For $2000 you can look like this.

Or you can look like this.

The headline on the right was printed by the new Hewlett-Packard DeskJet. The headline on the left, by a 24-wire dot matrix printer. Both sell for about $2000, but the DeskJet gives you laser quality. It's attractively designed, simple to operate, and quiet as a whisper. It lets you mix and match a variety of type styles, sizes, and beautiful full-page graphics for professional-looking business letters and spreadsheets. It works with the most popular computers and software. And it's dependable. Just what you'd expect from Hewlett-Packard.

The new HP DeskJet. Considering the price, 24-wire dot matrix printers pale by comparison.

Price includes sales tax.
Cutting Through the Green Tape
Gerald Ryan
How to traverse the obstacle course that now confronts major projects in Australia.

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Roger Kilham, Mike Nahan
Medicare is in need of radical surgery

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Manufacturing Report Fails the Challenge
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Special pleading from the Australian Manufacturing Council.

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Dear Editor,

Student Liberal Clubs in Victoria and throughout Australia have in recent years been campaigning for the introduction of voluntary membership of student unions.

Meralie Armstrong, in the "Youth Affairs" column of the Winter IPA Review, characterizes this campaign as "unsuccessful".

The campaign for voluntary membership of student associations has been successful in two ways. First, the Coalition's Higher Education Policy now contains a commitment to abolishing compulsory membership of student unions. Given the reluctance of the Fraser Government to legislate for voluntary membership of student unions, this is a major breakthrough.

Second, the "threat" of voluntary membership has prompted significant internal reform of the student unions. Until the late 1980s, when Liberal Students recommenced a strong campaign for voluntary student unionism, the student unions arrogantly disregarded the student population's interests and views, concentrating instead on a far left political agenda. They could do this because they knew their financial future — based on forced payments from students — was secure. They did not have to respond to consumer needs.

Now this has all changed. Student unions recognize that voluntary student unionism poses a major challenge to them, a view which has been affirmed by a former President of the National Union of Students. In a bid to attune themselves to the real needs of students, the unions have downgraded their political activities, and are focusing their efforts on the provision of services.

The campaign for voluntary student unionism has introduced more responsibility into the management of student unions in a few short years than was achieved by decades of ad hoc election and issue campaigning by Liberal Students. This can hardly be termed "unsuccessful".

Peter Vitale
President, Victorian Liberal Students' Association

Dear Editor,

Mr John Stone in "Inflation: Finding the Will to Act" (IPA Review, Winter 1990), restates his long-held views about the deep seated nature and disruptive effects of persistent inflation.

I have no quarrel with Mr Stone's anti-inflationary position. However, he uses a snippet of history to present a parable for our times. First, he maintains that the "short, sharp shock" of 1960 (usually known as the credit squeeze) was introduced at the instigation of Treasury against the advice of the Reserve Bank. Second, that the "short, sharp shock" was responsible for the last fall in the CPI. Third, that the elimination of inflation for a little over a year was "followed by what most people would agree was Australia's golden post-war decade, the 1960s."

Mr Stone's first contention is quite at variance with the historical facts. On the basis of detailed research on official records, I am able to assert that he is incorrect in claiming that Treasury argued for a tighter monetary policy against the advice of the Reserve Bank's Governor (Dr H. C. Coombs). On the contrary, Treasury resisted for almost 12 months the Bank's recommended increase in interest rates. The "short, sharp shock" was eventually recommended by Coombs in desperation at Treasury inaction. It is true that bank credit (and lending by non-banks over which the authorities had no direct control) grew at an unacceptable rate through most of 1960, but this was in spite of strenuous efforts by the Reserve Bank to stem credit expansion. The problem was a sudden surge in capital inflow, and the inability of banks fully to control credit growth because their customers enjoyed large undrawn overdraft limits. In the absence of a flexible exchange rate, the correct response was the Reserve Bank's recommended increase in interest rates to engineer asset price deflation.

Incidentally, it should be noted that Mr Stone, although a Treasury official at the time, had no first-hand knowledge of the events to which he alludes. He was Treasury representative in London 1958-61.

On the second point, there was undoubtedly a causal connection between the credit squeeze and the effective elimination of inflation between June 1961 and June 1962. However, inflation was back to 3.7 per cent in 1964/65, above the post-war norm. Clearly, a much more comprehensive anti-inflationary approach is needed if inflation is to be held to around zero for a prolonged period.

Third, Mr Stone draws a very long bow between the elimination of inflation in 1961/62 and the "golden age" of the 1960s. The 1961/62 experience was useful, but it is now universally accepted that Australia's success was due mostly to a combination of good fortune (e.g. mineral discoveries) and rapid growth in world trade.

On "What Should Be Done", Mr Stone makes an important point. Australia has an abysmal record on central bank independence due to the structure of the legislation and the determination of Treasury to retain control. As the Bank of Canada discovered in the 1950s, an open dispute between a central bank and the government can eventually lead to a healthier relationship. Dr Coombs nearly provoked a dispute in mid-1960 on the interest rate question. It is a pity he did not do so. However, not too much should be expected even of a fully independent central bank if the economic fundamentals
are unfavourable. In a deregulated environment, the available instruments are limited. Short of the use of swingeing interest rates and reintroduction of credit policy, there was little that could have been done to stem the 20-25 per cent annual growth of credit through most of the 1980s.

C.B. Schedvin,  
Professor of Economic History,  
University of Melbourne.

Dear Sir,

It appears that Mr Ronald Conway (IPA Review, Winter 1990), has been nursing a sense of grievance over a suggestion which I “rudely” made to him in Quadrant several years ago to confine his commentary to things he knew.

To have dwelt on this so long seems contrary to the advice of William Blake, who Mr Conway evidently admires; but criticizing my article on modernist theologian Father Matthew Fox should not lead him into defending positions beneath his notable intelligence.

In trying to defend Father Fox as a “silly”, “ill-informed”, “shallow” and “insolent” purveyor of “junk language”, “verbal sludge” and “intellectual carnival acts” (his words, not mine)—but still as an idealist and purveyor of spirituality — again such as myself, Mr Conway takes no heed of the political consequences of such idealism.

As your correspondent G.P. Thompson points out, the left’s partial hijacking of Christianity in Western countries may be dangerous to our lives and values. The totalitarian holocausts of the present century were the products of idealism and spirituality.

My approach to theological modernism is that it is largely political. The adulation and celebrity treatment of flibbertigibbets like Father Fox is also a political phenomenon and merits ordinary scrutiny and comment. The main political point about “Creation Spirituality” is that it looks like a coming together of two important post-Marxist expressions of Leftism: modernist theology and mystical environmentalism, plus other parts of the left-wing package-deal like anti-consumerism and Western Guilt.

The fact that this type of religious modernism is often obsessively concerned with the destruction of traditional social and religious norms is also important.

