who claim to be heterosexuals in fact have on-going sexual relationships with other men.” Formaini’s aim is “not to criticize” men but to “track down the roots of their misogyny, their fear of intimacy and their violence to women.” Men are a real problem. In fact, Formaini says, single mothers find bringing up their children far easier without men around.

How are men responding to all this? Among New Class men there is evident a certain amount of what Freud termed “identification with the aggressor,” or the hostage syndrome. The New Republic notes the burgeoning of men’s studies classes in the United States. Last year more than 100 scholars attended the first annual Men’s Studies Conference, and there is now a Men’s Studies Review. A typical article, “The Developmental Journey of the Male College Student,” delineates “limiting patterns” that define male students’ gender roles. Among them are restrictive emotionality, obsessions with competition and achievement, homophobia, etc.

Evidence of the gradually emerging men’s movement is the National Organization for Changing Men (NOCM) — in the words of The New Republic: “a gang of man-haters trapped in men’s bodies.” NOCM Chairperson Gordon Clay says: “Men are socialized to put women down and devalue them ... What we try to do is ask men to look at power and give up that power.” The first targets are the ‘patriarchal values’ of oppression and violence. Recalling the case of Mark Lepine, the Canadian psychopath who killed 14 women in Montreal last year, Clay wrote: “I think there’s a little bit of him in all of us.”

Class 4 Struggle Is there a revolution stirring in the Department of Prime Minister and Cabinet? In its April EEO Newsletter (EEO = Equal Employment Opportunity) officers are invited to enrol in the following course at the centre for Continuing Education, Australian National University: “Voices from the Wilderness: The voices of the indigenous peoples, stifled by five centuries of European colonialism with its attendant beliefs and policies of cultural repression and oppression, are now becoming assertive and clear. The last decade has seen an international rekindling of interest in the plight of Fourth World citizens whose most challenging demands centre on their attempts to claim their fundamental rights to be as they are, see as they do, and speak as they find.

The Fourth World struggle to express its varied vision in the languages of its multi-faced oppressors was stimulated by the work of Third World indigenous majorities who themselves suffered the scourge of colonialism. Their resistance through literature paved the way for indigenous minorities to resist in the same way. This course will examine four novels by writers from the South Pacific region and one work by a Ugandan. The aim is to stimulate discussion on the themes of resistance, Third and Fourth World cultural experience and trauma and the manner in which their writers express these.”

Old Conflicts Revived New Zealand used to lag behind Australia in most things, but now it is overtaking us. Of course, it’s easier to move fast when you’re travelling downhill. New Zealand has discovered multiculturalism, as this news report dated 24 April attests: “A New Zealand memorial to Turkey’s modern founder, Kemal Ataturk, [who led the Turkish forces at Gallipoli] is to be unveiled Thursday, but it will be done quietly.

The eight-metre high column at the entrance to Wellington harbour upsets local Maoris and the capital’s big Greek and Greek-Cypriot community.

When a Turkish minister visited Wellington in 1986 to look at the memorial site it was kept secret because of fears that Armenians from Australia would disrupt the trip. Turkey is accused of genocide in massacring large numbers of Armenians in 1915. The traditional enemy of Greece, it is also detested by Greek Cypriots for its seizure of Northern Cyprus.

Wellington’s Maori Council has opposed the monument because it is erected near two traditional sites.” The only group not protesting, it seems, was the ANZACs.

\[\text{Ben Bahro}\]
Inflation
Finding the Will to Act

John Stone

Inflation is finally being recognized as a central element in Australia’s economic malaise. But what is being done about it?

“Inflation is everywhere a monetary phenomenon.” Milton Friedman’s famous aphorism summed up the view that, whatever might be the inflationary result of (say) systems of wage determination, excessive government spending, indirect tax increases and so on, in the end inflation (i.e. an increase in the general level of prices) could not occur on any sustainable basis unless the monetary authorities of the country concerned conformed that outcome by permitting a rise in the money supply (however defined).

My point here is not to appraise the great monetarist debate which that aphorism encapsulates, but rather to remark on the most welcome speech on inflation by the Governor of the Reserve Bank (Mr Bernie Fraser) on 19 April last.

At one point Mr Fraser enquired of his Canberra audience: “How many of you can remember when the Consumer Price Index (CPI) last fell?”

I am unaware of the response that evening, but had I been there, my hand would have been raised. Like the Governor, I do recall that the CPI fell in 1961 “for two successive quarters, and was unchanged for a further three quarters.”

The “short, sharp shock” which ushered in that 15 month period of downturn and then stabilization of prices resulted from various Government policy actions. Of these, by far the most important was the February, 1960 decision to sweep away virtually all the post-war detritus of import controls and allow imports to compete freely with Australian production.

That decision, which was taken by Ministers almost solely on the basis of Treasury urging (notably that of Dick Randall, then Deputy Secretary), was backed up nine months later by a marked toughening of monetary policy — including a sharp increase in the long-term bond rate — again under strong urging from the Treasury.

Note incidentally that the import control abolition decision was strenuously resisted by the late Sir John Crawford and his then Department of Trade. Similarly, the later toughening of monetary policy was even more strenuously resisted by the then Governor of the Reserve Bank, Mr H.C. (“Nugget”) Coombs.

I note this small piece of history for two reasons. First, I believe it was no coincidence that the initially traumatic experience of 1960-61 (including Mr Menzies’ politically traumatic experience of almost losing office at the 1961 Federal election) was followed by what most people would agree was Australia’s golden post-war decade, the 1960s.

Secondly, the break which then occurred in our post-war inflationary experience was a result of a combination of major microeconomic reform (abolition of import licensing) and a major toughening of monetary policy, both of which were almost frantically opposed by those parts of the bureaucracy principally responsible for them.

Mr Fraser’s recent address was, he said in conclusion, offered as a contribution “to a more rational debate about inflation and to an effective medium term strategy for eliminating it.” (Emphasis added).

Since I have emphasized that word “eliminating”, let me note that at other points Mr Fraser was less ambitious, referring variously to the need to “reduce”
inflation, or to the desirability of "reducing or eliminating" it, and so on. Perhaps his most specific reference was his "hunch" that in Australia price stability might be construed in practical terms as "probably less than half — and no more than half — the current "core" inflation rate of around six to seven per cent" — in other words, presumably, a rate of around 2.5-3 per cent.

While clearly a reduction in inflation to 2.5-3 per cent per annum would be marvellously welcome, I personally doubt whether even that rate would nowadays be seen as denoting price stability "for all practical purposes." While that may have been true in Australia in the 1950s and 1960s, these last two decades of inflation averaging around nine per cent per annum have so powerfully sensitized the community to the problems of rising prices that even a 2.5-3 per cent inflation rate would still "materially enter business and household financial decisions" (the test, enunciated by the present Chairman of the US Federal Reserve System, on which Mr Fraser bases his "hunch"). After all, even a 2.5 per cent per annum rate roughly doubles the price level in 30 years. On that basis, young people entering adult life could expect prices at the time of their death to be roughly four times what they were at the outset.

Space does not permit enumeration of all the reasons why endemic inflation, such as we now suffer, is in the long run incompatible with an Australia such as we have known it. Just as people cannot build a sound personal relationship with others by cheating, so governments cannot build a sound democracy by issuing money which is worth less next year than it is today.

Let me therefore merely remark on one point.

It is no coincidence that, in his 1988 Budget Speech, Mr Keating described the balance of payments deficit as Australia's "Number one economic problem" while, in the same speech, describing inflation as our "Number one economic disease."

As more Australians are coming to understand, our balance of payments (and associated foreign debt) problem stems essentially from our inadequate national saving performance; and, as Mr Fraser points out, inflation is inimical to the desire to save.

If therefore we are to tackle our "number one economic problem", we shall also have to tackle our "number one economic disease." Some dawning public apprehension of that can be seen in some aspects of the recent consumption tax debate. Regrettably, no similar recognition has been evinced by Mr Keating.

Mr Fraser's speech is therefore very welcome. Still, it does raise one intriguing — and I hope not too carping — question: if inflation is everywhere a monetary phenomenon, where has the Reserve Bank been for the past two decades?

What Should Be Done?

Someone asked me recently what advice I would give to an incoming Governor of the Reserve Bank. I said that, apart from advising him to have a lot of fun, I would suggest that he do two things.

First, he should read, mark, learn and inwardly digest the significance of those sections of the Reserve Bank Act 1959 which, subject to section 11 of that Act, confer upon the Reserve Bank and its Board of Directors full freedom to act as they think best in pursuit of their statutory responsibilities, and independent of whatever may be the views of the Government of the day.

That Government, of course, does retain (in Section 11) power to give a direction to the Bank if, after full consideration, it takes the view that the Bank is wrong on some particular policy matter. In that case the relevant papers are to be tabled in the Parliament by the Treasurer and there would, presumably, then be a right royal row.

It has been said of the United States Federal Reserve that the legislation under which it operates endows it with a high degree of independence, but that it has never availed itself of that independence for fear of losing it! While that is no doubt an overstatement, much the same comment could be made (and with rather less exaggeration) of our Reserve Bank — so much so that Section 11 of its Act has never been invoked.

My second suggestion to the incoming Governor would be that, after having duly deliberated upon the extent of his powers (if he has the courage to use them), he might then set in train a monetary policy having as its single objective the publicly announced aim of steadily — and not too slowly — bearing down upon inflation, to the point of its elimination.

Interestingly, just as this article was going to press, I received an advance copy of an article, to be published in the Winter issue of Policy (Centre for Independent Studies) by Mr Peter Jonson, now Deputy Managing Director of James Capel Australia but formerly Head of the Research Department at the Reserve Bank, which appears to arrive at a very similar conclusion.

Perhaps the moral to be drawn from that is that we should have more such departures from the Reserve Bank — just as, it might be argued, we should have more similar departures from the post of Secretary to the Treasury (though not, perhaps, to become Governor of the Reserve Bank).
Foreign Debt: the Case for Bank Regulation

David Finch

Interest rates should not be the sole instrument of monetary policy. Within carefully delineated bounds, tighter regulation of banks could be an effective weapon in the battle against Australia's ever-mounting foreign debt.

From afar, the level of Australian debt has seemed increasingly dangerous in a world inevitably approaching a pause in growth. Having seen up-close the devastation that excessive debt has caused in Latin America, the Australian authorities seemed justified in their cries of concern about the country's continuing dependence on foreign capital. It was all too easy to look back at the events of the 1930s and believe that the next down-turn abroad would engulf Australia in disaster.

In discussions during a recent visit, however, various reasons were put to me to hold that this was too simple a view. Today, the public sector has a very different balance from that which caused the collapse in the Great Depression. Borrowing is now made for private investment, at its own risk, rather than for the support of excessive public expenditures for non-productive activities. And economic policy abroad today will not repeat the excesses of monetary rigidity that pre-Keynesian economics produced. The continued inflow of capital, it was argued, supported the optimistic assessment, for it demonstrated that the capital markets did not, with all the information in front of them, share the Cassandra view of the situation.

The debate was fascinating. For reasons explained below, I found myself still concerned about the dangers inevitable in the rising debt but unable to feel enthusiastic about the usual policy recommendations of more budget restraint and higher interest rates. This led me to look for other policy options that might usefully be debated; I believe that these may be found in monetary policy. A case can be made that in recent years neglect of monetary policy, other than interest rates, has encouraged the continued drift into ever more excessive indebtedness. Provided that actions are market-supporting rather than market-distorting — as has happened all too frequently in the past — a solution to the current dangers may lie in tighter bank regulation guided by an overall credit program.

Why Private Borrowing Matters

Those urging less concern about private foreign debt have generally accepted that official borrowing would be worrying. In essence, they suggest that foreign borrowing by the private sector should be left to private judgment. But the record shows that economic responsibility is rarely totally private. Presumably, private loans obtained with government guarantees count as public sector borrowing. And legal responsibility is not the whole story. As Chile found, borrowing by the commercial banks or guaranteed by them is all too likely to become a public sector liability when problems arise. There are, moreover, many examples of private borrowing becoming a public responsibility through official rescue operations.

In a basic sense the question of public policy concern is independent of the expected public sector financial responsibility. The authorities in virtually all countries now accept accountability for guiding macro-economic policy. Australian private borrowing abroad is large enough that it does affect the overall economic outcome. The consequences to the economy of changes in the overall levels of borrowing are, inevitably, going to be significant enough to merit attention to measures which could guide them.

This does not mean that private and public borrowing should be treated the same. There are important reasons for their conceptual separation. In particular, the techniques of control need to be totally different.

David Finch is a former senior official of the IMF whose responsibilities included supervision of the analysis of country debt problems and their solution.
For the public sector, direct responsibility has to be accepted by the authorities for borrowing by the government and all public agencies — and that responsibility exercised through enforced limits on debt contracting. For the private sector, although in some countries there are direct controls, the evidence is overwhelming that such controls are economically distorting and politically corrupting. In an increasingly integrated world it is now virtually impossible to control capital movements without serious damage to growth from those costs of uncertainty inevitable with political guidance.

So what public policy limitations are appropriate for additions to private foreign debt? In my view, the task is to create a setting in which the private sector will behave more responsibly. Compared to the recent past, public policy could do more to ensure that the private sector is well-informed about the risks of foreign borrowing. Since recent experience must have educated borrowers, the main public responsibility in regard to information may well be to ensure that all the participants in domestic capital markets make full disclosure of the current extent of their foreign commitments.

The key problem for a hands-off approach is how to ensure that risks are fully borne by those making the decisions. In principle, this can be achieved by an unambiguous public commitment that no official support will be given to any private borrower later in difficulty. Any such statements will be less than fully effective in practice, as no government is going to feature conditions which raise the borrowing costs for its nationals. More importantly, there is no way that government assistance can be ruled out if there is any bank involvement in the borrowing. The key to effective public policy action to limit the possible strain from excessive private debt must lie in the regulatory powers over banks.

Banking Regulation

Regulation of banks has one clear justification. By practice, and in some countries by law, governments have given bank depositors security against loss. Such guarantees eliminate one critical element of the direct role of the market, thus making regulation essential. Otherwise, risky investments will be undertaken, with resources derived from deposits in the knowledge that any eventual losses will be absorbed by the government.

Bank regulation has, unfortunately, also been widely used for purposes other than preventing risky investment. Governments have used it to direct credit to favoured uses. This practice can go so far that bank credit becomes a substitute for government expenditures. For example, instead of including low cost housing in the budget, banks can be directed to provide the credits thus hiding the financing cost. Regulation has been used almost universally, and for long periods, to force banks to lend to governments in order to lower government interest costs.

The use of regulation to avoid facing policy costs directly has rightly been discredited, and the value of the discipline of market judgments has been widely recognized. Politically motivated expenditures need to be openly financed or they will not be properly controlled. And forcing one group of financial intermediaries to subsidize government interest costs creates market distortions and encourages delays in making necessary interest rate adjustments.