Mr Conway claims that Father Fox was using an “atrocious metaphor” in his statement: “You can’t sit on linear benches and imbibe a cosmology”, and that he really meant something about our place in the Einsteinian cosmos. Well, I was there and Mr Conway was not, and I can tell him that in the context, and as far as the audience was concerned, Father Fox was not using a metaphor but words intended to be taken at their literal face value.

Mr Conway really cannot re-write Father Fox’s lecture in his absence. Pace Mr Conway, Father Fox did not argue that, anthropologically, the Virgin Mary offered the equivalent to the Mother Goddess, but that she was the Mother Goddess. The former I doubt is Catholic doctrine in any event, even if approved by “Jung and other scholars of comparative religion a century ago.”

I am not a Catholic and find Mariolatry the most culturally foreign element of Catholicism. However, Father Fox’s references to the Virgin Mary as a Mother Goddess and/or an African fertility goddess plainly distressed Catholic friends of mine in the audience: these were not simpletons liable to misunderstand but most tough-minded and philosophically sophisticated people. I claim no knowledge of the mystery of any other individual’s faith, but I doubt they needed Jung to tell them what to believe. Jung, furthermore, never claimed to be a Catholic priest.

Mr Conway states that I seem unable to think laterally. However, in attacking me for ignoring the fact of “a lost and growing constituency” whom mainstream Christianity has failed, he may have missed a much longer article of mine on this very subject which was published in IPA Review recently.

I, therefore, hardly expect him to know that a book by me, Return of the Heroes, also dealing largely with this subject, is on the presses. I will be pleased, however, to send him a copy with my sincere compliments, as contrary to what he may think, there is much in his writing that I find of interest and value.

Mr Conway seeks to justify or mitigate Father Fox’s abuse of the present Pope on the grounds that one does not “have to submit to the Roman magisterium...where it has no business acting as a nanny toward private conscience.” But why is he telling me this? It is Father Fox who calls himself a Catholic priest. He does not, as far as I know, draw a stipend as a Protestant.

I really do not wish to quarrel with Mr Conway. In the last few years I have tried to reinforce the small non-left bridge-head into cultural matters, and from my point of view people like Mr Conway are welcome when they offer something better than these dreary leftist clichés and cause one to re-examine one’s own arguments. The collapse of Marxism presents the non-left with many challenges and needs clear thinking.

Hal Colebatch,  
Nedlands, WA.
After the Budget

In the wake of Mr Keating’s 1990-91 Budget last month, Australia’s economic outlook looks much as it did before the Budget — depressing.

A government’s first post-election Budget would normally be expected to face some of the hard decisions which, in Australia, appear to be too much for governments further into their parliamentary terms, and hence closer to the next election. Given the state of national economic affairs confronting us today, therefore, we might reasonably have expected a Budget which resolutely tackled the task of cutting Government outlays and thereby tightened overall fiscal policy significantly. That in turn would have allowed the Reserve Bank to ease the pressure of interest rates on the business sector and thereby lessen the present twin dangers of falling business investment and rising unemployment.

In fact, the Budget provides:

- Even on its own figuring, a surplus which is only marginally greater than for 1989-90 in dollar terms, and somewhat smaller as a proportion of Gross Domestic Product (GDP).
- After adjustment of both revenue and outlay figures to take account of various decisions which spuriously improve this year’s estimates, a surplus which is in fact quite significantly smaller than last year’s, and smaller still as a proportion of GDP.
- That is, a clear relaxation of fiscal policy, rather than the desirable tightening referred to earlier.
- As the Budget papers themselves acknowledge, a continued upward trend in the ratio of individual income tax collections to total revenue, “despite the 1 January 1991 tax cuts.”
- A pick-up in the rate of growth of outlays, particularly after adjusting the figures as noted above, and particularly in the area of outlays for the Commonwealth’s own purposes, as distinct from its payments to the States and Territories.
- A number of generally welcome measures nibbling at the edges of social welfare spending, but not basically diminishing the growth of Moloch’s appetite in that area.
- The sowing of a whole host of other social welfare spending acorns from which, in time, more great spending oaks will doubtless grow.

Inflation, which two years earlier the Treasurer described as “Australia’s number one economic disease,” is forecast to edge down only marginally in 1990-91, from an eight per cent Consumer Price Index increase last year to a 6.5 per cent increase this year. Most commentators seem to judge that even this forecast marginal improvement could turn out to be optimistic.

That apart, there are four other Budget forecasts which merit close attention — namely, for the balance of payments deficit this year, for public sector spending, for business fixed investment spending, and for unemployment.

At first sight, the $18 billion forecast balance of payments deficit on current account ($20.7 billion in 1989-90) appears to represent some, albeit inadequate improvement — from 5.6 per cent of GDP last year to 4.5 per cent in 1990-91. On closer examination however one finds that in the June quarter the deficit had already fallen, on a seasonally adjusted basis, to an annual rate of only (sic) $15.5 billion or 4.1 per cent of GDP. So if the forecast is to be believed, the deficit for 1990-91 will actually increase, not fall, from the point it had reached by the end of 1989-90.

If this forecast should prove accurate, it will also mean that, after an emerging recession in the second half of 1989-90 and a continuing “sedated” economy throughout most of 1990-91 (even on the Government’s forecasts) our balance of payments will still be in heavy deficit, at a level which is unsustainable in the longer-run.

On that basis, what rate of balance of payments blow-out, and associated foreign debt/foreign ownership build-up, can we expect when the Treasurer ceases to feed sedatives to the economy and returns to providing it with pep pills?

Government Spending

Take next the outlook for spending by all levels of government. After having seen public sector final demand (i.e. excluding any stock build-up) rise in 1989-90 by 2.6 per cent in real terms despite a declared strategy by the Treasurer to tighten fiscal policy, it is now forecast to rise somewhat faster (2.75 per cent) in 1990-91 even though private final demand is forecast to be unchanged for the year as a whole.

In other words, having consigned the private sector in 1990-91 to another even more miserable year than 1989-90, the Treasurer is blithely foreseeing a public sector still growing steadily!

With interest rates remaining stubbornly high...
(though they may inch down a little during the course of the year as economic activity declines and unemployment rises further), the Budget rightly forecasts another poor year for business capital investment. Overall, this is forecast to fall by 7.25 per cent on its average 1989-90 level, comprising falls of four per cent in plant and equipment spending and a massive 13.5 per cent in non-dwelling construction spending, respectively. Depressing though these forecasts are, there are in fact some grounds for fearing that actual outcomes may be more so.

This sharply falling level of non-dwelling construction activity is one of the main factors leading to the rising level of unemployment forecast in the Budget papers. On a yearly average (labour force survey) basis, the proportion of the work-force unemployed is forecast to rise from 6.2 per cent last year to 7.25 per cent in 1990-91. This is equivalent to a rise from 6.6 per cent in June 1990 to a forecast 7.5 per cent in June next year. In terms of dole recipients (unemployment benefits and Job Search Allowance), the Department of Social Security estimates provide for a rise from an average figure of 384,000 in 1989-90 to an average figure of 475,000 in 1990-91.

In this area also there are some grounds for thinking that the forecasts may be on the soothing side. For example, by June 1990 dole recipients already numbered 420,000 and by August 1990 this had already risen to 447,000. With the pace of the downturn appearing to quicken — particularly in Victoria — and with further bad news emerging from State budgets, the forecasts in this area could easily be exceeded.

Apart from all these and other domestic economic uncertainties — for example, the farming community is facing a very bleak year indeed — we may also have to contend with a much less favourable international economic outlook. Since the flare-up in the Middle East we have already seen a rise in Japanese and US bond rates, and the Bank of Japan has raised its official discount rate from 5.25 to six per cent. Rumours persist of a further rise in Germany's official rates also.

It is true that, as the Treasurer and his Department have claimed, they do not possess a crystal ball which would allow them to hazard a meaningful guess as to the likely outcome of all these eventualities, which to make matters worse burst upon them very late in the course of preparing the Budget documents.

The true criticism of this aspect of these documents is not, therefore, that they should have assumed, say, a US$26 per barrel (or some other) oil price, rather than the US$23 per barrel which they did assume, but that the whole basis of the Budget seems to provide no margin for any significantly adverse turn of international economic events. On the contrary, as noted earlier, even on the basis of the arguably complacent assumptions which it does make, it already has one wheel over the edge of the cliff.

As Senator Walsh pointed out last April, the current recession has been positively induced by Mr Keating in order to attempt to rectify some of the economic consequences of earlier policy errors — in particular, the excessively lax monetary policy regime introduced in 1987 (prior to that year's Federal election), and the

... having consigned the private sector in 1990-91 to another, even more miserable year than 1989-90, the Treasurer is blithely foreseeing a public sector still growing steadily!

general lack of positive action during the Government's term of office following that election to deal with our continuing, and growing, economic problems.

In its policy-induced nature this recession is therefore unlike those of 1985-86 (brought on by the sharp slump in our international terms of trade) or 1982-83 (brought on by the 1981-82 wage explosion). This may account for what seem to be the markedly more adverse confidence effects which now appear to be emerging from the current economic downturn, and which can themselves be expected to have a bearish influence upon its final outcome for economic activity and employment.

It can fairly be said that the Budget has done nothing to counter this dangerously developing situation. Indeed, a Newspoll taken on the weekend following the Budget, and published in The Australian newspaper on 30 August, suggested that "Australians are more pessimistic about the effects of this year's Federal Budget than they were about any other Budget or economic statement in the past five years." For the first time in Newspoll's recording, "more people believe the Budget will be bad for the economy than believe it will be good."

In his Budget Speech Mr Keating described fiscal policy as "the Government's principal weapon in the fight against the current account deficit and our overseas debt." With the current account deficit, on the Treasurer's own forecasts, set to deteriorate again during the course of 1990-91, and with net foreign debt having reached 33.2 per cent of GDP and still rising, this Budget has clearly been as inadequate — on the Treasurer's own test basis — as its three predecessors. All Australians will be the losers as a result.
Des Moore is Acting Director of the IPA.

MOORE ECONOMICS

Consumption Tax — or Less Tax?

The possibility of a move to a broad-based consumption tax has been put back on the political agenda by the Liberal Party’s decision to adopt it as a major plank in its policy. It will form, we are told, part of the package of major policy initiatives to be implemented under the next Liberal Government. Other initiatives so far announced include industrial relations reforms involving major changes to the present centralized system, broad acceptance of the Garnaut Report’s recommendation to remove all industry protection by the year 2000, and a program of wholesale privatization of Commonwealth trading entities (including Telecom). Emphasis has also been put on the importance of reducing inflation, and consideration is evidently being given to amending the Reserve Bank Act so as to charge the Bank with the responsibility for reducing the inflation rate to a given level over three years. This plan is similar to the approach adopted in New Zealand, where the central bank was charged in 1989 with reducing inflation to 0-2 per cent p.a. by end 1992.

It must first be said that the decision by the Liberal Party, under its new leadership, to announce major policies on key issues early in a new term is very much to be welcomed. This not only allows good time before the next election for the community to become aware of the pros and cons of the policies and for problems to be ironed out; it also puts pressure on the Government to speed up the snail-like pace of the reforms which it has been pursuing. It is no coincidence that, following the announcement of these policies, the Government has itself begun to display more vigour in moving down the privatization route.

But the consumption tax announcement by the Liberal Party does raise the very important question of priorities. All governments enter office with a certain stock of political capital. That stock may be enlarged during their term of office if they govern outstandingly well, or if their Opposition performs lamentably poorly. Over time, however, any government’s stock of political capital tends to be run down. Hence it is particularly important that, from the outset, it should choose its major objectives carefully, since the change involved in achieving those objectives will almost inevitably set them on the path of dissipating their political capital stock and limit the scope for implementing other reforms.

Shadow Treasurer, Peter Reith, has made much of the point that, while the New Zealand Labor Government encountered considerable opposition at the time it introduced a goods and services tax (GST) in 1986, most of that opposition to the tax has disappeared and it is now, he claims, a “non-issue”. A cynic might respond by pointing out that the forthcoming New Zealand election is likely to make the Labor Government as much a non-event as the New Zealand economy remains.

More seriously, though, the New Zealand experience does throw up some facts that are relevant to the question of priorities. In particular, there can be no doubt that the Labor Government there did expend considerable energy and political capital in implementing the tax. It is significant that that Government has been unable to reduce government spending to any extent and that, rather than cut spending, in 1989 it increased the GST rate from 10 to 12.5 per cent.

It would be most unfortunate if considerable energy were to be expended in Australia simply switching the burden of tax from income to consumption tax while leaving the overall burden of tax unchanged. For the sort of reasons mentioned below, after industrial relations reform, the No. 1 priority should be to reduce the overall burden of taxation by cutting government spending. Today, a major source of pressure for reducing government spending is the high rates of income tax. If those rates are reduced by a switch to a consumption tax, that would eliminate an important lobby group for lower spending.
This is the trap into which supporters of the consumption tax fall when they argue that, in those countries that have introduced it, it is no longer an issue. What they are saying, in effect, is that the division of the burden of tax as between income and consumption tax has lulled people into accepting the present size of government. It is pertinent that, while a small increase in the rate of consumption tax may produce little adverse reaction (because it has only a limited effect on prices), it yields a large increase in revenue (because of the broad base) available for spending by politicians. As noted above, New Zealand has already increased its consumption tax rate, as has the UK, the other country to have adopted it within the past decade.

It may well be the case that, through a massive political effort, a broad-based consumption tax could successfully be introduced and accepted by the community in Australia. But the likelihood of such eventual acceptance should not be the test. It would be far preferable to concentrate on other more important reforms and, in particular, on reducing the size of government. A major reduction in the size of government has the potential to have a greater effect on increasing national saving and reducing the current account deficit, the major economic argument advanced in favour of a switch to a broad-based consumption tax. Thus, while (say) a 15 per cent Value Added Tax (VAT) tax would reduce the income tax paid by high savers and increase the tax paid by low savers, the need to “compensate” the latter would limit the extent of income tax reductions for the high savers, and, hence, necessarily limit the net increase in saving.