So bank regulation should focus on preventing inappropriate risks being taken with guaranteed resources. As foreign borrowing by banks has all too frequently been excessive, regulators are universally supposed to closely monitor such borrowing to ensure that the risk does not exceed the capital cover. But what if the borrowing is not by the banks? Does that end the question? No. There is plenty of evidence that the problems of major clients become bank problems. So many clients now have such large foreign debts that if Australia does encounter debt servicing tensions, their problems will be so overwhelming that Reserve Bank support will be essential. So bank inspection, in making the necessary judgments about the credit-worthiness of the clients, should include an assessment of trends in the adequacy of their capital cover to foreign exposure.

A new risk arises when the overall current account deficit of a country becomes so large that a depreciation of its currency will be needed to bring forth the exports required to service the debt. Bank regulators then have a responsibility to review the adequacy of the capital of banks and their clients, in order to cover the risk of loss involved in impending currency changes. There is thus a logical basis for raising capital requirements when foreign debt is rising faster than the capacity to service it.

Fiscal Policy the First Option

In practice, of course, regulation has dangers.
Regulators must not intrude into the selection of the private risk-taker to be supported. Microeconomic judgments by bureaucrats are rightly discredited. And there are limits to their power as they are only able to influence borrowing from the banks they support. But let no one doubt that guidance to banks focused at a macroeconomic level can effectively slow the overall growth of foreign debt. A general directive that safety requires more risk capital for banks and their clients will delay credits overall.

This does not mean, of course, that monetary policy should have sole responsibility for correcting an excessive current account deficit. Rather, fiscal policy is the first option, being the obvious course to take if the foreign borrowing has been made by the public sector, or can be attributed to large domestic borrowing by the public sector. In current Australian conditions, however, the fact of a fiscal surplus, even if now a declining one, suggests that the problem does not arise from fiscal weakness. Fiscal action would help reduce the rise in foreign debt, but it seems reasonable that the first priority should be to influence those who are borrowing to excess. That correctly suggests that interest rates be raised to lessen the demand for debt. With open capital markets, unfortunately, this encourages foreign borrowing and raises the exchange rate, perversely discouraging export growth.

In such conditions, a logical course would seem to be a tightening of capital requirements on banks and on bank clients in relation to foreign exposure. Such action could assist in achieving any needed reduction in borrowing and would produce a more competitive exchange rate than restraint by interest rates alone.

This is intuitively not an unreasonable response to recent Australian monetary policy. Obviously Keating’s opening of the banking system to competition, with its drive to force changes long retarded by its previous cartel-like organization, inevitably reduced attention to regulatory standards. The struggle of existing banks to hold on to as large a market share as possible against such supposedly intimidating competitors as Citibank necessarily encouraged looser standards for private borrowing. And the increase in asset values spread by such a growth in lending diverted attention further from prudential standards. In retrospect, it now seems that monetary policy became seriously soft; at the time, however, it must have seemed as if no one could effectively press that issue without challenging the move to a more efficient banking system.

Does this mean a tightening of regulatory supervision now is the answer? It is not quite as simple as that. A correction is now well under way as the banks react to the lessons of past excesses. This reaction is valuable, as the role of regulators must always be replaced by the disciplines of experience wherever possible; but the restrictions on credit may already be excessive and added restraint could be disastrous. So any tightening of capital requirements to reduce debt dangers would have to be offset by reductions in interest rates sufficient to stabilize credit growth.

**Focus on Broad Credit Aggregate**

What then are the lessons to be applied in the future? My tentative conclusion would still be that interest rates should never again be the sole instrument of monetary policy. Interest rate changes are the necessary treatment for undesired credit developments related to changes in general economic conditions; however, the appropriate response to shifting bank lending standards is regulation to keep capital adequate to cover changes in risk.

To give monetary policy the stability and strength it needs in these difficult times, the announced target of monetary policy should become the stabilization of a broad credit aggregate. The Reserve Bank should undertake to deliver a path of credit growth consistent with defined macroeconomic objectives, including the stabilization of foreign debt levels. The instruments available to the Reserve Bank should include discretionary tightening of capital standards for banks and for their clients. Of course, the main focus of monetary policy should remain on interest rates, the responsiveness of which to changing conditions must be fully protected. But whenever the current account of the balance of payments is weaker than desired because of undue private borrowing, the expectation must be created that bank regulators will react effectively.

One final comment before concluding — the time that has passed without crisis since the voicing of the first dire warnings based on debt trends shows economics’ weakness in predicting turning points. The timing of any crisis is in fact controlled by political developments, in Australia and abroad. This inability on the part of economists to predict politics does not mean, however, that the debt level can be ignored. As Latin America has established, excessive foreign debt creates a vulnerability that can be devastating, and which cannot be overcome by outside help. Australia may have many years before doubts about the security of debt servicing create any crisis. But the risk that a test could come earlier makes urgent any strengthening of the instruments of monetary policy necessary to provide the basis for a convincing official response.
The Fetish for Red Tape

The frustrations of dealing with cumbersome bureaucratic procedures, familiar in the West, are inhibiting economic growth and the development of political representation in the Third World. The two cases below — one from Africa, the other from Latin America — illustrate the problem.

Registering a Political Party in Nigeria

Out of over 50 political associations that sprouted all over the country after the ban on partisan politics was lifted on 3 May by the Government, only 13 managed to beat the NEC's [National Election Commission] 19 July deadline for the submission of registration documents...Each political association seeking registration must meet the following conditions:

- Submit 25 copies of the list of their members, numbered serially and collated ward by ward within each local government area. There are at least 5,024 such wards in the country with about 499 local governments.
- List the names, age, occupations, dates of admission into the party and two passport photographs of each of the members.
- Submit 25 copies of the full-time administrative and supportive junior staff at national, state and local government levels where the association is expected to have offices manned by at least an accountant, auditor, public relations officer, librarian and typist. (There are 499 such local governments where the political associations must open offices apart from 21 state offices.)
- Pay an application fee of N50,000 before collecting application forms.
- Submit 23 copies of documents containing the curriculum vitae of all the full-time administrative staff in all the offices; 23 copies of the association's aims and objectives; 10 printed copies of the association's constitution; a short history of the association; a declaration of assets and liabilities of the association and another document showing the designations, names, addresses, occupations and states of origin of all the members of its executive committees at national, state and local government levels.

Some analysts put the cost of meeting the registration requirements at over N200m [A$1.3 billion].

But even if the political associations meet all the stringent NEC conditions, does NEC have the necessary muscle or even the storage facilities to verify the mountains of documents that were heaped upon them? This became even more critical two days before registration when one party alone, the PFN, arrived with 10 lorry loads of documents and labourers to cart them to NEC's offices. It suddenly dawned on startled NEC officials that what they require to store the documents are not mere offices but large warehouses!

from New African, September 1989.\(^1\)

Establishing a Business in Peru

We [the Institute for Liberty and Democracy based in Lima, Peru] set out to understand what it actually takes to get into business — not for a large, established corporation but for an entrepreneur.

We began with a simulation. We set out to establish a small workshop in the outskirts of Lima. We engaged one lawyer and four assistants who, with a stopwatch, went to each office in the state bureaucracy in order to register a small clothing workshop with two machines. Working eight hours a day, it took a total of 289 days to be able to start operations legally. We did the same exercise in the US city of Tampa, Florida, where most of the legalities could be handled by mail, and it took us three and one-half hours to start the business. In New York City, it took us four hours. In short, it takes a Peruvian entrepreneur 700 times more time than his or her US counterpart to start a small business.

We repeated the exercise in the housing industry. Anyone familiar with Latin American cities knows the surrounding belts of inferior housing that often house half or more of a city's population. Why do so many people end up in hovels when, in most Latin countries, there is a process of legal adjudication whereby a group of families can band together and lay claim to a certain sand dune or plot of land for the construction of a new village? Our institute examined the 'red tape' (cumbersome procedures that result in delays) involved in this process. One individual representing 100 families working eight hours a day requires six years and 11 months to get the necessary permit, requiring the completion of 207 different official statements and visits to 52 government offices. Is it surprising that in Peru in 1985, there were 282 invasions of land and only three legal adjudications?

This kind of bureaucratic bottleneck is not limited to the clothing and housing sectors. The small markets cited above built to serve the needs of street vendors, provide another case in point. Those built within the framework of the law require about 12 years of preliminary bureaucratic work before the first step can be taken.

from Hernando de Soto, "The Informals Pose an Answer to Marx", Economic Impact, No. 67.

1. Since then, the Head of Nigeria, Major-General Babangida, has rejected the credentials of all 13 political parties which managed to register, even though a transition to civilian rule by 1992 is still planned.
Green Hysteria
Scientists and the Media Join the Stampede

James Byth

In April this year, a number of politicians and journalists called for an "open," "reasoned" debate about immigration. As The Age's Claude Forell put it, "it is an issue to be debated calmly and sensibly, without inflammatory language on the one side or exaggerated reactions on the other." What a pity it is that Forell's media colleagues—not to mention the scientific profession—have not generally extended this principle to the question of the environment!

In 1984, the popular scientific journal Nature was moved to ask:

"Is it plausible to believe that the presumably best-educated and most fully informed members of society can be more easily stampeded into hysteria by misleading pseudo-science than the under-informed members of the body politic?"

The answer, at least if Australian scientists and journalists are anything to go by, would seem to be "yes." With only a few outstanding exceptions, our scientists and journalists have permitted themselves to be cowed into silence—or, what is worse, into uncritical repetition of propaganda—by the minority of committed environmentalists within their ranks.

On just four issues—scale, dioxins, risk and "endangered" species—consider what has not been said and written to counter the activists' "stampede into hysteria":

**Scale (ratio):** Although a voracious reader, in the last five years I have found only two examples of Australian science writing which explain that improved analytical methods and machinery are permitting the detection of substances at previously impossible levels, and that these levels are at orders of magnitude (ANZAAS Search and The Age's Graeme O'Neill, take a bow).

In this instance, it is the scientists rather than the journalists who must bear the burden of blame. Excluding most financial and racing reporters, our journalists are genuinely ignorant of mathematics—even at the level of distinction between average, median and mean, let alone normal distribution curves. In this, younger journalists are little different to other humanities graduates entering teaching and the public service.

Yet even innumerates can hold an analogy in their minds or on paper. Analogies abound. For scale, perhaps the most useful is that patiently expounded by ICi.

1 part per million is 1 inch in 16 miles.
1 part per billion is 1 second in 31 years.
1 part per trillion is 1 second in 310 centuries.

When (as in Victoria) the Greenpeace activists successfully embarrass the Board of Works over an analysis at the level of parts per quadrillion, it is clear that something is out of order. It is more than a combination of scientific silence and media ignorance. It is, quite simply, disinformation.

**Dioxins:** Here again, there has been almost universal silence about Greenpeace's omissio veri propaganda. A normal educated consumer of Australian print and electronic media could be excused for entirely missing the fact that most pesticides and carcinogens and dioxins are natural, not man-made.

Both complex and lay explanations of this field are readily available. They are largely unused. For a role model, start with the noted scientist Bruce Ames:

"Americans ingest in their diet at least 10,000 times more by weight of natural pesticides than of man-made pesticide residue. Concentration by weight is in parts per thousand rather than parts per billion for synthetic pesticides. Carcinogens are known in (just a partial list) apples, bananas, basil, broccoli, brussel sprouts, cabbage ... cocoa ... mushrooms, mustard ... parsley, parsnips ... radishes, raspberries, tarragon ... turnips."

**Risk:** This issue has been systematically perverted by anti-nuclear and now environmental activism, and is a standard justification for "Nanny State" activities.

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Remember When the World Ended?

One of the green gurus of the late 1960s, Paul Ehrlich, has recently been resurrected by the rising tide of environmentalism. Late last year he toured Australia, preaching to packed auditoriums much the same message of doom that was contained in his 1968 best-seller The Population Bomb and other writings. He now has a new book, The Population Explosion, (with Anne H. Ehrlich) in which coercive methods of population control are reviewed favourably (“...the price of personal freedom in making child-bearing decisions may be the destruction of the world.”) Remarkably, the failed apocalyptic predictions made by Ehrlich in the past (of which a taste below) appear to have left his credibility intact.

“The end of the ocean came late in the summer of 1979...There had been the final gasp of the whaling industry in 1973, and the end of the Peruvian anchovy fishery in 1975...By 1977 the annual yield of fish from the sea was down to...less than one-half of the per capita catch a decade earlier...It became apparent in the early 1970s that the “Green Revolution” was more talk than substance...At home, in the USA the early '70s were traumatic times...Community after community was forced to close its schools...for lack of funds...Water rationing occurred in 1,723 municipalities in the summer of 1974, and hepatitis and epidemic dysentery rates climbed about 500 per cent between 1970 and 1974...Air pollution continues to be the most obvious manifestation of environmental deterioration. It was, by 1972, quite literally in the eyes of all Americans...Deaths in the late 1960s caused by smog were well-known to scientists...but suddenly citizens were faced with nearly 200,000 corpses...The population was terrorized as TV screens became filled with scenes of horror from the disaster areas...By September 1979 all important animal life in the sea was extinct...Japan and China...faced with almost instant starvation from a total loss of seafood...blamed Russia for the situation...On 13 October, Chinese armies attacked Russia on a broad front.”

whistle-blowers, ensure that the general public rarely gets to hear of such behaviour.

For an example in a polity where defamation suits are less inhibiting, the enquiring reader should look at Julian Simon's *The Resourceful Earth*, which details the inflation of "risked lost" species in the United States' *Global 2000* Report to the President. *Global 2000*’s own figures showed a known loss of one species every four years between 1600 and 1900, loss of one every year from 1900 to 1980, a sudden loss of 100 per year from 1980 to 1982, and a rise to 40,000 per year between 1980 and 2000. Simon tartly exposes the baselessness of the calculations:

"Observe that an upper limit for the present that is pure guesswork, and that is 100 times the observed rate in the recent past, has become the basis of a forecast for the future which is 40,000 times greater than at present, and has been published in newspapers to be read by tens and hundreds of millions of people and understood as a scientific statement."

Simon adds: "The answer, quite clearly, is that these numbers do matter in one important way: they have the power to frighten in a fashion that numbers much smaller would not."

* * *

The avoidance or suppression of facts contrary to the environmentalist orthodoxy is a matter of grave concern. It has a definite effect on the political process in Australia — just as in America. As William Tucker observed:

"Intelligent people play a large role in setting the intellectual and moral tone of societies. People who do not have the time and training to understand important scientific or technical ideas depend on the judgment of people who do. That is why, when a nation's intelligentsia becomes enchanted with a fashionable and aristocratic scepticism about the fruits of progress, the results can be so devastating. It threatens the society's ability to deal with its own progress and innovation."

There is a clear nexus between the intelligentsia and that segment of the Australian population which classifies itself as being "socially aware." These people are the natural recruits for the environmental movement; they also constitute the audience to which ABC current affairs units direct their programs, and newspapers their weekend colour supplements. The Morgan *Australian Values Study* shows that about half of them are employed in one or other public service department or institution. Thus we find, as Peter Walsh so rightly observed, that "the most strident critics of economic growth are safely ensconced in the public or other non-market sectors and therefore effectively insulated...."8

These people are able to exert their influence not solely because our politicians lack sufficient time and expertise to investigate complicated scientific questions themselves; people rarely, if ever, speak to politicians without an ulterior motive, making it difficult for politicians to retain sight of 'truth', and encouraging them to console themselves with the simple politics of re-election. Pragmatism breeds accommodation with the noisiest group — and the intelligentsia, of course, dominates the body politic's noise-making organs.