Eliminate Middle-Class Welfare

By contrast, a reduction in the size of government that concentrated on eliminating “middle class welfare” could be so targeted as to effect, over time, a significant increase in private sector saving. The latter has been discouraged by the continued extension of government assistance for retirement and a wide range of “disabilities” for which many people would normally have saved. Moreover, the increase in taxation needed to fund that assistance has reduced the capacity of the private sector to save (and reduced the incentive to work). There may also have been a third effect in that the extended welfare safety net may have encouraged additional borrowing, i.e. dissaving. People may have felt it appropriate to gear up because they have been “backed” by a State that is providing various income support measures. They have also had a reduced incentive to save for the next generation.

For some time it has been the medium term objective of the IPA to reduce the size of government to around 30 per cent of GDP. From its present level of about 37.5 per cent that would, of course, allow a major reduction in income tax. Let me illustrate by reference to what the situation might look like if the size of government had been 30 per cent of GDP in 1989-90 and the whole of the difference had been reflected in lower income tax.

In 1989-90, total public sector outlays are estimated to have been about $140 billion and a reduction equivalent to 7.5 percentage points of GDP would have meant that outlays would have been about $28 billion lower. On the assumption stated, that would have allowed personal income tax collections to be about $23 billion instead of the estimated $51 billion. It is not necessary to explore the implications for the rate structure to realize that this would allow very large reduction in rates.

It may be argued that to aim for a reduction in public sector outlays of 7.5 percentage points in GDP is “unrealistic”. I would make two points in response.

First, when the Liberal Party proposed in the 1987 election campaign a reduction in the size of government of three to four percentage points of GDP over three years the Government and all media commentators except the IPA said that any such notion was “impracticable”, “impossible”, etc. Yet since 1986-87, the actual reduction has been nearly five percentage points. That has not been reflected in any reduction in the burden of taxation because of the elimination of public sector borrowings, a move which was a necessary first step. However, the point has now been reached where further reductions in government spending should soon allow the overall burden of taxation to be reduced pari passu.

Second, while there is a need for early real reductions in public sector outlays, in the medium term a reduction in the size of government could be achieved simply by holding public sector outlays constant in real terms, i.e. by allowing all the real growth in the economy to occur in the private sector. For example, if public sector outlays were held constant in real terms and the economy as a whole grew at three per cent p.a. real, we could achieve a reduction in the size of government of 7.5 percentage points of GDP over a period of seven to eight years.

So far, therefore, from a 30 per cent of GDP public sector being hard to achieve, it is our contention that such a target by the year 2000 would clearly be an achievable, even modest, one.
In 1988/89: 124,796.

Australian Institute of Criminology.

Trend in retail sales in the four months to May 1990.

Australian Institute of Criminology.

A trend in retail sales in the four months to May 1990 shows a significant decrease in sales across various states. The chart indicates that sales in Tasmania (TAS) have increased by 4%, while sales in New South Wales (N.S.W.) have decreased by 3%. Sales in Queensland (Q) have decreased by 2%, in South Australia (S.A.) by 1%, in Western Australia (W.A.) by 0%, and in the Australian Capital Territory (A.C.T.) by 1%. Sales in Victoria (V.I.C.) have decreased by 3%.

The Age, 19 July 1990.

Australia's net migration in 1984/85: 73,700.
In 1988/89: 163,600.

ABS Cat. No. 3101.0


Westpac Market Insights, August 1990.

Cost per occupied hospital bed per day (including medical costs) in the private sector: $245. In the public sector: $345.


Space occupied by Escort (Call Girl) Agencies in the 1990 Melbourne Telecom Yellow Pages: 13 pages.

Space occupied by Churches and Synagogues: 1.5 pages.

Pages of legislation, tax office rulings, court case documents, etc which have been issued since the Federal Government embarked on its tax reform program in 1985: 16,000.


Percentage of Britons who have credit cards: 34. West Germans: 3. Number of credit cards held by Australians: 11 million.

The Economist, 11-17 August 1990.

IPA Review, Spring 1990
Reserve force participation among 18 to 54 year-olds in the USA: 0.9 per cent. In Australia: 0.3 per cent.


Percentage of West Australian Year 11 and 12 students who said they would ever consider joining the Armed Services: 27. Percentage of these who would join for reasons of "patriotism and prestige": 13. Percentage who would consider joining the Army Reserve: 46.


Economic Affairs, August-September 1990.

Percentage of new office space that has come onto the market in Melbourne's CBD in the last 10 years which has been taken up by the Federal and State Governments: 37.

The Age, 27 August 1990.

Funds allocated in the 1990 Federal Budget towards a treaty with the Aborigines: $4.5 million.

Budget Paper No.1

Number of soldiers per 100 teachers

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Literacy rate in Iraq: 65 per cent. In Israel: 76 per cent

The Economist, 26 May 1990.

Australia's 10 biggest earning exports in 1989/90 (highest to lowest):

- coal
- wool
- gold
- wheat
- alumina
- beef
- aluminium
- iron ore
- oil
- sugar.

Proportion of Australia's exports which go to Asia and the South Pacific: 61 per cent. Proportion which go to Europe and North America: 31 per cent.

ABS Cat. No. 5422.0
Cutting Through the Green Tape

Gerald Ryan

The development of major new projects in Australia is not impossible; but the influence of the Green lobby has imposed on business a whole new layer of costs and time-consuming demands.

The rules of the game have changed for major projects in Australia. The Wesley Vale and Coronation Hill collapses in 1989 bear testimony to this fact. Both were stopped on environmental grounds.

Our potential new projects are now enmeshed in green tape, as well as the more familiar red tape.

These new projects are essential if we are to extract ourselves from our foreign and current account difficulties. In addition, these projects will enable us to use the latest, most efficient and least polluting technology to replace out-of-date, inefficient and high polluting technology.

The following guidelines for cutting through the green tape are based on my personal experience and observations, as a lawyer involved in a number of our major projects. The guidelines may sound basic. They are. But they reflect the way in which directors and executives must now approach the planning and development of a major project, if their companies are to rise above the environmental obstacles which now exist.

First: Give Yourself Enough Time

In days gone by, the planning and documentation stage of a major project — i.e. all steps up to the time of a legal commitment to proceed with the development — could take between one and three years, depending on the particular project. You now need to add approximately another year to that time, in order to accommodate the new environmental requirements of government and the new environmental sensitivities of the community.

Until now, the requirements and negotiations for a major project have involved:

- joint venture and management agreements between the developers;
- finance and security agreements with the bankers;
- infrastructure, title and royalty agreements with the State Government;
- government services agreements with the State Government authorities;
- planning and zoning issues involving the local government authorities;
- engineering and construction agreements with the contractors;
- transportation agreements with the shippers;
- marketing and sales agreements with the end buyers;
- governmental approvals for foreign investment and export permits, etc;
- trade union agreements for the workforce;
- Aboriginal land right issues;
- trade practices and anti-trust issues;

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• taxation, stamp duty, sales tax and import duty issues; and
• Environmental Impact Statement (EIS).