Scientists and journalists are all at risk when even a minority of their peers ignore accepted standards of professional conduct. Trust is a wasting asset; when public opinion turns against the exaggerated rhetoric of the greenies, compromised professions could find themselves deprived of public support, and prey to stifling government intervention and regulation.

The Broadcasting Tribunal acknowledged earlier this year that it had no standards for current affairs reporting. CSIRO scientists have been left free — despite the blatant conflict of interests involved — to participate in partisan 'environmental action' groups while simultaneously researching phenomena like the 'Greenhouse Effect'. Yet Members of Parliament are expected not to participate in decisions affecting their personal interests — how long do scientists and journalists think it will be before the politicians demand of them a comparable level of propriety?

There are some grounds for thinking that the backlash against extreme environmentalism has already begun. Amid the hype of ad agencies and product managers and "green spot" bureaucrats seeking to climb on the environmental bandwagon, there is a growing

(Continued on page 39) ➤
ECONOMICS is supposed to be the dismal science, full of doom and gloom merchants who are only happy when the recession they predicted (eventually) arrives (as it now seems to have done; protestations by Treasurer Keating notwithstanding). Yet when it comes to predicting the end of the world the ‘pure’ scientists take the cake. On the Couchman show on ABC TV my propositions to Canadian biologist David Suzuki that the world’s economic and physical environment was not deteriorating, and that the outlook was far from bleak, were met with the angry response that economists and scientists live in different worlds and that economists do not understand the significance of (alleged) ‘simple facts’ which suggest that mankind is doomed unless drastic action is taken by governments to reduce consumption. Even when forced to concede that the exhaustion of fossil fuels (coal, oil) need not reduce the physical supply of energy in view of the many actual and potential alternative sources, Suzuki’s green message continued to be a ‘blue’ one for mankind. ‘Negative’ growth, i.e. falling living standards, is the path to salvation, we were assured.

Of course, Suzuki is only the latest in a long line of doomsayers, stretching through Malthus, Jevons, Paley, Club of Rome, and Ehrlich, all of whom have been wildly astray in their predictions. Moreover, while he claims that “this time it is different,” Suzuki is probably not representative of the view of more moderate ‘greens,’ who seem to agree that economic development can continue provided appropriate government action is taken to protect the environment. Nevertheless the Suzuki approach reflects the fundamentally mistaken analysis that underpins much of green thinking and which has captured the hearts and minds of a not insignificant proportion of the population.

Some say that, even if the Suzuki analysis is not correct, he and others like him are performing a service in drawing attention to the need to protect the environment. Another reaction is to the effect that as all ‘sensible’ people want to protect the environment it should simply be a matter of getting together and sorting out differences.

But, while well-intentioned, such reactions are fundamentally misguided; they fail to understand the nature of the problem and the need to expose the fallacies in ‘green’ thinking.

It is not necessary to go as far as the renegade Senator Walsh — who claimed that failure to ‘take on’ environmentalists could see Australia’s environment end up as bad as that in Lagos, Mexico or Bulgaria — to recognise that giving a high priority to preserving resources and/or to preventing ‘pollution’ would soon result in falling investment and living standards. In such circumstances the likelihood is that the environment would then really start to deteriorate. In poorer countries environmental problems are worse both because people are less able to afford to take a long-term view and because private property rights (which tend to encourage a longer-term perspective) receive less emphasis. This has been especially true in communist countries, where pollution has become a major problem.

One wonders indeed why the welfare lobby has been so quiet in the environment debate given that the poor will be the first to suffer if economic growth is halted. Indeed, in many respects the ‘green’ movement can be viewed as an ‘elitist’ one.

Impact on Investment

Already there is no doubt that investment in Australia is lower than it should be because of the excessive priority being given to environmental preservation/pollution. But the stopping of projects such as Wesley Vale and Coronation Hill is only the tip of the iceberg. The Canberra-based research body, Access

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Economics, has identified $15 billion of potential investment projects as under threat if the 'environment' is allowed to be the main determinant. Beyond that there must be numerous projects that are not even reaching the 'under consideration' stage because they would 'damage' the environment. Forward estimates by the Australian Bureau of Statistics show that in Tasmania private investment is likely to fall by nearly 40 per cent in the current financial year and a further 30 per cent in 1990-91. The fact that these expected falls are occurring at a time when increases are expected in other States (albeit very modest increases) suggests that the increased emphasis on the environment being given by the Tasmanian Government (under the 'accord' with the Greens), is already having serious economic repercussions in that State. Given the Commonwealth Government's assertion that a major economic priority is to reduce the current account deficit and stabilise external debt, one wonders whether, before too long, we will see Federal intervention in Tasmania to reverse the anti-development strategy of the Tasmanian Government!

For that to be a politically realistic possibility, however, it will be necessary to educate the community about the basic flaws in the analysis that predicts doom unless major government intervention takes place to limit depletion of resources and prevent pollution. That will require a dramatic rethinking of strategy by (in particular) the business community, which has hitherto tended to accept that analysis and adopt a "lets-all-get-together-and-work-out-what-needs-to-be-done" approach. Business, we are told, just needs to have some governmental guidelines as to what sort of investment and other behaviour are environmentally acceptable. The trouble with this approach, however, is that unless the analytical flaws are exposed, the 'guidelines' on investment and business practice might lead, as Geoffrey Blainey has put it, to Australia becoming the world's largest nature reserve. Business must take the lead, not only in arguing that investment projects should not be stopped on environmental grounds unless there is clear evidence of substantial environmental costs, but in pointing out that in the end it is the community that will suffer and that the notion that business and community interests are totally different is highly misleading.

Flaws in the Analysis

It is not possible here to expose the many flaws in the doomsday analysis. But there are two or three fundamental points which can be mentioned briefly.

First, the analysis is based on a distorted view of how human societies work and interact with nature. Human society has various mechanisms which produce natural correctives when potential or actual clashes with nature occur. The price mechanism is one of the most potent — when governments allow it to work, that is. Thus, when the supply of fossil fuels eventually runs out — it has not yet even started to do so — this will induce a switch to alternative sources of energy, including the potentially limitless supply of renewable or near renewable energy. There is no danger of any shortage of energy.

Second, humans are capable of adjusting their behaviour. It is now clear, for example, that there has been a dramatic fall in fertility rates. As recently as 1970, women of the less developed world were bearing an average of six children each. Today that average is down to 3.7 and in developed countries fertility rates are now at close to levels that would produce stable populations. This change in human behaviour, which is importantly due to the marked improvement in living standards over the past 40 years (which Suzuki and his followers want to reverse), suggests a natural propensity to limit population.

Third, man's brain is capable of developing new technologies which allow adaptation to changes in the natural environment wrought by humans (such as the depletion of a non-renewable resource) and to correct past misuses of the environment.

It is little short of remarkable, when the track record of science is so good, that it tends to be scientists who take the lead in implicitly rejecting a positive role for science in allowing human material advancement. Thus, the argument that as the world's resources are 'finite' governments must intervene to (in effect) start rationing them does not stand up to closer analysis. If we include among our resources the brain of man, technology and the enormous potential that exists for further technological development it is difficult to see any limits to our resources properly defined.

None of this is to deny that there are risks involved in allowing economic development to proceed apace. The possibility of global warming, as a result of the accumulation of greenhouse gases in the atmosphere, is one such risk. But on any serious risk assessment of the evidence on global warming and its possible implications to date it would be foolhardy to succumb to the notion that governments must intervene to bring economic development to a halt or even to curtail it.

When interviewed by The Age, Dr Suzuki reportedly said "Garbage is a state of mind." But so too are the blue views which the green movement holds about economic development. Those views need to be challenged and the fallacies exposed.
The Necessity of British History

Bruce Knox

A survey conducted by the IPA (see page 40) indicates that British History has well nigh disappeared from Australian schools. Yet, as Bruce Knox argues below, modern Australia cannot be understood in any depth without a knowledge of the subject.

BRITISH history in Australia has fallen on hard times. Once a very prominent item in Australian schools, it has now been all but banished, apparently on the ground that it is not Australian, and that, in order to know ourselves, we must study what is close to home. This point is often associated with an attack on that canard in Australian life, the “cultural cringe.”

In reaction to the “cultural cringe,” there is more than a slight tendency to adopt what might be called a cultural smugness, if not swagger. Yet, paradoxically, those who argue most vociferously against British history often make much of our debt to the “cultures” brought to our shores by post-war non-British immigrants. They impress upon us a need to appreciate and learn from “Asia” or “the region.” This comes in addition to superficial comparisons between Australia and the United States, and assertions about how we must adopt “models” for industry, defence, trade unions, etc. derived from Sweden, Holland, Israel and other unlikely countries. There is a certain confusion also in the desire — proper and laudable in essence — somehow to integrate Aboriginal history with that of European Australia.

A Part of Australian History

To replace British history where it belongs will be difficult in the face of this state — or states — of mind. Yet it ought to be done, and in such a way as to recognize what ought to be commonplace, that British history is part of Australian history: a direct answer to the arrogant bigotry of those — an eminent historian, alas, amongst them — who wish to “get the British out of Australian history.”

It can be plausibly argued (if the argument is cautious and modest enough) that in 1788 a European society began to grow and to merge with that which already existed in Australia. But within a remarkably short time after 1788, that European society had come to dominate this continent, and by the end of the 19th century, it is clear, “Aboriginal Australia” had been displaced as completely as can be.

The parvenu Australian society which was given a political unity by the federation of 1901 was colonial. In all substantial respects, modified though they were by environment, distance and local exigencies, it was originated and formed by its parent society, nourished and influenced by contact with it. It had no history previous to 1788, save that of its mother country. Its history subsequent to 1788 was extensively connected with that of its mother country. Its “separate” development was, and is, inexplicable without reference to that history, partly in terms of Australia’s being an integral, active component of an empire of which Great Britain was the centre. In this, even more than in other respects, our experience is quite distinct from that of the Americans. We do not labour under the penalties of rebellion, revolution and secession; our sense of the world and of ourselves can be therefore, if we allow its proper scope, much clearer.

The specifics required by these claims are numerous, and one of the difficulties in the way of teaching the subject is to know how to draw together the necessary themes and topics in a manageable fashion. Where, for instance, does the Norman Conquest fit? We should appreciate the fact and the significance of 1066, but is it to do with the relations with the Continent, with the mingling of races in the British Isles, or with the development of kingly government? Can we successfully accommodate Malthus’s Essay on Population as well as the Battle of the Nile in giving attention to the last years of the 18th century? Is Malthus, indeed, as usable as Nelson in schools?

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These are just bare samples of the problems of construction and selection from which a British history curriculum would have to emerge. Add the relative weights to be given to, on the one hand, traditional issues of politics and the classes who formed the political nation (until “democracy” made its appearance!), and, on the other hand, more recent areas of interest such as work, family, and the lives of the masses, and the problems are compounded. There are those who would consider the Rugby origins of Australian Rules football to be more significant than the influence of the Oxford Movement on the church in the colonies.

Politics and the Constitution

The most evident aspects of Australian existence which derive directly from, and are dependent on, an historical interpretation of Britain are of fairly traditional concern — viz, politics and the constitution. In the late 1860s and early 1870s, political unrest in Victoria and New South Wales raised serious questions about the day-to-day working of their constitutions. There was no doubt, however, about the system in general. Sir Frederic Rogers, Permanent Under-Secretary for the Colonies, recognized that “the colonies having responsible governments are desirous of proceeding on the British plan, and their constitutional laws are framed on that model.” Victoria in particular, it is true, seemed at the time to lack many of “those constitutional understandings which give steadiness to politics”; and he presumed that “Home practice” and “modern ideas and precedent” would go some way to supplying such deficiencies. But it was the “plan” or “model,” not the details, which mattered: Rogers emphasized that a “slavish adherence to our constitutional practices — without looking into the reason of them and seeing whether these reasons applied to the circumstances of the colonies, would be very unwise.”

George Higinbotham, the Victorian radical, had a very poor opinion of the “person named Rogers” and his ilk; but his Whiggish respect for the British Constitution was such that he considered Queen Victoria “the wisest and best Constitutional Sovereign that has ever sat on the throne.” “We Englishmen [sic: he was Irish] in Australia,” he wrote to a troubled Henry Parkes, “possess the English system of self-government...the most precious and also the most responsible right of communities as of individuals arrived at man’s estate...[and] our chief and most imperative duty as politicians” was to support every principle of this system. How do we understand what he, and Rogers, meant? The history only of the Australian colonies will not supply the answer.

Returning to the present, there is scarcely a group (and, one sometimes thinks, few individuals) not apt to look to the functions of government for assistance, privilege, concession or regulation, and to the political process to achieve a result. Local factors, redolent of immediacy, are of course involved, to the extent of making the role of the State in Australia almost unique. But what of the framework within which it occurs? We hear much talk of the “Westminster model” of government; certain politicians, now removed from the corridors of power, have been derided for not knowing what is (allegedly) “the separation of powers” in the model. What is meant by these words? We are not sufficiently enlightened by potted paragraphs in newspapers or by the brief and easy wisdom peddled by television “spots”; nor by relying on lawyers for elucidation.

This was well enough demonstrated in 1975-6. The endless attempts to cite or deny precedents for the dismissal of a ministry were fruitless, as were the laboured analyses of “the Constitution” (as though a particular statute and its interpretation by judges makes a constitution) and of the inter-colonial discussions of the late 1890s. Nothing, perhaps, could have eliminated the partisan character of that prolonged controversy, but what an enormous difference would have been made had attention been directed to the history of relations between parliament and the executive. Ignorance of this was profound. The affair might not have been so disastrous had the rudiments of the turmoil of the seventeenth century — how much does the “Glorious Revolution” mean to a population deprived of British history? — been more generally available.
Connections Must be Drawn

The way, however, in which such history is taught in schools largely determines its benefit. It would not be enough to speak of the Civil War (which as things are, is more likely to summon up to Australian school children, and others, an American than an English event) or putting James II to flight. It must be clearly shown that on such things must depend our understanding of constitutional monarchy, otherwise known as parliamentary government — a contemporary phenomenon of some concern, one might suppose.

By the same token, it is difficult to see how the later transmission of this to Australia and elsewhere, in the form of colonial “responsible government,” can begin to be comprehended except by reference to the passage and consequences of the Great Reform Act of 1832; or the emergence of “democracy” without Chartism. And they must be treated in themselves, not as asides in the course of Australian history.

Britain has exerted an equal influence on Australia in other spheres, such as the law and its enforcement, economic organization and expectations, institutions and systems of education, religion (and irreligion), the roles of family and the sexes, relations between classes, social values: to make a list is to risk becoming tedious. If these areas of our existence are to be treated historically — not, it seems, by any means a foregone conclusion in the minds of some educators — only the incorporation of their British dimension can at least hope to mitigate that self-absorption which increasingly saddles Australians with a narrow and distorted view of the world.

It is not, one must emphasize, a matter of providing an alternative to Australian history. Our aim must be to look for a curriculum which, in schools, will establish the combination of the two. Specialization in one direction or another is for the universities, where also there ought to be ampler scope for the extension of historical study into Europe. It should be remembered that Australia has but little direct connection with Europe, in the sense which forms the present article. Britain is quite a different case, and, for an Australia which is geographically antipodean, provides not so much a gateway as a direct channel to that broad civilization which is the common heritage of both.

Green Hysteria — James Byth
(continued from page 34)

recognition that the new market is small, middle-class and possibly temporary. HDM Mattingly, December 1989: “...white collar women 30-49. ‘Green’ products targeted at them will be far more successful than those for lower blue-collar males.” The actual research graphs by Brian Sweeney and Associates show negative behaviour change (i.e. an aversion to “environmental consciousness”) among blue-collar and unemployed interviewees.

In many product areas, the green bandwagon is only the little finger of the invisible hand — and pale, pale green at that. In Britain, the fashion seems already to have peaked.

Trend is not destiny, for humans and for human governments. The 1980s saw almost every large and small conservationist group uncritically accepting Barry Commoner’s so-called “third law” of ecology, that any man-made change in a natural environment is likely to be detrimental to that system.

Thus the often worthy preservation of mangrove swamps around the Australian coast, on the rationale that they are the breeding grounds of fish species (as well as crocodiles, box jellyfish and sandflies, none of which are ever mentioned). Nature is dynamic, not static. Might we expect mangrove preservation to continue if malaria or dengue became part of the ecosystem, as in Papua New Guinea and Indonesia? A rapid shift in ethical judgment and in government action can be predicted with confidence.

When an issue recedes, the tide leaves flotsam behind it. If Australian scientists and journalists do not wish to see the tattered remnants of their once-proud reputations lying amongst that dross, then they must look to their codes of ethics — and their consciences — right away.

Notes
1. The Age, 18 April 1990.
The End of British History?

An informal survey conducted by the IPA suggests that the treatment of British history in Australian schools is fragmentary, erratic, and would seem to be deteriorating.

The survey encompassed a sample of 52 Catholic and other Independent schools in Melbourne, Sydney, and Perth, as well as the curriculum guide-lines offered by the respective State Education authorities. Only two schools (both of them in Melbourne) said that they taught British History as a subject in its own right. One of these courses was in Year 8, covering English history from pre-Roman times until 1500. The other was a Year 11 course dealing with British 19th century social history, including the growth of trade unions and the suffragette movement.

Long Periods Ignored

The remaining schools said that they taught British history as a component of other courses, although the amount of attention given to Britain varied enormously. Long periods of British history were frequently ignored.

Virtually all the schools examined British history between Roman times and the Reformation, the bulk of them (46) doing so in Year 8, in courses such as “The Changing World” (Western Australia) and “Medieval Society.”

Another aspect of British history to receive very wide coverage was the condition of British society prior to the settlement of Australia. This was touched upon in Australian History courses, mainly at Year 9 level: some 25 schools conducted Australian History at Year 9, four preferring to teach it in Year 8, and four in Year 10. Only four schools said that they offered later-year

Australian History courses dealing — however briefly — with British matters.

British society during, and between, the World Wars, and/or British involvement in international events in the twentieth century, were addressed in a number of later-year courses (10 schools teaching them in Year 10, 18 in Year 11, and five in Year 12).

The coverage of other periods in British history was less substantial. Only four schools, for instance, said that they looked at the “Glorious Revolution”: one Melbourne school as part of a Year 11 course in “Revolutions,” another in “Revolutions” at Year 9; one Sydney school in Year 9 “Revolutions”; and one Perth school as an elective — once again in Year 9. Several other schools, however, looked at the emergence of parliamentary government in other courses.

The Industrial Revolution (as distinct from its Australian ramifications) was considered in 10 schools: one, very briefly, in Year 8; two in each of Year 9 and 10, and five in Year 11. Of the latter, three were Perth schools. British imperialism was also touched upon in 10 schools — four at Year 10 level, six at Year 11 — in a wide variety of courses. These included courses devoted to “imperialism” or “colonialism,” and courses concerned with particular countries or regions (India, China, Africa). Six schools in Sydney also taught British 19th century history — beyond the industrial revolution and imperialism — in part of Year 11.

Inter-State Variations

The pattern of teaching in the private schools only varies in degree from that established by the State Education syllabuses. It should be noted, however, that NSW appears to have made greater provision for British history in its curriculum than have the other states.

In Years 7-10 in NSW, British history is included in the sub-topic areas: “Early Middle Ages,” “Later Middle Ages,” “England under the Tudors,” “Britain under the Stuarts,” and “New Empires” (most of which are taught consecutively in Year 8); Britain is also treated in “Society in Britain” (which deals with the 18th century, leading up to an explanation of Britain’s interest in colonizing a “great southern land”), “Australian History,” and topics dealing with political changes and the British Empire circa 1900. In Years 11-12, students are taught a compulsory Study examining World War I (including the British Home Front) and three more Studies chosen from among: three 19th Century Studies
(one of which is Britain); eight 20th Century Studies (where Britain is also available) and a Modern World Study (where Britain makes cameo appearances in such matters as US-Soviet relations). The Glorious Revolution can also be studied in a “Revolutions” unit offered to high performing History students at Year 12 level.

In Western Australia, British history only enters the Year 7-10 State curriculum in the “Changing World” subject and — briefly — in “Australian History.” In Years 11-12, where a unitized curriculum was adopted some years ago, Britain is dealt with in two successive Year 11 units, “The Industrial Revolution: 1760-1870s” and “British Imperialism: 1870-1918,” as well as one Year 12 unit (“Modern Europe,” which is partly devoted to British history between 1917 and 1945).

The potential treatment of British history in the Victorian State curriculum is much harder to ascertain. In Year 7-10, schools may use whatever materials they like, provided they comply with the objectives set out in the “Curriculum Frameworks” documents. The “Social Education” Framework allows History (along with Geography) to be subsumed within multidisciplinary and thematic teaching programs, as well as conventional disciplinary structures. British History is not mentioned anywhere in the Framework, although it could be taught under topics like “Voyages” and “Feudal Farms.”

Opportunities Shrinking

The Year 11-12 syllabus in Victoria is currently being rearranged as schools change over to the new Victorian Certificate of Education. It is disturbing to note that the VCE Study Design offers even fewer opportunities for the teaching of British history than are provided at present. The new “Revolutions” unit, for instance, includes just the French, Russian, and Chinese Revolutions. The unit “Nationalism and the Modern State” offers a choice of Italy, Germany, India, Indonesia or Vietnam. The VCE “Twentieth Century History” unit suggests the study of the First or Second World War, the Russian Revolution, or the Spanish Civil War. It seems mainly concerned with the new ideas and movements that emerged in these conflicts, thus tending to diminish the relevance of whatever involvement Britain had in them. The Melbourne school currently teaching the Year 11 course in British nineteenth century history, will be phasing it out next year because of the transfer to the VCE.

In WA, too, British history is out of favour. One Perth school said that British history would be removed from the curriculum next year, because of “a lack of takers at Year 12 level.”

### Poor Teaching Materials

The schools themselves do not seem very happy about the retreat of British history. Several of them, in fact, expressed a desire to strengthen their treatment of the subject. One Melbourne school observed that this desire had come to nothing for want of high quality teaching resources. Because the British History materials were “as dull as ditch water,” students turned towards the more dramatic courses in French and Russian history, and international conflicts.

These comments indicate that a simplistic return to the old ways of teaching British history will not be acceptable. Whether as a distinct subject or as a component of other courses, British history must be related to Australian society and Australia’s geo-political environment.

Australia’s legacy from Britain includes key national institutions, ways of thinking, and relationships with the outside world. This legacy has certainly been modified over the decades, but how can any of us — whatever our cultural background — make sense of our changing circumstances without knowing the state of affairs from which we have departed? All Australian children stand to benefit from an appropriate grounding in British history.

### Note

1. The following schools were surveyed:


   **Sydney:** The Kings School, Sydney Grammar, St Ignatius, The Cranbrook School, Newington College, Barker College, Abbotsleigh, the Ascham School, SCEGGS Darlinghurst, Holy Cross, St Joseph’s Boys’ School, SCEG Shore, Queenwood, Tangara, Redfield, Trinity, Kambala, and Sydney Boys’ High.

   **Perth:** Iona Presentation College, Trinity College, Santa Maria, Newman College, John XXII College, PLC, MLC, Christchurch, Wesley College, and the Hale School.

   Also consulted were the NSW Department of Education (Studies Directorate), WA Ministry of Education (Curriculum Policy Branch) and Victorian Education Ministry. The Victorian Social Education P-10 Framework and Victorian Certificate of Education History Study Design were examined.
Adam Smith in Poland

Tracey Harrison

Communism not only destroyed Poland's economy, it also depleted its cultural resources. Nevertheless, inspired by Western free-market thinkers and with the protection of the Church, the Polish intelligentsia has turned increasingly to free-market ideas.

Prior to the last European summer, it was often said that Central European dissidents belonged neither to the left camp, nor the right camp, but rather to the concentration camp. The line was first used by Vladimir Bukovsky, later being adopted by others, including Poland's Adam Michnik, who is now a Senator and the editor of Gazeta Wyboreza (the "Election Gazette"), the Solidarity movement’s weekly newspaper. In his "Letter from Prison," written during the period of martial law, Michnik claimed that Solidarity was politically immature, in as much as it lacked an alternative agenda, a blueprint with which to provide the foundations of a post-communist society.

Yet well before the legalization of Solidarity, a number of liberal and conservative intellectuals had sought a path for economic and social reconstruction according to Western free-market principles. For their pains, some were imprisoned during the early 1980s, but they still managed to publish periodicals underground—in defiance of the government's censorship. Their influence has been such that in a recent article on the future of socialism in Eastern Europe, Michnik complained that the "cult of the plan and planned economy has given way to the cult of the market and market values."

Influence of the Church

The success of the Polish underground and official publishing network can, to a large extent, be attributed to the power of the Catholic Church in Poland, and to Karol Wojtyla's policies when still the Cardinal Archbishop of Krakow (he went on, of course, to become the current Pope, John Paul II). Whereas in other Central and Eastern European countries the communist state completely neutralized all non-communist social institutions, in Poland the institutional and intellectual strength of the Catholic Church was sufficient to withstand opposition from the Party and managed to provide an ‘umbrella’ under which dissident intellectuals could shelter. Wojtyla insisted that protection should be granted to all dissidents, Catholics and disenchanted Communists alike, and in so doing gave institutional support to all anti-communist forces.

At the very beginning of the period of Communist government, the Church managed to secure for itself permission to publish one weekly newspaper and one journal. The newspaper, Tygodnik Powszechny, is now Poland's most respectable weekly paper and has since the late 1940s provided space for the ideas of pro-market economists such as Stefan Kisielewski. During the 1950s, Kisielewski and a handful of others (Tyrmand, Chrzanowski, Najder, Kubiak) founded a party of 'Crazy Liberals' and were able to publish liberal essays under the protection afforded by the Catholic press.

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IPA Review, Winter 1990
Disillusionment

In the early 1980s support for liberal economic policies gathered momentum both within dissident intellectual circles and in the Communist Party itself. Within the Communist Party, disillusionment with the system of state planning and control over the economy led many of the younger generation of Communists to a study of alternative economic theories.

Professor Bronisław Lagowski, of the prestigious Jagiellonian University, is a good representative of the disillusioned communists. During the period of martial law, Lagowski published articles in favour of the free-market in Tygodnik Powszechny under a pseudonym, and thereafter he continued his promotion of free market economics in Polityka, a newspaper supported by reformists within the Communist Party. Though he remains a member of the Communist Party, Professor Lagowski, in his book *What is Better Than Truth?* describes Adam Smith as “one of the greatest benefactors of mankind.” According to Lagowski, the implementation of Adam Smith’s economic principles has saved from premature death more people than injections for rabies.

Kisielewski and Lagowski are based in Krakow. In Warsaw, the intellectual impetus is provided by the journal *Res Publica*, under the editorial supervision of Marcin Krol, an historian and writer also associated with the Catholic press. According to Krol, *Res Publica*’s change in status from an underground journal to an official non-party publication was an attempt by the communist authorities to find a modus vivendi with the young generation of intellectuals who had, after the 1981 declaration of martial law, aligned themselves with the anti-party opposition. Whether or not this is so, any attempts by the party to recapture the intellectual high ground were too late in coming.

The Polish Left is very much stuck in a rut of its own construction; it has to address the possibility of neo-communism, that is, the formation of a new kind of government which embodies socialist ideals without socialism’s previous coerciveness. This places it in the position in which the Western Left found itself in the late 1960s and early 1970s.

Western Inspiration

The Polish “Right,” on the contrary, can at least attempt to offer some leadership in the field of liberal and conservative scholarship. Articles published in *Res Publica* have debated the relative merits of various Western pro-market perspectives; the journal has also published many translated extracts from articles by leading Western liberal and conservative theorists, including the American Michael Novak, author of *The Spirit of Democratic Capitalism*, and Roger Scruton, editor of the English conservative journal, *The Salisbury Review*.

It is the mixture of ‘cultural conservatism’ and free market economics to be found in the pages of such journals as *The Salisbury Review* and the US *National Review* which the Poles find particularly interesting. It is important for the Poles that their political principles be grounded in some kind of ethical system and thus they are looking to Western liberals and conservatives with an appreciation of the nexus between culture and economics to provide such a foundation.

The proliferation of pro-market journals, both legal and illegal, has ensured that Polish writers and academics are very well informed of Western political perspectives. Adam Szostkiewicz, the cultural editor of Tygodnik Powszechny, is even a regular reader of Australia’s own *Quadrant*.

Outside of the intelligentsia, socialist ideas and bureaucratic thinking have posed an obstacle to the growth of pro-market liberalism. Prior to the Communist takeover, socialism had enjoyed a respectable tradition within Poland. General Piludski, the pre-war leader who defeated an invading Bolshevik army in 1920, was a strong supporter of socialism. He demonstrated that it was possible to be a socialist without being pro-Soviet. There are also members of the Catholic clergy who are fearful of an outbreak of materialistic values in Polish society that free market
economic principles be embraced.

In an attempt to quell the fears of the clergy, the late Miroslav Dzielski founded the Krakow Entrepreneurs Club for Christian Liberals. Dzielski took the view that members of the Polish clergy were correct in their condemnation of Western consumerism or materialism, but wrong insofar as they treated capitalism as synonymous with consumerism. To put the matter differently, Dzielski argued that the evil lay in the worship of mammon — in living a life in the service of wealth. As such, this constituted an abuse of the system by individuals, not an indictment of the system itself.

The Krakow Entrepreneurs Club is based around students at the Jagellonian University and has not spread its membership to other cities. The best organized of the pro-market organizations operating across Poland is the Confederacy For a Free Poland (KPN). According to its leader, Leszek Moczulski, the KPN has 5,000 active members but its overall number of supporters could be placed between five and 10 per cent of the adult population — some 1.5 to 2 million people.

In an interview with the Warsaw Voice, Moczulski argued that state expenditure should be slashed by half and that the slashing should begin with the military. (Moczulski subscribes to the view that “if you want to cut off a cat’s tail, you should do it in one go and not bit by bit.”) The KPN are also lobbying for the construction of a system of legislation designed to protect private property.