Now, in addition to a satisfactory EIS, you must also allow enough time to plan and implement a comprehensive strategy to get your environmental message across to:

• the local community and interest groups;
• State politicians and government officers;
• Federal politicians and government officers;
• relevant trade unions;
• the media; and ultimately,
• the voting public.

The voting public must, by and large, want the project. It cannot be forced on them. To want the project, they must understand its benefits, and its detriments. It is therefore unlikely that major new projects can be “fast tracked”. The process must be consultative, and explanatory. This will take extra time. Thus, give yourself plenty of time.

Second: Take the Initiative in Getting Your Message Across

It is too late to shape public opinion and politics when the headlines are already screaming about the environmental damage your proposed project will cause. You have lost it once it gets to that point. Once a journalist writes a negative article on your project, he or she is likely to pursue the matter doggedly in follow-up articles.

You therefore need to get your message across first, and to make sure that the journalists are informed — so that the debate can be informed rather than emotional. This requires careful planning and handling of the media and public relations.

Journalists will print both sides of a story if they understand both sides. The environmentalists know how to use the media. They are sophisticated and organized.

Many journalists complain to me that they are deluged by material from environmentalists and yet receive very little material from the project developers (and then receive it too late). You need to get to the journalists and television reporters first. They need to know the benefits, and have a clear understanding of the negatives. They are potentially great allies if they have the correct material, and have it early enough. Thus, take the initiative with a public relations strategy.

Third: Get the Local Community on Side

The South Australian Roxby Downs project (copper, uranium and gold) was a stunning example of a community being on side. They saw the benefits for South Australia. They demanded that the project proceed, and they influenced a change in the ALP’s platform on uranium mining to achieve this.

The potential development of the Wesley Vale pulp mill project — with capital expenditure of $1.1 billion, most of it in Tasmania — was not adequately understood by the local community. The Wesley Vale joint venturers, North Broken Hill and Noranda Forest, ensured that the technology was the best available in the world, and that the resource (eucalypts) was completely renewable. The community failed to understand this.

The local community must see the project as their project, and they must want it for their State. You must consult with them, and explain the project. The local community is naturally suspicious of a major development, and needs to be convinced of its merits and the benefits it offers to them.

If you have consulted and taken account of the views of the full spectrum of local interest groups, the government will find it much easier to assist you. This is so even if you determine, in the end, to reject a number of local views. The important thing is that you have consulted, and have taken their views into account. This is an essential part of the political process.

You need to involve local management, and to use local people wherever possible. Local people know the ground rules and the local idiosyncrasies. By involving these people, it is likely that your project will be seen as a local project, rather than simply a Sydney or Melbourne-run project which might pollute in their backyard.
The consultation must be absolutely genuine, and must not be simply a token gesture. The project must offer real benefits to the local community, and the local community must understand these benefits, as well as the detriments.

You need to work closely with the local trade union representatives. They need to understand the benefits of the project for their workforce. Unions can be great allies on environmental matters. Again, the key is consultation. Thus, the local community needs to want the project, and needs to see the project as their own project.

Fourth: Use the Best Proven Technology

It is imperative to use the best commercially proven technology in the world.

New technology used in Australia will ensure that older and more polluting technology is shut down, or that a new project with inferior technology does not start up somewhere else. The environment is a world issue. If we prevent a major Australian project proceeding where that project offers the best commercially proven technology in the world — only to allow an older project to continue to belch smoke somewhere else, or only to allow a new Third World development with inferior technology to commence, then what has been achieved for the world environment? Nothing!

It can be seen, therefore, that there are strong and positive environmental reasons for proceeding with major new projects in Australia — using the best technology — rather than preventing such developments. The prevention of such Australian projects ultimately damages the world environment — whereas approval of them ultimately enhances the world environment. It is essential for developers to get this technology message across through the media.

Thus, use the best commercially proven technology which is currently available in the world, and make sure the public understands that this is being done.

Fifth: Keep the Politicians and Government Officers Informed

The environment is no longer a State issue. If you win at the State level — as Wesley Vale did — the opponents of the project will direct their attention to Canberra and to Federal voters. Canberra has the legal power to stop a major project, and Wesley Vale, the Franklin River and Fraser Island are proof that the Commonwealth will override a State.

Remember that a politician only reacts to one thing — votes. If you allow a situation to develop where significant votes might be lost, it makes it very difficult for a government to support a project, no matter how much it wants to.

It is not enough to deal with the particular responsible minister. All ministers have a vote, and thus all ministers — especially those in cabinet — should be consulted and kept fully informed. Nor is it sufficient simply to deal with ministers. All politicians have a vote, in caucus or the party room, and they also need to be kept informed.

Likewise, it is of little use having the politicians on side if the government officers are producing reports which are against the development. The government officials must be kept fully informed.

Governments change, but a major project must last for many years. It is therefore essential that it has bipartisan support. This means that you must involve the opposition at the both the State and Federal levels, and keep them advised.

Importantly, it is necessary to work with the politicians and governmental officers. The government can see that it will gain revenue and jobs from the project. Provided that the benefits outweigh the detriments, and the voters understand this and want the project, the politicians are likely to be supportive. But it is the task of the developers to make this job easy for the politicians. It is not the other way around.
Thus, keep the politicians and government officers, at both State and Federal levels, and in government and opposition, fully informed and work with them.

Sixth: Select a Project Leader to Co-ordinate and Communicate

You need to select a leader for the project team who can co-ordinate and lead a diverse range of experts. The task is an extraordinarily complex one, and requires unique qualities. The project leader must be able to understand all aspects of the project — business, economics, financial, engineering, technology, scientific, environmental, legal, banking, marketing, trade union, industrial relations, political and public relations aspects. He or she needs to draw these matters together, and to provide steady leadership.

Importantly, the leader must be articulate, and able to communicate with politicians, government officers, local interest groups and union representatives.

The project leader must be good in dealing with the media, and be capable of getting the project's message across through the newspapers, television and radio. He or she needs to have the authority, and to command the respect, to speak as the one voice of the project. The project leader needs sound judgment, especially under pressure.

Thus, select an outstanding project leader who can co-ordinate and communicate.

Seventh: Include environmental and government experts in project team

In days gone by it was sufficient, in the planning of a major project, to have a team which comprised business, accounting and economic experts, engineers, industrial relations experts, joint venture and finance lawyers, and marketing officers. You now need to add to this team government relations experts, public relations experts, environmental scientists and environmental lawyers.

These additional people must be articulate, and must be capable of putting their views across.

Conclusions

These guidelines now need to be followed if major new projects are to be developed in Australia. Naturally, project developers will be concerned by the extra time and costs associated with following these guidelines. But there is no other realistic choice, if major projects are to be developed.