Structural Problems

Concretely, the problem facing the Mazowiecki Government in any attempt to apply market principles is how does one rationalize without hurting the workers. And how does one hurt the workers without suffering a loss of political power? In such circumstances does one maintain political power in an authoritarian manner à la Franco and Pinochet, a situation feared by the Solidarity Senator, Adam Michnik; or does one make endless comprises, merely “shave the cat’s tail”, so that the system remains fundamentally the same?

The issue of Nowa Huta, in Krakow, provides a good illustration of the problem. The steelworks at Nowa Huta employ 100,000 workers. The production methods are out of date and the pollution from the plant is believed to be a major cause of the high incidence of cancer among residents of Krakow. The sulphur dioxide is also eating its way through the buildings in the baroque heart of Krakow — buildings which are potentially valuable for the tourist industry. The market square in the town’s centre is one of the best preserved medieval squares in Europe, but having survived the Nazi occupation it is now in need of chemical treatment to preserve it from Nowa Huta. Meanwhile the workers live like battery hens in rows of Stalinist cement flats, each one identical to every other. Conservative estimates are that one in 10 is an alcoholic. A statue of Lenin in the town’s centre provides the perfect graveyard motif.

Economic rationalists, conservationists and humanists would recommend the closure of the steelworks. However, since Nowa Huta is not a town which enjoyed a natural development, but arose out of a central plan, there is no other work available in that area for the thousands of workers likely to find themselves unemployed. In such circumstances it would be difficult to convince the workers that they would not be better off under a communist government. As Dostoevsky understood, given a choice between bread and freedom most people prefer bread. The argument of the Mazowiecki Government has to be that the Communists are even less likely to deliver the bread.

Added to these structural problems of an economic nature, the Polish supporters of the free
market face structural problems of a more psychological and cultural nature. As Pope John Paul II argued in the *Solicitudo Rei Socialis* encyclical:

"experience shows that the denial of the right of economic initiative, or its limitation in the name of an alleged 'equality' of everyone in society diminishes or in practice absolutely destroys the spirit of initiative, that is, the creative subjectivity of the citizen. As a consequence, there arises, not so much a true equality as a 'levelling down'. In the place of creative initiative—there appears passivity, dependence and submission to the bureaucratic apparatus."

According to Professor Beksiak of the Polish Sociological Association, a combination of the institutional mess (subordination of the economy to politics and constant legislative changes) and an arbitrary system of rewards (everything within the power of the manager, director, minister) have generated a new sociological ‘type’ — a passive man, afraid of taking risks, unwilling to make an effort, ignoring the law, and resorting to bribery. Professor Beksiak’s conclusion is that “Homo Polonis Economicus” has lost both his “venturesome nobility and capitalist rationale.”

It is one of the greatest tragedies of Polish history that throughout the Second World War both the German and Soviet armies pursued a deliberate and well-organized policy of physically destroying all remnants of the Polish aristocracy and large sections of the middle class. Another 40 years of Communism and the socialization schemes which came with it have seriously mutilated the creative potential of Polish society.

From this it follows that analogies drawn between the countries of Western Europe after World War II, and contemporary Central and Eastern European societies, are imperfect insofar as they fail to take into account the fact that communism does not only do violence to a country’s economy, but it also eats away at the cultural capital of a nation. This ‘cultural capital’ factor will seriously limit the choice of economic models open to the Poles. The Swedish model may seem to be the most attractive in the Western showroom to Polish workers who remain imbued with socialist ideals, but before one can adopt it one needs a middle class to run the corporatist institutions, and middle classes cannot be created ex nihilo.

At present the two groups within Polish society who show the greatest entrepreneurial acumen are the peasants and the urban money changers. Unlike others in eastern Europe, the Polish peasants escaped collectivization. The peasants understand the need to produce goods of the kind which the market wants, they know where to go to fetch the highest prices for their goods and they know how to ‘sit on’ produce, and not sell so as to raise the market value. The money changers stand on corners around banks and tourist centres saying “Change Money, Change Money” out of the sides of their mouths. Since their activities have been illegal they have had to perfect a ventriloquist’s manner of speaking without actually appearing to move their lips. They do their best to persuade and sell, to convince the Western visitor that he or she is getting a good deal.

It may therefore be the case that it will be the more base and ignoble aspects of capitalism which will begin to flourish in Polish society — that the Poles will experience a traumatic period wherein those who survive best will not be the most talented and enterprising but the most shrewd. In such circumstances, capitalism may end up with a bad press, and the arguments of those such as Professor Lagowski and Stefan Kisielcowski in Krakow and Marcin Król in Warsaw will be needed to keep alive the idea that capitalism, like socialism, is not monolithic but comes in various forms, some more or less desirable. Given the devastated condition of the Polish economy and the crippled state of the nation’s ‘cultural capital’, it may be some time before the Poles enjoy the fruits of a mature market system. The task of both the Mazowiecki Government and the pro-market Polish intelligentsia will be to convince the workers that in the long term their interests do not lie in trading-in one kind of bureaucratic socialism for another.
Protectionist Pressures

Anne E. Brunsdale

Anger at the trade imbalance with Japan is leading many Americans to demand protectionist measures.

It is useful, I think, to begin an examination of US-Japan relations by discussing the large imbalance in bilateral trade between the two countries. The future of the multilateral trading system could well depend on the policies which the Bush Administration chooses to adopt. For, indeed, the US trade deficit with Japan has become something of a thermometer that measures the friction in Japanese-American relations. The worldwide US deficit reached the boiling point of $152 billion in 1987, and $50 billion of that represented our deficit with Japan. The temperature has remained high because, even though the overall US deficit has fallen, net US imports from Japan still account for as much as 40 per cent of the total.

Serious thinkers about the American trade imbalance manage, of course, to separate the trade deficit and trade policy. The United States runs trade deficits, not just with Japan but with the world as a whole, because of macro-economic factors — like the low US saving-to-investment ratio — that have nothing directly to do with Japan. Similarly, the Japanese run trade surpluses because of the particular characteristics of their economy.

Nonetheless, the fact that the US bilateral trade deficit with Japan has remained so high at a time when the depreciation in the US dollar has made US exports more competitive generally, has fuelled charges that Japan is not trading fairly. In this environment, the difficulties associated with penetrating the Japanese market, the tendency of the Japanese Government to target particular sectors for successive export drives, and indeed, the whole host of economic and non-economic factors that underlie the persistent Japanese trade surplus, have become political targets.

The trade deficit thus serves as a lightning rod for the political frustrations that arise when governments are unable to perform the difficult and sensitive task of adjusting domestic economic policies for the sake of trade relations. And all this occurs even though Japan has largely eliminated its traditional trade barriers — that is, tariffs and quotas.

The latest episode in the US-Japan trade drama is the so-called Structural Impediments Initiative — SII for short. US and Japanese negotiators have drawn up lists of the political, social, and cultural barriers in the other's country that allegedly affect bilateral trade balances. The US list contains 240 so-called barriers, including Japan's complicated distribution system, its keiretsu system of industrial organization, its high land values, and low public investment. On the Japanese list are the US low savings-to-investment ratio, the pro-consumer bias in the US tax system, the inordinately large number of credit cards at large in our economy, and 77 other specific items. Almost every point raised by each side concerns a national policy, a cultural tradition, or a method of social organization that is not only politically sensitive but also an important aspect of the social compact between the government and the governed in each society.

Dealing with the domestic policies of another nation poses many problems. It intrudes into the sovereignty of another nation. It is difficult to measure success. And it is certainly most difficult to come up with permanent solutions that are guaranteed to solve the problem.

Beyond those practical and political problems, the implications for the trading system itself are potentially quite dangerous. First, government intervention in the trading system, whether it affects over-all trade balances or not, certainly affects the terms and composition of trade. When trade flows respond to government intervention and not market forces, we lose the efficiency of trade. The consequent decline in world prosperity affects all nations.

Second, and most critically, when governments intervene directly in bilateral trade relations, the inevitable course is for the affected trading partner to respond. Trade wars can result.

Some suggest that US/Japanese difficulties show that the multilateral trading system that has served us so well for the past forty years will be unable to meet today's political challenges. We hear talk that the system could devolve into three trading blocs, presumably centred around East Asia, North America, and Europe, and that within those blocs governments would operate...
industrial policies that select and assist the industries that are most likely to succeed. Others call for 'managed trade', in which bilateral agreements govern the nature and amount of trade between two countries. Groups in the US are putting pressure on our government to establish bilateral trade arrangements guaranteeing our exporters' market share. Such bilateral arrangements would of course, portend the end of the multilateral trading system. Indeed, a well-known US economist, Lester Thurow, recently announced that GATT, the agreement on which the multilateral trading system rests, is dead.

The Market Response

But statistics suggest that so far the market has overcome these pressures. International trade is booming. In 1989, the volume of world trade passed the three trillion US dollar mark, up 7.5 per cent from 1988 and nearly 50 per cent higher than 1980. Nor does international trade appear to be localized. Japan ships about 70 per cent of its exports outside Asia and receives a similar share of its imports from outside its home region. The European Community's exports to the rest of the world constitute 16 per cent of world trade, more than the share of either the US or Japan.

The veritable explosion in trade in recent years reflects the increasing globalization of product and capital markets. This phenomenon reinforces the strength of the multilateral system and provides a mechanism to protect that system against protectionist pressures.

Consider the model of trade employed since the days of Adam Smith and David Ricardo. That model was based on the premise that a nation's economy is co-extensive with its borders and that the domestic market is separate and distinct from foreign markets. The classical description of international trade fitted commercial reality quite well even into the 1960s and 70s. But with fast, easy, and cheap transportation and communications now at our disposal, that model no longer comports with commercial reality. It is difficult today to find an industry that is not globalized to some degree, drawing on capital and material resources from all over the world to manufacture products whose national origin is more a matter of opinion than of demonstrable fact. Indeed, about 50 per cent of total US international trade, imports and exports combined, is estimated to represent transactions between affiliated companies. That includes imports by US companies from their foreign affiliates and exports by US companies to their parents and subsidiaries abroad.

One example of this phenomenon is particularly interesting. By 1989, the most popular car in the United States in terms of new sales was the Honda Accord. Most Accords are now built in the United States using parts from the United States, Japan, Brazil, France — almost every part of the globe. And, of course, investors anywhere can buy Honda stock on global securities markets, which raises some questions about Honda's designation as a 'Japanese' car company. Indeed, the US Government recently protested a European Community proposal that automobiles like the Accord, produced on US soil by the traditional Japanese car companies, should be counted against European VRA limits on Japanese auto imports. The interests of the United States and Japan, not to mention the worldwide interests of Honda's stockholders and suppliers, opposed the unilateral effort of one trading partner to impose restrictions on trade. The US car companies, which have long operated on a multinational scale, have similar tales to tell, including their own large stakes in several Japanese and European car companies.

International Specialization

The globalization of production allows an increasing degree of international specialization, where each country adds value to the production of individual goods and services in accordance with its particular comparative advantage. Modern telecommunications and transportation technologies have made possible a shift from national specialization in the manufacture of finished products to global specialization in the provision of inputs to goods and services. Strategic use of the global factory has itself become a factor of production on which the competitiveness of a firm, wherever headquartered, increasingly depends.

What are the consequences of globalization? Two are especially noteworthy. First, globalization has changed the nature of trade politics. Public choice theory posits that producers — both labour and capital — gain protection because they have a strong interest in unifying to demand it. Consumer interests, on the other hand, are too diffuse to offer effective political objection. With the advent of globalized production, however, the 'consumer' is likely as not to be a downstream producer whose competitiveness in both national and international markets depends on the continued importation of the cheapest primary and intermediate goods available. We at the ITC, for example, now routinely expect to see participation in our cases involving import relief by downstream producers who import the product at issue for incorporation into their own finished or semi-finished
products. They object to the imposition of anti-dumping or countervailing duties and other trade barriers because their own ability to compete would be placed in jeopardy.

A second consequence of globalization is that protective measures are more difficult to enforce. Last year, for example, the ITC considered a petition from US producers of 3.5-inch microdisks for computer processing. The industry alleged that it was injured by imports of dumped Japanese disks. The Commission granted the petition and a steep anti-dumping duty was imposed. Part of the Commission’s consideration of injury centred on the fact that unused manufacturing capacity was very high. Within months of the imposition of the duties, however, the Japanese producers simply expanded their production of microdisks in the United States, exacerbating the very problem that had led to the imposition of the duties in the first place.

It is thus fair to say that there are competing forces vying for control over the destiny of the multilateral trading system. Political forces, grappling with trade imbalances caused by economic and social rigidities in every country, threaten the system at its very core. Globalization, however, is changing trade policies by creating an industrial structure heavily dependent on the multilateral trading system and powerful constituencies that favour free trade. What will be the result?

Will the Multilateral System Prevail?

I am moderately optimistic about the future of the multilateral system. The US trade deficit with Japan and the Japanese trade surplus with the rest of the world are both falling. In the past two years, the US trade deficit with Japan has declined by about 12 per cent as the growth in Japanese imports of US products has far outpaced the growth in Japanese exports to the US. Indeed, total Japanese imports of manufactured goods rose by about 80 per cent in the period 1985 to 1989. Today the Japanese spend more per capita on US products than do the West Germans, the French and the Italians combined.

On another level, it is clear that there is a philosophic revolution under way in the world that disfavours the kind of government intervention into markets that would both precede and follow the collapse of the international trade order. The Reagan revolution in the United States, the Thatcher era in Britain, and the examples posed by the abrupt adoption of free-market policies in New Zealand—and to some extent in Australia—have led to a fundamental change in world attitudes toward government’s role in commercial matters. We have seen the election of market-oriented candidates in Brazil and Mexico, where major economic liberalization is taking place. Eastern Europe appears poised to follow suit where it has not, as in the case of Poland, already done so to an important extent.

Even the main protagonists in our drama, Japan and the United States, are undergoing a fundamental re-evaluation of their domestic and international economic policies. The Japanese press, reflecting broad-based consumer attitudes, has called for a serious reconsideration of Japan’s mercantilist economic policies. A recent poll suggests that a strong majority of the Japanese agree with the points raised by the United States in the Structural Impediment talks with Japan. Japanese markets have become more open to competition in recent years and official policy appears to be less export oriented. All of this bodes well for a relaxation of tensions in the medium to long term.

We in the United States have moved to increase the international competitiveness of US goods and services and to reduce the trade imbalances of recent years. Indeed, there has been a major rationalization of US industry since the early 1980's. One also hears more calls in the US today for re-evaluating our tax system, reducing our federal budget deficit, overhauling our entrenched and ineffective primary education system, and the like. Policies like those, and not regulation of international trade markets, are seen by the Bush Administration as the key to American competitiveness in the long run.

Through the Uruguay round of the GATT, a great effort is being made to widen the multilateral framework of international trade and commerce and to wind back the restrictions that presently exist. The US Administration is fully supportive of this effort. It is also important to recognize that the attempts by the US to open up markets through bilateral negotiations have not sought to confine the benefits to US exporters. The opening up of Japanese and South Korean beef markets provide excellent examples of this policy, the main beneficiary of which has been Australian beef producers.

The battle is not won: there is still reason for considerable concern about protectionist pressure and considerable need to actively defend free and open trading rules. But the combination of the globalization of capital and product markets, and the adherence of key governments to free trade principles, should ensure success.

Editor’s Note

At the end of June, as a result of the S11 negotiations with the US, Japan agreed to increase public sector investment, enforce antimonopoly laws and take other measures to increase imports.
The Pacifist Henry V

R. J. Stove

Shakespeare's tale of military heroism has been remodelled as a tale of moral equivalence.

British actor/director Kenneth Branagh has made a film of Shakespeare's Henry V, and has turned it into an apologia for pacifism. This fact has not prevented the reviewers in Australia's mainstream media from greeting the film with clamorous praise, in which it is hard to determine which factor warrants most embarrassment: these critics' ignorance of Shakespeare; their ignorance of 15th century history; their ignorance of modern history; or the Panglossian antics by which they have once again contrived to pretend for ideological reasons that a cinematic goose is a swan.

Though Shakespeare's tragedies may pulverize the soul even more, and though his comedies may contain more exalted literary beauty, his history plays constitute the section of his output which most clearly separates genuine Shakespeareans from bluffers. These works' most obvious difficulty lies in their profusion of chronological, genealogical and political references. Poetical sensibility and the possession of gonads may be enough to get the average adolescent through Romeo and Juliet; he has not the smallest hope of getting through the history plays if he does not know why Thomas Mowbray was banished, what Salic Law was, why Archbishop Cranmer believed that Princess Elizabeth was the best thing since sliced bread, and so on.

Shakespeare's Values Scorned

Moreover, and still more maddeningly for the modern director, this abundance of detail cannot hide the magnificent unmodern simplicity of the history plays' themes. Whichever set of characters is being depicted, the themes remain constant. Though tyrannical rulers may be disastrous, wimpish rulers are always a hundred times more disastrous. Rebellion is detestable, whoever carries it out. Kings who marry French wives are asking for trouble. Practising witchcraft is at all times hateful, and deserves death. Cruelty on the battlefield can co-exist with feelings of the deepest mutual respect on the part of individual combatants.

It would be difficult to imagine any set of concepts less agreeable to the present-day liberal imagination. Yet Shakespeare's England, if one may borrow a phrase from a later and more sanctimonious era, "held these truths to be self-evident." It is no surprise to learn that socialist intellectuals have always been loud in their public detestation of the history plays, Henry V in particular. Bernard Shaw said that "one can hardly forgive Shakespeare [sic] for the worldly phase in which he tried to thrust such a Jingo hero as Harry [sic] V down our throats." Shaw's Fabian disciple Granville Barker complained, more prissily, that Henry V was "so stodgily good, even a little (dare one say it?) vulgar...I can imagine the lovers of his work losing hope in the Shakespeare of that year or two." And for Orwell, Henry V was "a disgusting beefy brute."

How to reconcile contemporary audiences to jingoism: this is the problem which the late 20th century Shakespeare director imagines he must solve, preferably without endangering his own credentials as a Sensitive Enlightened Warm Aware Guardian-reading Person.

The director's easiest way out is, of course, indiscriminate modern dress: costuming Hotspur's followers as soccer hoodlums, Falstaff's gang as bikies, and so on.

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It is to Kenneth Branagh's credit that he has eschewed that particular racket, at least. For most of the film's first half-hour, one is led to believe that this, almost uniquely among Britain's recent Shakespeare productions, will actually be a performance intended for adult minds. Alas, it duly becomes clear that what Branagh has substituted for standard directional puerility is equally pernicious and more oblique.

This first becomes obvious in the second Chorus, before Act II, which describes the new-found English enthusiasm for war against France: “Now all the youth of England are on fire/And silken dalliance in the wardrobe lies.” Branagh has visually accompanied most of this Chorus by a slow camera-pan: one that dwells on the squalid unofficial retirement village which those burbling old topers Bardolph, Pistol, Nym and Mistress Quickly now inhabit. The message is unmistakable: this decrepit Dad's Army is “the youth of England on fire.” Ha ha. So much for English war-enthusiasm. Pretty subtle, eh? And there's plenty more subtlety where that came from.

Omissions and Distortions

Soon it becomes blatantly evident that whatever elements Branagh imagines may comprise a Shakespeare film, the use of Shakespeare's own text in any but the most desultory manner is not among them. Whole scenes and whole characters are omitted; secondary roles are repeatedly conflated (e.g. Orleans and Rambures, Grandpre and the Constable); several other secondary roles, though not conflated, are abridged to the point of meaninglessness (e.g. Gower, Michael Williams, Westmoreland, the Boy). Just to add to the confusion, portions of Henry IV involving Falstaff and Bardolph are inserted into the film, and even these segments are rewritten (the character Nym turns up in them, though he never appears in Shakespeare's Henry V at all; moreover, one of Falstaff's most famous lines has been changed to “We have heard the chimes at midnight, Master Harry[!]”). It is unclear what Branagh ever hoped to achieve with this Sweeney Todd-like mutilation. He cannot have been seeking intelligibility: because not only do his chops and changes make nonsense of the play's motives, but the standard of his cast's diction varies to a ludicrous extent. The best actors in this regard are Paul Scofield (who plays the French king) and Brian Blessed (who plays the Duke of Exeter); the worst are Judi Dench (Mistress Quickly) and Robert Stephens (Pistol). With most of Pistol's speeches it is literally impossible to tell which language is being spoken. What (for example) HSC students from a state school would make of his utterances is beyond conjecture.

Theoretically, a Shakespeare performance whose director shared Branagh's crazed fondness for the textual surgeon's knife — and for letting several of his actors sound as if they have left their dentures at home — could nevertheless attain a limited intellectual respectability by compensating for its carelessness towards the letter with some fidelity to the spirit. Chez Branagh, no such luck. He recently gave a disingenuous pointer to his true intentions by telling an interviewer of his desire to “move people to every possible extreme of emotion.” His finished product makes it abundantly plain which particular extreme of emotion viewers are to be moved to: namely, pacifist repugnance. We are to have it dinned into us one more time both that War Is Hell (some of us hardly needed a 26 year-old cinematic propagandist to teach us that), and that War Is Unnecessary. The tactic by which Branagh hopes to persuade us of his latter belief is the time-honoured, not to say mildew-laden, doctrine of Moral Equivalence.

If this doctrine is to seem internally consistent, Branagh must argue that Our Side is as completely corrupted as, and so even more to blame than, Their Side. Branagh therefore seizes the opportunity to rub his audience's noses in the alleged infamy of the English well before the battle itself occurs. His cue for such an action is the hanging of Bardolph (Richard Briers), who has stolen a pax from a French church. Bardolph's crime is thus blasphemous as well as larcenous; Captain Fluellen (Ian Holm) refuses to intervene on Bardolph's behalf; and Bardolph is duly sent to the gallows. Shakespeare has already taken the trouble to make Fluellen a very sympathetic (if somewhat abrupt) figure, while Bardolph has been given no virtues at all except that of occasional fair-mindedness. Bardolph then is no
martyr; and to emphasize the squalor of his deed, he is both sentenced and put to death off-stage. Not, however, in the Branagh version. First, the nature of Bardolph's theft is left unclear (how many film-goers would know what a pax is, especially through Pistol's incoherent gargling?). Second, Branagh ignores Shakespeare's revelation (Act 3 Scene 6) that King Henry knew nothing of the hanging until after it occurred: Branagh makes Henry order Bardolph's hanging in the royal presence. Third, Branagh has Bardolph hanged on-screen, with camera-work whose gruesome detail it is not unfair to call loving. Nothing, not even the victim's frantic attempt to lift the rope from around his neck, is left to the imagination. The message is manifest: This Is What Militarism Leads to. And to italicize Branagh's rhetoric, the execution is carried out by the Duke of Exeter in person. One wonders if even the greatest teachers on earth could repair the pedagogical deficiencies of any director who believes that a mediaeval king's uncle moonlighted as a hangman. (But then Exeter, Henry V's ablest and most articulate supporter, inspires in Branagh a special resentment. When he is shown entering the French palace, Branagh has him entering from behind: so that, with his suit of dark armour, he looks like the baddie in Star Wars.)

In the lead-up to the battle proper, Branagh never fails to show his colours. Almost every time phrases like "a just cause" or "our cause if just" are spoken, there is a cut-away to the vacant-looking faces of the common soldiery (nudge, nudge, wink, wink, we know where "a just cause" will leave them, don't we). Another Branagh trick is to have his camera alternate between the English troops' heraldic devices and those borne by the French; pointing up the similarities of the former to the latter (Moral Equivalence rides again). The battle itself is everything one would expect, and worse: combatants are perpetually getting stuck in the mud, they are quite unrecognizable as Us or Them, they stab each other obsessively in the back. Oh, yes, naturally it's filmed in slow motion. When it is all over — though not before Henry, in another magnificently anachronistic howler, has amid his screeching rage tried to beat up the French herald Montjoy — Henry carries the corpse of his slain cousin to its resting place while the camera, in approved Vietnam-movie style; dwells for nearly 10 minutes on the bodies left behind. The survivors are singing Non nobis domine, but Branagh has long beforehand left us in no doubt as to where the Catholic liturgy gets off in his book. Fluellen is presented as a gibbering moron perpetually making the sign of the cross. (Sneer on camera at Negro or Aboriginal religious observances, and the entire race relations industry will unite to destroy you; sneer at Catholic observances, and you will be lauded to the skies.) The Duke of Burgundy's Act 5 speech, Shakespeareans will be totally unsurprised to learn, provides yet another opportunity for the camera to survey the thousands of war dead. One could go on to list Branagh's other follies and platitudes — the way that Henry V and Fluellen hug each other like members of a victorious football team, the deliberate Basil Fawlty voice in which Henry proposes marriage to Princess Catherine — but the reader may well consider himself to have supped full on horrors already.

Perhaps it is unfair to blame Branagh for all these horrors, when it is by no means sure that any British director would now be allowed to make a non-pacifist Henry V. Britain is not only, as Orwell said, the only nation left without nationalism; it has long since been a nation whose intellectuals are for the most part unencumbered by the smallest patriotic sentiment. In practice it has not mattered whether these intellectuals call themselves Left or Right: as the Falklands War revealed. (The chorus of bellyaches from The Guardian and The New Statesman during that conflict were fully matched for cowardice by pro-Argentinian columnists at The Spectator.) If you want to make a film in Britain, you must despise Britain. For Branagh, the idea of a country defending itself is laughable: his attitude to Agincourt is "A plague o'both your houses." One scarcely needs even a film director's inherently comical notions of historical fact to realize where this attitude would have left (say) Britain in 1940. Yet there is not even the faintest suggestion that Branagh realizes as much. The rest of us can do nothing about his ignorance except protect ourselves — and, since his film will be HSC fodder, our offspring — from its consequences.
Where is the Student Resistance?

Slowly but surely, a revolution is taking place in higher education in Australia — a revolution not against the government, but by the government. Examination of the recorded wisdom of previous generations is now steadily giving way to a plethora of quick, narrow-minded, mercenary courses dictated by technocratic fiat, and supposedly aimed at solving the national economic crisis.

What do students think about this? The answer to that is "not much." The majority of students have been largely silent about the government’s reforms — accepting them all as simply inevitable. For a variety of reasons, the politically active student groups have all been rather lack-lustre in their responses. It is all very strange, considering that it is the students who are going to be most seriously affected by the changes.

The universities, of course, can partly blame themselves for the revolution overtaking them: they should have known that once they surrendered financial autonomy during the Whitlam era, it would not be too long before a challenge to the independence of their teaching and inquiry would follow. And such a deprivation of autonomy is exactly what is being effected by Education Minister John Dawkins’ Unified National System — whatever its ostensible aims.

The Federal Government’s policy involves funding institutions according to the courses they offer — with more money being made available for what the government considers to be the “most relevant” courses. Other aspects of the policy include a clamp-down on research funding and the centralization of the administrative aspect of higher education, via a reduction in the number of institutions through the amalgamation process.

In concurrence with the amalgamations comes Dawkins’ answer to the user-pays system — the Higher Education Contribution Scheme (HECS), or Graduate Tax. This is truly an administrative nightmare — all those forms to fill out, and all you are doing is delaying the exciting prospect of paying money back to someone who has made your life a bureaucratic misery. It has been said that the Dawkins plan “...demands universities and colleges which run like well-managed corporations, with strategic plans, fast decision-making, clear accountability.” Yet corporations are responsible to their shareholders and ultimately to their customers; universities, however, in the new scheme are accountable not to the consumers of their services, but to the government which controls the purse strings.

Amalgamations Destroy Identity

The amalgamation issue is one that causes me the greatest concern. As a student, I don’t know that I really want to become part of the Greater University of Monash, Chisholm (two campuses) and Gippsland Institute. I chose to go to Monash University because I believed that its academic structure and life offered me more than other places of higher education. I had no idea that I could have chosen to go to Chisholm instead, and still have become a student of Monash within a few years.

At present, a stranger is able to form a clear picture of the Monash identity and what it means for you to have earned a Monash degree. The academics at Monash and Chisholm have developed different programs and attitudes, and this is recognized within the community. After the merger, ordinary citizens will no longer know which programs you have studied or which aptitudes you have received. Strangers will no longer know where they stand with Monash graduates, and the degrees offered by the new mega-university will be devalued as a result.

The responses by student political activists have been quite ineffectual. The Far Left have shown more interest in milking student union funds in order to promote revolutions further afield — in Central

Meralie Armstrong is an Arts student at Monash University in Melbourne.
America and Africa — than in the conditions of their student peers. The National Union of Students (controlled by left-wing Labor students) has announced a costly and showy attack on the Graduate Tax, in the form of a High Court challenge. This is of no consequence, for it could, at most, strike down those parts of the HECS legislation which permit postponed payment via the taxation system. A few desultory campaigns have been held at assorted campuses around the country, but there has not been any properly united or co-ordinated response to the reforms at any stage during the last two years.

The myopia of the student politicians' efforts was amply illustrated by a rally held at Monash late last year. A number of students, from various campuses around Melbourne, gathered to demonstrate against a visit by John Dawkins (believing that publicity surrounding the event had been aimed at inciting a riot, the Minister cancelled it at the last minute). I had been hoping that the demonstrators would make some constructive criticism of the Higher Education reforms: I was to be disappointed; they concentrated instead on the issue closest to the hip pocket nerve — the Graduate Tax. There was no suggestion that students oppose the absorption of their particular universities or colleges by corporatized, centralized, bureaucratic megaliths.

The situation is all the more galling when one considers the growing strength of conservatism on campus. Arguments for greater freedom, less bureaucracy and the recovery of lost cultural and intellectual diversity, have been striking a chord among students as well as academics in recent years. And the natural political outlet for this conservatism — the network of Liberal Clubs — has a strategic advantage over the Labor students, who are compromised by the need to maintain cordial relations with the ALP.

Unfortunately, the Liberal students have mostly neglected the Dawkins reforms, devoting their energies to the noble but so far unsuccessful pursuit of Voluntary Student Unionism, as well as to the disaffiliation of their campuses from NUS, and the privatization of Guild or Union-owned services. Deprived of its essential focus, the growing conservatism of students has not been translated into practical activity, but dissipated in apathy and cynicism.