It should be noted that many of the guidelines will also apply to the on-going community understanding of, and support for, the operations of a project. Maintaining community awareness will help to ensure that the project remains in full production, and does not suffer unfair or unnecessary interference from environmental lobby groups or government agencies.

Australia cannot afford pessimism on the matter. We have superb resources, and a good environment. Our aim should be to develop our resources in a way which causes least damage to the environment. But, in the end, there must be development in Australia if Australia is to progress, and if the world environment is to improve.

Note
Our Health Problems: 
Cause and Cure

The Federal Minister for Community Services and Health, Brian Howe, has announced a review of Medicare, alluding to problems with the over-utilization of health services and long waiting queues for surgery in public hospitals. Two economists examine the issues.

Medicare Needs Radical Surgery

Roger Kilham

Although the health sector may not seem at first glance to be as easy a target for microeconomic reform as, say, the land transport sector or the waterside, it has undoubtedly potential for productivity gains. Because of its size — eight per cent of GDP — the health sector could contribute usefully to the task of national restructuring.

The Federal Government’s espoused health care objectives are to provide all Australians with access to adequate health services at a cost they can afford through a universal, publicly-funded and operated health insurance system (Medicare), and the subsidization of pharmaceutical drugs.

The architects of Medicare argued that it would be simple, fair and affordable. The bulk-billing system promised cost savings through administrative efficiency. Rather than using a flat rate contribution as practised in community-rated private insurance schemes, Medicare was intended to be substantially funded through the income tax levy (initially set at one per cent for most taxpayers), implementing an “ability-to-pay” principle. As the States were responsible for the delivery of the larger part of hospital services, through the public hospital system, the objective of free public hospital treatment was to be secured by agreements with and grants to State (and Territory) governments. It was claimed that there would be no need for anyone to take out hospital insurance if they were satisfied with the care provided in public hospitals by doctors employed on a salary or sessional basis. It was also claimed that those who had basic private health insurance would continue to have full cover for shared ward accommodation at a private hospital.

In assessing Medicare’s performance over the past six years, there are several different criteria. How does Medicare:

- Interact with the health delivery systems?
- perform as a system of insurance? and
- measure up in terms of the aims of fairness and efficiency?

As Medicare replaced a system of private hospital and medical insurance, it involved a transfer of expenditure from the private insurance sector to the public sector. A change in the system of insurance need not necessarily have a major impact on the health delivery systems, but Medicare has had impacts, some intended, others no doubt unintended.

Medicare has Virtually Obliterated the Price Signal

Most of the principles of good insurance design are broken with Medicare. For a wide range of medical and

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hospital services, Medicare has almost completely eliminated the price signal (by eliminating patient co-payments for many services). This induces over-utilization of services. Health resources are used poorly.

In late 1986, the Medicare income tax levy was increased to 1.25 per cent for most taxpayers. But at no stage has the levy raised sufficient revenue to fund the program. The levy is, in reality, just another general tax, and is perceived as such by the community. The taxpayer is not made aware of the total call of Medicare on the public purse. In sum, the cost of individual services and the total cost of the program are opaque to users and taxpayers alike.

It is widely accepted among economists that the market for medical services is not a perfect one. There is an acknowledged inequality of information between provider and user; doctors largely control the delivery system. Market price mechanisms may not be sufficient on their own to ensure efficiency in the allocation of health resources. That said, the empirical evidence is that an increase in price for medical services will reduce demand (the Rand health insurance experiment in the US in 1984 showed that demand is higher if the system of insurance does not involve any patient co-payments). Importantly, overseas experience shows that patient co-payments do not result in lower quality health care.

Because Medicare is steadily suffocating the private health sector, it is inherently unstable. The proportion of the population with private health insurance is falling, from over two-thirds in 1982 to some 45 per cent in 1989. The more that people opt out of private insurance, the less the ability of Medicare to deliver its most important promised benefit, that of “free” hospitalization.

Over the past six years, the Government has sought to contain the cost of Medicare through a series of ad hoc reductions in benefits, increases in the so-called “maximum” patient contributions and restraint in Hospital Funding grants to the States and Territories. As shown in Chart 1, Government-determined schedule fees have not, on average, kept pace with inflation. However, this has not reduced the total real cost of health care to the community (health care expenditure has remained relatively constant as a share of GDP). Rather, it has changed the public/private mix of health care financing with a subset of the population (those who are not being bulk-billed) paying more out of their own pockets for health care. This selective introduction of patient co-payments has happened too gradually for there to be any empirical evidence of an effect on the demand for medical services. The announcement effect has been lost.

Some restraint in funding may be effective in forcing greater efficiency in the hospital sector. However, tighter finances inevitably result in reductions in services. For example, partly as a consequence of the restraint in States’ grants, Medicare has provided the environment for a major run-down in hospital outpatient clinics. The services are still demanded and needed; many are now provided by specialists in private practice.

Medicare Inhibits Structural Reform

The scope for productivity gains in the health sector is constrained by the interaction of Medicare with the delivery system. Medicare has proved resistant to change, even in the face of mounting evidence (in the form of waiting lists) that it is failing to respond to the demand for health care.

With competition from non-registered funds eliminated since amendments to the National Health Act in September 1985, the impetus for innovation in health insurance in areas outside Medicare’s net is stifled by the deadening hand of the health bureaucrats. For example, the market for non-smokers’ discounts and no-claim bonuses has been closed.

As long as Medicare remains in place, there is no incentive to adopt alternative approaches to health financing, such as health maintenance organizations, with their markedly less hospital-intensive style of medicine.

Where to Next?

Since 1973, there have been no fewer than six major changes in Australia’s health care arrangements. None of these systems, including Medicare, has been able to satisfactorily address the need to provide access to health care for low income groups, to provide a
balance between the private and public health care sectors and to ensure the efficient use of resources employed in the production of health care.

The Government could continue with its band-aid treatment of Medicare in an attempt to keep the creaky ship afloat. Minister Howe's commitment to review is not, at face value, a commitment to radical reform. The longer the band-aid treatment continues, the more unstable and unsustainable Medicare will become.

Radical surgery is needed as a catalyst to produce the much needed innovation and microeconomic reforms in the health sector and to garner a more efficient health delivery system. It is common ground that an effective health insurance system needs to be universal, and to offer protection for the under-privileged. It does not follow that the insurance system needs to be a monolithic public one.

A well-designed private health insurance system could offer freedom of choice for the user, competition among insurers and providers and, subject to protection for those on low incomes, price signals to discourage over-utilization. It could achieve efficiency without sacrificing equity, and allow the effective use of all of Australia's hospital resources (dealing substantially with the waiting lists). The three key elements of such a system would be:

- those on low incomes (cardholders) exempt from premium payments, so that income is not a barrier to gaining access to health care;
- patient co-payments reintroduce a price signal,
- competition be reintroduced into the insurance market, with that market subject to community-rating principles.