Meanwhile, courses are being changed and devalued and tricked out in the new clothes of technocratic productivity. I have heard a number of students saying that Humanities or Arts courses, making no easily visible contribution to solving the economic crisis, are not viable and ought to be cut back. It is undeniable that a few of these courses have their deficiencies, but tarring them all with the same brush, and cutting them uniformly, will do nothing to repair these faults; such a crude approach will almost certainly exacerbate the problems.

People do not, any more than institutions, pop into existence fully formed. Rather, they grow and acquire their identity piece-meal, through interaction with ideas and with their social support structures. We are, as students, being stripped of our hardly-attained identity. Our institutions are being robbed of their (fragile) identities. It is no exaggeration to say that the individuality of students and universities is being eroded.

Cultural and intellectual thought and diversity is just as important as technological research to the survival of Australia. Until students recognize this, however, and until they make a concerted effort to persuade others of this, Dawkins and his ilk will dominate by default. Universities and colleges are in danger of becoming extensions of a corporate state, cultivating technocrats to fill positions in the bureaucracy. Is this really what Australia needs?

Notes
Anzac Memorials

Shaun Patrick Kenaelly

In this the 75th anniversary of Gallipoli, many Australians are rediscovering the spirit of Anzac and in so doing gaining a knowledge of themselves.

In a recent address, Sir Paul Hasluck urged Australians to remember their sacred sites; significant places in our history and civilization which endure, over generations, calling us back to explore and to recover their meanings. Not all of these sites, he observed, are located within Australia: the great European Cathedrals, for example. The Burma Railway is one such place; Gallipoli another.

Gallipoli has stirred the imagination of Australians from the very first sketchy newspaper reports telling of the Allied landings in the Dardanelles. The passing years have only served to deepen and extend our knowledge. The rights and wrongs of the campaign will be argued over a hundred years hence, as they have been since 1915. Such arguments can never be finally settled, nor history be fully distinguished from legend. Gallipoli was but a sideshow in the long history of Europe: for Australia it was crucial. The place is significant. From it we draw a most profound heroic tragedy. For us, the Anzacs embody our very best qualities: courage and fidelity; as they stand also for our highest virtues: honour and sacrifice. Theirs was a story which discloses our own human frailties and strengths. The place serves as a thread to connect Australia to the greater events of world history; but it is also a conventional wisdom to declare that Australia only truly became a nation on 25 April 1915, and certainly it is true that Anzac Day is a far more significant point in our calendar than Australia Day. It is a founding hour in our short history.

Many honourable sites within Australia received their endowment from the knowledge of these grand events far away; it is hardly by accident that we refer to The Shrine of Remembrance. Over the years, much profound — and also light-hearted — ceremony has grown around Anzac Day itself. In this, the 75th year out, it is apparent that Australians are turning increasingly to their Anzac heritage in order to find true knowledge of themselves and where they stand in the world. This year, in Melbourne, 8,000 were drawn to the Dawn Service at The Shrine and crowds, of a size unknown since the 1950s, lined the march.

There is a great dignity in the march past, but also terrific good humour. Grief and gaiety walk hand in hand. The veterans of the Second World War always show a great, merry fellowship. It is very haunting to witness the presence of their fathers, the men of the Great War, now represented by a few legendary figures and the banners of their Regimental Associations, still carried in the van although there is no longer anybody left to fall in behind. This year saw also a great strengthening in the ranks of the Vietnam veterans. The Vietnam 'vets' have been the victims of much unjustified scorn, but it may yet eventuate that the generation now in their cradles will grow to respect them as much as we regard the Anzacs.

A rather significant aspect of the Gallipoli Pilgrimage was that thousands of young Australians were drawn to it, camping out in the famous hills and gullies in the night before the Dawn Service. Anzac, Quinn’s Post and Lone Pine are nowadays fixed points drawing young Australians overseas, as surely as Westminster Abbey or The Louvre. Travellers, who slowly pace the rows of war-graves upon Gallipoli or in Flanders or in

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The Heart of a Community

Anzac memorials, in town and country, ferry such continuities. At the RSL in the town of Monbulk in the Blue Dandenong Ranges near Melbourne, a Roll of Honour is hung, to face each and every visitor. Made of native blackwood by the craftsman George Fuzzard, it carries, in several columns, the names of the local servicemen who fought for the nation in all our wars. Six men went to the Boer War; one to the Boxer Rebellion. The Great War follows, taking four long columns; the Second World War after. This Honour Roll was unveiled in 1958, but there are additions to the legend: Malaya and Vietnam. A cross holds the centre flanked by the rolls much after the manner of a medieval triptych: LEST WE FORGET. There is a small memorial plate at the foot: “To the memory of Pte Ian Grey 2/24 BN and all who died for the country we love.”

This RSL Honour Board stands for the heart of its township in a very real sense. The meanings are plain; they are discernible to every visitor, and yet, if explored further, repay the study. The Great War Memorials are in the cities; but to turn Sir Paul Hasluck’s point slightly, not all our significant sites are legendary nor do they necessarily draw visitors. But they are there. Nearly every district and township in the country must possess an “Anzac Memorial” — a local monument to the returned soldiers of the Great War — and those who did not return. Their logic is essentially local, but the over-arching sense is national. The memorials work to locate the steps by which private, individual sentiment — that of families and communities — joins to the understanding of a national spirit. Yet because they are often in familiar places we pass by them daily and hardly notice them. Some are given prominence; others are hidden away in odd corners, drawing the occasional, curious visitor. They may project grandness or simplicity; some enjoy a most perfect harmony with their spirit of place and others look awkward. All, in precious and singular ways, serve to explore that connection offered on the RSL Honour Board at Monbulk, detailing and disclosing “the country we love.”

A nexus between government and people is provided by the great Memorial established by the old Shire of Ferntree Gully (of which Monbulk is part) at the end of the Great War. The Shire ordered an Honour Board to commemorate its citizen-soldiers. The Honour Board is majestic. Of solid wood, it carries 10 long columns of names; flanked by strong Doric pillars; the lettering in gold and the proclamation unambiguous: “Roll of Honour. Patriots from this Shire who served in the Great War 1914-1919. For King and Empire.” For many years it hung, dominating an entire wall, supervising the deliberations of generations of Councillors in the old Shire Hall. I remember it well from my school-days, when the building was the City of Knox library. Today it has a home in the Ferntree Gully RSL. It commands respect; listing, in alphabetical order, 430 men and three nursing sisters. The letter K (for Killed) appears beside 51 names.

The Shire-Roll is majestic because it conveys, as surely as a Corporation mace, the authority of an entire community. A pair of cannons complete the scroll-work, suggesting such power. But despite its gravity, the Shire-Roll does not stand alone. In the townships surrounding are many other memorials; simpler in the main and less grave; more honour boards, cenotaphs and single monuments; planted avenues of honour. They are to be found in schools and halls, in churches and in RSL sub-branches, as at Monbulk; some stand upon their own ground. Over the late summer of this year, I set out to visit the Anzac Memorials of my own district, the Blue Dandenong Ranges; journeying on foot mostly and by local bus. As I began, I knew of nine local memorials — there are over 30 and I cannot claim to have seen them all. I thought I knew The Hills well. I did not.

Great Cost

The cost of a granite cenotaph to a small township in 1921 must have been immense, but the investments were made. In a way they were beyond price, given the nature of the sacrifice they represent. The memorials draw out deep — and conflicting — emotions in us; even now, when so many of our values are changed. In great part we are drawn to the tables of casualties and often find it quite hard to accept the reasons why so many died. It is impossible to avoid knowledge of the extraordinary proportion of the fallen to survivors.

What is certain is that scarcely had the war ended than community upon community busied itself with the work of instituting suitable memorials. In April 1919, in the same week that Belgrave was winding up the accounts of its branch of the Australian Comforts Fund down in the valley, in Bayswater, returning soldiers were gathering:

A meeting of returned soldiers and residents was held in the local hall on Wednesday in connection with the Anzac Remembrance Day appeal. A sports meeting, followed by a dance, is to be held.
the other by a short, devotional silence. Lt. Col. R.A. Gordon of Upwey-Belgrave RSL explained the distinction to a local newspaper in 1989: “Anzac Day is for national remembrance and Armistice Day is for personal remembrance.” Armistice Day: it is not always remembered nowadays that Earl Haig’s poppy and the two-minute silence mark the hour and moment when the guns all fell silent across the Western Front. It is as though the moment remained, stood still in time. The long-fingered leaves of laurel cast such a shadow; one

reason why they were chosen as token of victory and of grief in ancient times. A tracery of laurel is found on the headboard of the Kallista Honour Board and also on the Honour Board at Olinda.

Democracy in Arms

Equality was a notable characteristic of the AIF in both World Wars: to no man an unnecessary distinction. Australia follows the English tradition of keeping a small standing army and relying upon volunteers in times of national emergency. Many battle honours of the 1st AIF passed to militia formations during the wars. The Prime Minister, R.G. Menzies, explained the national character to an English audience in 1941:

“What you must remember is that the Australian Army is a civilian army. It tears up its roots and goes to war reluctantly, but when it goes, it goes to fight. Its ranks are filled with all classes and occupations. It is the perfect example of democracy in arms.”

And also

“Do not make the error of thinking that these men of Australia are mere wandering adventurers. They have a job to do: they are in deadly earnest about it, and want to go home when it is done.”

Most RSL sub-branches keep Honour Boards of departed and distinguished fellows where martial and civic distinctions are recognized; but rarely do Anzac Memorials so mark. At The Basin and Ferny Creek Schools nurses head the Honour Boards, as they do on the Cenotaph at Belgrave. At Olinda, on the Roll of Honour, the one nurse, Sister A. Card, and Doctor L. Cox are ranked in their alphabetical place. To a modern eye this seems equitable — many memorials do not give credit to nurses at all. An alphabetical listing grants a formal equality to everyone, no matter how greater or lesser their part.

Avenues of Honour

Hardly had the shots died away at Gallipoli than trees were planted in “The Anzac Plantation” in the Domain, Melbourne, opened on Anzac Day 1916. The Wattle League held an annual service there (the League was a major charity fund of the war years — and after — and had a sprig of golden wattle as its token). Avenues of Honour were widely planted in Victoria, from the first (and greatest) at Ballarat in 1917. The scholar of the Avenues, Janine Haddow, estimates that there are 128 Avenues of Honour in Victoria.

There are four in the Hills. The Avenue at Emerald, opened Anzac Day 1921, was of blackwood trees (*Acacia Melanoxylon*), an appropriate tree of the district (but does the name perhaps suggest mourning — a native substitute for poetic laurel?) The Avenue stands along Heroes Avenue; the Emerald RSL is close by, on Memorial Avenue. There are a number of roads in the Hills, as elsewhere, named during the World Wars or as a consequence of them: we have a Jacka Street in Ferny Creek, for the first VC; also Ramu Parade, leading down the mountain-side to The Basin. At Gembrook, Anzac Street runs into Heroes Avenue.

At Emerald, each blackwood was named for a man and a plaque with his name bound around the trunk. Very few of the trees have survived to this day — the years have not been kind to the Avenues — and some of
the plaques are missing. The remaining plaques, 31 in all, have been rescued by the Emerald RSL. They are quite beautiful — of copper, I think; the names provide a sense of the whole district, not only Emerald. Many names are held also on the Cockatoo Cenotaph and upon the Gembrook Honour Board. This covers quite a span of country.

Gembrook chose English Oak (*Quercus robur*) for its Avenue of Honour, and the poetry needs little annotation: oak for strength. At Ferny Creek the plantings were of chestnut trees; the Spanish or Sweet Chestnut (*Castanea sativa*), the edible kind roasted on the hob. The Avenue of Honour runs along Main Road from the junction of Sherbrooke Road — "Anzac Corner" — to the corner of Clarkmont Road; a quarter-mile stretch known locally as "Anzac Avenue" and still so marked on some maps. A curious stone monument stands at Anzac Corner, on the verge between the road junctions and Sherbrooke Forest, and carries the Honour Roll of over one hundred names, in six columns over three bronze plates. Each man is assigned a particular tree and it ought to be possible to find who and which by counting as you walk along. There were formerly individual plaques upon the trees which made this a lot easier, but these are long since gone. The Ferny Creek Anzac Avenue of Honour was the most ambitious project in the Blue Dandenongs, next to the great cumulative Shire Roll. In size, execution and completion it dwarfs any Honour Board. In all there were 104 chestnut trees (of which only about 15 are still standing).

In her history of the Shire of Ferny Gully, Helen Coulson described Ferny Creek as "a tree-conscious community." But why chestnut? The symbolism was very carefully chosen. Chestnut trees in the Dandenongs usually let fall their fruit in the last week of April, which includes Anzac Day. The trees, standing on public land, would then grant a rich harvest to all comers; an expression of the disinterestedness which moved the spirit of national service. Moreover, the pioneering citizens knew that only with the grandchildren of the Anzacs would the bounty of the mature chestnut trees be fully received. Their conception was absolutely magnificent. Today, 80 years on, these trees would have been majestic, the Avenue tall and deep, with the tops of trees meeting over the road to form a triumphal arch. It would have been a wonder of the Blue Dandenongs, a living Cathedral; people would have travelled hundreds of miles just to see it. Each year, around Anzac Day, the harvest would be there; free for the gathering.

Chestnut trees abide in Ferny Creek gardens and private plantations. The trees have great commercial value — all the more extraordinary that the struggling pioneer farmers should have been so generous with the planting of the Avenue of Honour. But then, they were the Anzacs. Each year, children busy themselves gathering nuts from the gardens and set up their little stalls by the roadside, selling to the passing Anzac Day holiday and weekend trade. There are several great trees at the Ferny Creek Primary School — more foresight — and the school holds an annual "Chestnut Festival"; it is their major fundraising effort. It was late this year (13 May), the consequence of a dry summer. In 1984 the school published a book of Chestnut recipes. Up the mountain, the Mt Dandenong Kindergarten also has a Chestnut Festival (6 May 1990), held by good coincidence, at the Kalorama Memorial Reserve — another Anzac Memorial. For many years the Ferny Creek Horticultural Society has held its Autumn Flower Show in the week of Anzac Day. Tree-conscious. Knowledge of the chestnuts has passed subtly into the imagination of the township, working directly to shape our civic life and consciousness. What has diminished in the transmission is sure public knowledge of the order which the Avenue represents: Horticultural Society, RSL and school do not consult. It is a condition of civil life — partly private, partly public — that they should not. The seasonal calendar shapes tradition and makes the law and people go about their business. But it is important to remember that the anniversary, 25 April, was interpreted with a very good eye to the possibilities of its local unfolding.

Notes


This is an edited extract from a longer, unpublished paper on war memorials in the Victorian Dandenong Ranges available for $5.00 (to cover photocopying, postage and handling costs) from the IPA, 83 William Street, Melbourne, 3000.
Letters

Dear Editor,


Surely the time has come to get rid of Mr Henry Bosch's NCSC. Its charter seems confused: is it an intelligence-gatherer, a standards legislator, or a law enforcer?