For such a system to be workable:

- Government determination of schedule fees should be discontinued, and insurers be free to enter into cost containment arrangements with health care providers;
- innovative computer processing of claims (a medical clearing house electronic transfer system) would be needed to keep administrative costs down; and
- a cardholder pooling arrangement to ensure that doctors receive the same average payment for cardholder consultations as for non-cardholder consultations.

Some will ask whether adequate cost containment can be achieved under a more market-oriented health system. There are both demand and supply-side issues here. On the demand side, patient co-payments have a very important role in discouraging over-utilization. From the supply side, a general objective is to open the insurance sector, and health care providers more generally, to competition (thereby unleashing market disciplines) and, within that, to open the door to innovative cost saving initiatives that are presently stifled by Medicare.

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A Sickly State of Affairs

Mike Nahan

The main malady of the Australian hospital system is simply that it has been captured by interest groups, who have used it like bees to make honey and who are now enjoying the fruits of their labour. These interest groups, not surprisingly, include hospital workers, bureaucrats — particularly the Canberra variety — and Government Ministers.

The capture theory was borne out clearly in research recently carried out by the IPA on the relative efficiency of State spending. The study found that the costs and the capacity constraints confronting public hospitals could be reduced by up to $2 billion or 16 per cent, without impinging on their level or quality of services, largely through implementing more efficient labour policies.

This research, which used extensive data from the Commonwealth Grants Commission, found substantial differences amongst the States in levels of recurrent expenditure on public hospitals and allied institutions (e.g. nursing homes and psychiatric institutions). Indeed, it found per capita expenditure on such services to vary by as much as 50 per cent or $220.84 per capita, with Western Australia being the highest spender followed by Victoria, Tasmania and New South Wales with Queensland being the lowest. Importantly, only a very

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small portion (11 percentage points or $49 per capita) of this differential was found in Western Australia's case to arise from cost disabilities or special needs, including such factors as case mix, health status, size, dispersion, age/sex, and the social composition of the population, as well as interstate demand and travel costs.

Rather, the IPA found that the major cause of the interstate variations was staffing policy — specifically, staffing levels and labour productivity. Queensland public hospitals achieved operating costs per bed 29 per cent below the national average, by maintaining relatively low numbers of non-technical staff (20 per cent below average), a longer working week (the 40-hour week still applies to nursing staff) and more flexible staffing practices (i.e. beds are staffed according to need rather than a fixed ratio). In contrast, Victoria's public hospital system, which has costs per bed 22 per cent above the national average, has high levels of both nursing and non-technical staff (13 and 12 per cent above the national average, respectively), a 37-hour working week, and staffing policies driven by the number of beds rather than the number of patients (resulting in staff per admission being 21 per cent above the national average).

The IPA found that Queensland, in terms of access to public health institutions, provides a higher level and quality of service than most other States — including Victoria and New South Wales. Moreover, the quality of medical services and facilities, after adjusting for differences in needs and disabilities, was found to be uniform across the States except perhaps in Western Australia, which has a high level of super-speciality hospitals.

There were two inescapable conclusions of the study: first, that Queensland's lower costs were a result of more efficient and productive labour policies; second, that these were achieved largely by tighter financial and policy control by the central agencies of the Queensland Government, particularly Treasury, which had inhibited the capture of these functions by nursing and non-technical staff unions.

At another, even more wasteful level, the health bureaucrats and their support groups have proliferated. The Commonwealth, which has no constitutional responsibility for providing or financing health services, has a bureaucracy of nearly 4,000 in its Department of Health. Moreover, this figure does not include the army of equal size providing 'community services' which, in many cases, are health related. The Commonwealth health bureaucrats, who cost the taxpayer $316 million in 1989/90 in salary and administration costs alone, have swelled in numbers since the introduction of Medicare in 1983 and thus have been key beneficiaries of the Medicare system. In addition to the Commonwealth's legions, the States have a parallel and larger workforce undertaking nearly identical functions.

The Commonwealth first crashed the public hospital management party in 1945 via its control over finance. It expanded its presence with the introduction of Medibank in 1975 and, since the introduction of Medicare in 1983, has come to dominate hospital policy. It now has a team of up to 371 people, at a cost of $64 million p.a., over-seeing hospitals. Naturally, the Commonwealth's encroachment has been carefully rationalized by the need for uniformity, universality and equity. The reality, however, is that the current crisis confronting the hospital system is a direct result of Commonwealth control — a point to which we will shortly return.

Even if the Commonwealth made no changes to Medicare, but simply stopped interfering in the funding of public hospitals, there would be significant improvements. The Canberra bureaucrats could be used elsewhere, releasing $64 million. The tied public hospital grants could be converted to general purpose grants (which they effectively are already) and distributed between States via the Commonwealth Grants Commission. In fact, as the Grants Commission already effectively determines the distribution of the hospital grants, the present involvement of the Health Department in examining States' performance is a total charade and waste of public money, and should end.

Alas, this is unlikely to eventuate, even in spite of it being consistent with the Prime Minister's intention to eliminate wasteful State/Commonwealth administrative duplication. For one thing, it would severely reduce his government's power base, as well as that of the 'public' servants. After all, how can one be Australia's Minister of Health, or even Prime Minister, without controlling something as politically sensitive as public hospitals — particularly with the growth of "greypower". We live in hope.

Set Up Icons and Stomp on the Competition

The health system has been captured through the tried and tested strategy of setting up icons and systematically stomping on the competition.

An essential aspect of this strategy has been to
diminish the competitiveness of the private hospital system. This has been systematically achieved via the medicare system and tied hospital grants, by:

- prohibiting States from charging public patients for the use of public hospitals;
- providing virtually no subsidies to private hospitals while heavily subsidizing public hospitals;
- financially penalizing States if public hospitals provide less than 53 per cent of all hospital services;
- reducing Medicare benefits for medical services if privately insured patients in public hospitals exceed the national average; and
- providing little incentive for individuals to insure privately.

These actions have worked superbly; demand by patients has become heavily skewed in favour of public hospitals. Hence the queue at public hospitals whilst capacity goes unused at private hospitals. Additionally, the proportion of the Australian population covered by basic private hospital insurance has dropped from 64 per cent in 1983 to 47 per cent in 1988.

As the structural imbalance has grown, along with the health budgets, the system has rightly come under increasing attack. One frequently proffered defence offered up by the Medicare Club has been that private hospitals are more expensive and of lower quality than public hospitals. The evidence points strongly to the contrary. The Australian Private Hospital Association, using a survey of their members and data on public hospital costs from the Australian Institute of Health, found that private hospitals, after adjusting for case mix, cost 30 per cent less per occupied bed than public hospitals. The difference is even more in favour of private hospitals if medical costs are excluded. McLeod found a similar result in comparing private GP services with government health centres.

Private hospitals do not provide the same range of services as the public sector. In particular, there are few super-speciality units or emergency-room services provided in private hospitals. However, the infrequent provisioning of such services by the private sector has more to do with capacity and funding policies of public hospitals than the capabilities of the private sector. More importantly, there is evidence indicating that private hospitals provide an inferior quality of service to public hospitals of the same class. This is hardly surprising given the high degree of regulation governing all aspects of the private hospitals system and their highly competitive and shrinking market.