The last function is rendered hopeless by its chairman appearing on TV and making prejudicial if not defamatory remarks. The “big boys” must rejoice every time Henry puts his foot in it, and aborts yet another prosecution!

And what standards has it legislated? The law and practice of corporate accountancy has never been more confused than now.

It could perform a useful function as a national clearing house on potential corporate crime, accessible to the relevant state authorities. Unfortunately, it has created another brawling conflict over jurisdictional ambits!

The utter hopelessness of creating well-meaning national authorities over anything has never been more crassly obvious, in every field. The whole centralist craziness of the late-1960s/early 1970s has got to be ditched.

Federations everywhere lead the world in law-abidingness and prosperity. We have got to get back to federation, especially in administration, and more especially in corporation law.

Bill à Beckett
Elwood, Vic.

Dear Editor,

The authors of the article “Cargo Cult Economics” (IPA Review, Autumn 1990) would have contributed more to the discussion of education policy if they had examined current trends in higher education in Korea, Taiwan and Singapore more closely. These countries have invested heavily in higher education and have emphasized engineering education. Relative to population they graduate many more engineers than do Western nations. In the case of Korea, the current level of engineering graduations is three times that of Australia while Singapore will surpass Korea in the next few years. Clearly, these countries have imitated the Japanese model.

Your contributors are correct in implying that an adequate supply of engineers is not, in itself, a sufficient condition for economic growth. However, it is now abundantly clear that a sufficiency of engineers is essential for industrial competitiveness. This point is made in a recent report by the United States National Research Council:

“Engineering is so vital to US technological competence, without which it cannot compete in world markets, that issues affecting the human-resource base within engineering must be closely examined. The major policy issue is whether the United States will have an adequate supply of qualified engineers in the 21st century.”

Space does not permit me to comment on the idiosyncratic and invalid redefinition of “research and development” in your correspondents’ comparison of Australian and American R&D. However, this comparison is not meaningful because the data have not been disaggregated by sector of performance. It is not difficult to show that, as a percentage of GDP, Australian industrial R&D spending is less than one-quarter of the level prevailing in America and, for that matter, in many other countries. The significance of this fact should be evident.

Michael Rice
Blackburn South, Vic.

Dear Editor

The world does indeed have an exploding population problem, but as pointed out by “How Many is Too Many” (IPA Review, Autumn 1990) it is not uniform.

Prophets of doom and gloom such as Paul Ehrlich and the latest in-guru, Dr David Suzuki, have made great capital out of unqualified statements, playing on the fears of many.

A population explosion is quite evident, but Ehrlich fails to point out that it exists only in those countries such as Kenya which are less able to deal with it. The countries of both east and west Europe, North America, Japan, Australia and New Zealand do not have a population explosion.

Critics such as Ehrlich often state that the latter countries unfairly rape the world’s resources and energy; but these are the countries that have organized themselves to produce wealth and indeed surplus food, so they have a right to enjoy their fruits.

Therefore we are left all of Africa, large areas of Asia, Oceania and Central and South America and Mexico which are simply not producing enough food to even begin to solve their problems. In most cases it is the result of just plain bad government. For instance, India has a nuclear and space program and spends a great deal of money on such projects...
while millions starve; Zimbabwe’s Mugabe spends millions on personal luxuries and military, while his countrymen suffer more and more hardship.

While realizing that AIDS is rampant in these parts and nature may take its course, the future does indeed look bleak, with more famine, more disease, more wars, more soil erosion and pollution.

Do we have a responsibility or obligation to help? In reality, no. They have demanded independence and real independence means to provide for and defend oneself. Morally, however, there may be a case.

Billions of dollars collectively worldwide is given to these countries, with it appears, little effect. Regardless of famines and disease, the population is still outrageously high; and because of this each year they will demand (they never request) greater amounts of aid. How then can we help more effectively? Surely we must stress that each government that receives aid takes on the responsibility of reducing population growth as top priority and their efforts to do so will depend on what aid is forthcoming. Unreasonable?

The only alternative will be the continual hand-outs and an ever increasing irritability among the population of the ‘wealthy countries’ being asked to ‘cough-up’ through their taxes and the numerous appeals.

Unless the population is curbed in the poor countries, a greater hell will exist for them than what exists now and the instigators and do-gooders of the existing aid programs should be held to blame.

The whole subject of overseas aid must be thoroughly scrutinized.

F. A. Pownall
Mosman Park, WA

Dear Editor,

I have just had time to read the Autumn edition of IPA Review.

It has given me further insight into the growth of the ‘New Age’ movement. For example:

Bill Muehlenberg’s article “Is There Life After Marx?” highlights the vacuum which has grown up in Australian politics with the discrediting of Communism.

Into the vacuum rush, not only the Australian Democrats but also “The Rainbow Alliance” and “One World Campaign”—all spouting New Age propaganda and clichés.

William Kerley (“My Generation, Baby”) shows how a whole generation were radicalized and prepared for political agitation. Most revealing was his analysis of where his generation now work—advisers to politicians, journalists (especially in the ABC), teachers. This explains why traditional values have disappeared from, or been savaged by, the media and academics—as Muehlenberg points out.

Hal Colebatch’s article “Father Fox and the Cosmic Christ” showed how blatant the “New Age” movement is becoming. Quite rightly, he suggests the answer to Muehlenberg’s question—there is indeed life after Marx: the Left has this new ‘religion’ to espouse.

It can be confidently predicted that this new religion will be far more dangerous to Australia’s lifestyle and traditional values than Marxism ever was.

You have a task before you as you confront this new ideology. Belief in free enterprise, democracy, the rule of law, the traditional family and the other aims of IPA will not be enough. You will be dealing with a spiritual battle in which only spiritual weapons will win.

But have fun as you try: Australia certainly needs you.

G.P. Thompson
Belrose, NSW

Dear Editor,

I refer to the piece in the Autumn 1990 IPA Review by Hal Colebatch entitled “Father Fox and the Cosmic Christ”. This mordant approach to a lecture of Father Matthew Fox O.P. at the University of Western Australia tends to drift into a scornful criticism of “New Age” religious preoccupations in general. Mr Colebatch rarely states his own preconceptions in pieces of this sort, but tends to hand down judgments like some crusty Scholastic who confuses the structures of religion with their intrinsic core and purpose. While I share Colebatch’s impatience with the verbal fairy floss used by many New Age gurus, I am not so myopic as to confuse woolliness of language...
with emptiness of message. Terms used by people like Father Fox, such as 'birthing', 'empowerment' and so on are indeed irritating verbal sludge. But so is much of the ugly jargon of the social sciences, business and Economics, i.e., 'skilling', 'accessing', 'heading up', 'interfacing', etc. American pop-English is corrupting the language of conservative and radical alike, becoming a form of semantic cholesterol which clogs the flow of educational discourse. Junk language has now become quite chic for editors, educational directors and US Presidents. It is hardly a New Age creation.

There is much more to be said for Father Matthew Fox than Colebatch's smart dismissal suggests. Before Fox the pop-guru circuit he produced a brilliant book of translation and commentary on Meister Eckhardt called Breakthrough, and he is a scholar and translator of some distinction. Certainly he should know better than to use atrocious metaphors like: "You can't sit on linear benches and imbibe a cosmology." Yet this is still a metaphor which means something, despite Mr Colebatch who seems not very good at lateral thinking himself. In tidier translation, Fox would appear to be saying: "Straight-line cause-and-effect thinking is all very well for pursuing practical worldly endeavours. But it cannot hope to convey any proper picture of the Einsteinian cosmos and our likely place in it." Surely no thinker with any pretensions to flexibility should have difficulty with that view.

Spirituality, as experienced, is always dependent upon metaphor, since such experience defies the canons of logical thought. Read St Teresa of Avila, John Law, Thomas Traherne or William Blake if you doubt this. A radical empiricist might regard them as ratbags one and all, but one hopes that Mr Colebatch is not as rigid as that. Assuredly Fox's metaphors, as cited, are such bad metaphors that one wonders why a scholar of undoubted distinction is slumping in this fashion. Perhaps he possesses very little of the spiritual illumination he invites his hearers to aspire to. But he deserves the benefit of the doubt on the basis of his achievements in print.

One need not defend the shallow and ephemeral enthusiasm of all people who offer alternatives of official religions like Catholicism or resort to the bad manners which prompt a priest to mock the head of his own Church in such an insolent fashion. But Fox is still struggling, like many thoughtful people, with the rigid cause-and-effect, rationalistic world-view to which the Church has been such an intransigent medieval grand-parent. Nor does one aspire to join the ranks of "retired school teachers and priestesses" whom Colebatch dismisses so contemptuously from his legalistic Olympus. However silly and ill-informed these travelling vendors of the "New Age" may sometimes be, they serve a lost and growing constituency to whom mainstream Christian religion seems to be more concerned with issues of sex and procreation or nagging its middle-class adherents about the politics of wealth than attending to its central doctrinal traditions or its core of spiritualty. Much as one admires Pope John Paul II, it is difficult not to grimace with embarrassment when he talks of "the contraceptive mentality" while speaking in a Third World nation suffocating under the weight of over-population. Neither does one have to submit to the obstructions of the Roman magisterium in social fringe areas where it has no business to be acting as a nanny toward private conscience.

If Fox had argued that, anthropologically, the Virgin Mary offered the equivalent to the Mother Goddess he would be merely repeating what C.G. Jung and other scholars of comparative religion have been saying for at least a century. To make this parallel should imply no disrespect for the Mother of Christ to those with a little mythic imagination. Jibing at intellectual carnival acts mounted by such theological "bad boys" as Father Fox does not even begin to answer the main question as to why so many intelligent young people in particular are deserting mainstream religions in droves. To hint that these people are all dupes, extreme feminists or hippie-style malcontents is to play the curmudgeon. The cause of reason is hardly served by such irascibility. Recourse to either blind faith or sense data, after all, are not the only testing grounds of what is real.

When a mainstream religion loses its true seekers, its saints and mystics and relies too much upon the canonical legalism with which writers like Colebatch seem so clearly in sympathy, it is in danger of becoming the mere corpse of its Founder. Nor should one confuse the true conservatism with derisory reflexes that seem to me downright reactionary. Some time ago, in another publication, Mr Colebatch rudely suggested that I confine myself to those areas in which I had some expertise. Perhaps in the case of his own superficial approach to alternative religious movements the writer could benefit from heed- ing his own advice.

Ronald Conway
Hawthorn, Vic.
Education Conference Points to Need for State-Wide Testing

The IPA Education Policy Unit drew an excellent response to its second annual Education Conference, held in Melbourne on 3 May, addressing the theme of “Curriculum and Assessment in the 1990s.”

The keynote speaker at the conference was a world authority on educational reform, Dr Clare Burstall, Director of the UK National Foundation for Educational Research. Dr Burstall was a key member of the group responsible for devising the UK’s new system of nation-wide testing.

Dr Burstall provided her audience of 300 parents, Education Department officials, policy-makers, teachers, business people and academics with a timely demonstration of the need for testing as a basis on which to help children who are failing to master the basic skills.

Other speakers included Ken Eltis, Bill Hannan, Eric Mayer, Geoffrey Partington, Robert Gottliebsen, David Penington and Greg Sheridan. A panel of Headmasters commented critically on the new Victorian Certificate of Education.

Dr Burstall also addressed a luncheon in Sydney attended by 180 people.

Big Spender Spot-lighted by New States’ Policy Unit Director

Dr Mike Nahan was appointed Director of the Perth-based IPA States’ Policy Unit in April. Dr Nahan replaces Les McCarrey, who held the position from its inception in 1986.

During May, Dr Nahan drew on a comparative analysis of the States’ spending, taxation and deficits, to identify Victoria as the highest spending State in the country. Robyn Dixon of The Age noted:

“Mr Nahan said a Commission report contradicted Mr Cain’s claims that the Government had been moderate in its spending. He said that if Victoria had spent and taxed at the same rate as NSW in 1988/89, it could have saved $774 million” (The Age, 15 May 1990).

Dr Nahan was formerly Director of Policy within Western Australia’s Ministry of Economic Development. He has previously worked in various capacities on public sector management issues in Australia, the USA, and South-East Asia, including positions with the World Bank and the United Nations.
Tasmanian Debt Crisis Exposed

"Leading Australian economist, Des Moore, former Secretary of the Australian Loan Council and now a Senior Fellow in the Institute of Public Affairs think-tank, sent shivers up the spine of Tasmania when he said recently that the State was close to a basket case." This was the comment of the Hobart correspondent of the Canberra Times (3 May 1990) following Des Moore's recent exposure of Tasmania's economic problems.

Mr Moore drew attention to the fact that Tasmania was expecting a fall of over 30 per cent in new capital expenditure by business during the current financial year, with a further fall of 27 per cent expected in 1990/91.

In an article in the Hobart Mercury (9 May 1990), he identified the Tasmanian Administration's big-spending and borrowing ways as the main culprit for the State's debt. Servicing this debt now requires around 25 per cent of the State's public sector revenues.

Pacific Security Conferences

Early in May, the Pacific Security Research Institute (the IPA's defence and foreign policy unit) conducted a seminar on Papua New Guinea and the crisis in Bougainville. The seminar was held at BHP House, Melbourne, in conjunction with the Council for the National Interest. The speakers, including David Anderson, Executive Director of the PSRI, and F. J. Brown, the National Secretary of the CNI, presented a range of views, indicating that PNG is becoming a source of considerable disagreement among Australian analysts.

The IPA will shortly publish a major collection of views on The Australia-PNG Relationship: Problems and Prospects.

In July, the PSRI will be holding two important seminars — one in Melbourne, the other in Sydney — addressing two matters of vital significance for Australia's foreign relations: America's future in the Pacific; and the state of China today.

For the seminars, the IPA will bring to Australia Winston Lord, the immediate past US Ambassador to China, and Bette Bao Lord, a prize-winning novelist on Chinese culture and politics. They will be matched with two leading Australian foreign policy analysts, Ross Garnaut and Owen Harries.

The Sydney seminar will be held on the evening of Monday, 16 July, and the Melbourne seminar on the morning of Wednesday, 18 July. For further information, contact Lucy Krelle on (03) 614 2029.

IPA Forum Founded

The inaugural meeting of the IPA Forum was held on 9 May, in the Institute's Melbourne offices. The purpose of the Forum is to bring interested young people together with leading academics and intellectuals to discuss questions of culture, history, religion and political philosophy. The guest speaker at the first meeting was Dr John Hirst, Reader in History at La Trobe University, who addressed the topic: "Egalitarianism in Australia."

Young people interested in attending future meetings of the Forum should contact Alan Cocks on (03) 614 2029.

John Stone Rejoins IPA

Former Commonwealth Treasury Secretary, John Stone, has rejoined the IPA, as a consultant on economic matters. Mr Stone was a Senior Fellow at the IPA between 1985 and 1987, prior to his entry into politics as a Senator for Queensland.

Other New Appointments

Dr Ken Baker has been appointed Director of the Education Policy Unit. He retains his position as Editor of the IPA Review.

Alan Cocks has joined the IPA as Assistant Editor. He was previously the Media Officer at the WA CAE Student Guild. He studied Politics and History at Monash University in Melbourne.
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