Another Medicare Club defence has been to use select examples from the United States — with the assistance of the ABC and local 'experts' — to show the 'inequity' and 'high cost' of private health care. Naturally, examples from Britain are avoided so as not to 'muddy' the picture. The story is that private hospitals are only out to make money. As such they are morally reprehensible and will exclude less well-to-do patients. The reality is that in the US, as in Australia, there is a diverse mixture of private and public hospitals which can cater to the full range of patients. Moreover, the majority of large private hospitals in the US are non-profit organizations. As to the morality of seeking profit from the provision of health services, it is surely preferable to the behaviour of the members of the Medicare Club, who increase public costs for personal gain. Not only is the former less sanctimonious and more honest, but it is also more likely to lead to an improvement in the supply of health services.

Allied with the denigration of private medicine has been perpetuation of the myth that market forces cannot work in health care. This is, of course, nonsense. The growing queues at public hospitals and reduced demand for private facilities provide a clear example of such forces at work, as does the mass abandonment of private health insurance in the face of the massive loading of the dice against it. The problem is that market forces have been distorted and inhibited by the regulatory structures that tightly enmesh the health care industry. As a result, the system is producing outcomes which were unexpected by the regulators and the antithesis of their aims.

**Notes**

Should America Withdraw from the Pacific?

Winston Lord

In the post-Cold War world, is an American presence in the Asia-Pacific region still necessary?

 Shortly before I arrived in Australia, I came across a top-secret memorandum. It was a paper sent to the President of the United States a few weeks ago from one of his top advisers, which declared that "the American mission in the Asia-Pacific region is accomplished...it is therefore time for the United States to withdraw."

Let me share with you the summary arguments of that memorandum. Firstly, that the Cold War is over, and that the West has won. We have reached a situation where we have not only contained communism, but have started to roll it back: the Warsaw Pact is disintegrating; armies are dissolving and withdrawing; the Iron Curtain and Berlin Wall are coming down. While we are not seeing the end of history, we are seeing the collapse of communism, not only in Europe but around the globe, from Nicaragua to Outer Mongolia.

Secondly, the superpower Soviet Union is no longer a threat. Indeed, it is no longer a superpower. Indeed, it is no longer a Union. Moscow is making major concessions on arms control. It is reining in its adventurism, withdrawing its armies of occupation and restraining its clients abroad. Just recently, the Soviets have agreed that the reunified Germany can join Nato. The Soviet Union is a Third World power in terms of economic strength, and economic strength is increasingly important in the world.

Thirdly, the memorandum argues that, because tensions in Asia are receding, the United States' presence is no longer needed. Major powers — China, Japan, the Soviet Union — have improved their relationships. China has begun to emphasize state-to-state relationships rather than the export of revolution. And regional conflicts are showing some sign of easing: in the Korean peninsula; the Soviets are getting out of Afghanistan; even Cambodia has some hope.

Fourthly, America's allies have become much stronger, enjoying astonishingly dynamic economic growth. They should therefore pick up more of the defence tab, while the United States withdraws its forces from the area.

Fifthly, nationalism is intensifying, and these increasingly prosperous countries have become restless with the American presence. People in the Philippines are trying to push us out of our bases, or to charge excessive rent. South Korean students are claiming that we are thwarting reunification, and accordingly attacking the American presence.

The memo goes on to say that for these reasons, US public and congressional opinion, and the media all say that it is time to withdraw. It is not only the liberal Democrats but also the conservative Republicans who subscribe to this view. We should free our resources for more pressing priorities, such as reducing our budget deficit, helping Eastern Europe and Central America, and attending to our domestic needs. Thus the memorandum concludes that the US should declare victory in Asia and the Pacific region and then get out.

I am pleased to report that the President has rejected this advice, due to his strong convictions and, if I may modestly add, to a top-secret memo that I sent him a few weeks ago. I dealt with each of the arguments presented in the other, now discredited, memorandum.

1. The Cold War is Over

There have certainly been dramatic and welcome changes on the world scene which require fresh thinking: a challenging of premises, a charting of new promises. But Asia is not Europe; it lacks a unifying geography, a shared history and a common culture. Unlike Europe, there are not two clear-cut alliances facing each other across a land border. And while there are promising trends in Asia for democracy and free enterprise, unlike in Europe, communism out here has not yet collapsed—

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witness China, Vietnam, North Korea.

Even in Europe, we face a period of considerable turmoil and confusion. We have all the more reason for caution in Asia, where the trends are less clear. Regional instabilities abound. A premature American withdrawal could fuel problems. In this region we do not face a single definable goal, but rather the continuing challenge of building a system with many centres of power.

In short, there is an obvious requirement to update and adjust the American presence, but it is hardly time for fundamental restructuring or withdrawal. We should not snatch defeat from the jaws of victory, or, to invoke that famous Moslem proverb, “Trust in Allah but tie up your camel.”

2. The Soviet Threat is Declining

To be sure, there are many promising developments in Soviet policy, including in Asia, but once again these are not as pronounced, nor as advanced in Asia, as they are in Europe. Soviet intermediate missiles are being removed, troops may be reduced by 200,000. The Soviets are withdrawing from Cam Rhan Bay to an extent, and they are deploying ships less frequently.

But while force levels are declining, modernization is continuing, and the capability of these forces is therefore improving. Soviet diplomacy, which in Asia has been clumsy for many years, is getting more skilful and positive, whether in easing relations with China, getting out of Afghanistan, establishing relations with South Korea, or co-operating in the search for a settlement in Cambodia. But there is more that Moscow can and should do. Their most glaring omission is, of course, their refusal so far to return to Japan the Northern Territories. When Gorbachev goes to Tokyo in 1991, he may be forced to return the Territories in order to get Japanese economic assistance.

As these positive trends continue, it would be less than credible if we did not make some policy adjustments, since the Soviet threat has been a major rationale for our presence in Asia. Nevertheless, I think it would be most premature to overturn the very policies that have brought us to this point, that have deterred the Soviets and their friends from expansionism.

Moreover, as I shall try to make clear below, the Soviet threat is not the only reason for maintaining a substantial American presence in the Western Pacific.

3. Tensions in this region are being reduced

I think this is true to a certain extent. But I also think the most compelling case for a continued American commitment comes from our Asian friends themselves, and no leaders have been more eloquent on this issue than the Australian Prime Minister and Foreign Minister. With the exception of North Korea, it seems to me that all Asian countries and western countries want the US to stay. This includes our allies in Japan, Australia, South-East Asia and South Korea. It includes China, it even includes the Soviet Union and Vietnam. Because of history and distance I think no one views us as a threat, and indeed, I think our presence provides some reassurance that no one country will dominate this region.

I think each nation out here has its own particular apprehension about specific powers' influence and design over the longer term, whether the power be the Soviet Union or China or Japan or Vietnam or India. In my view, no country other than the United States can play this non-threatening balancing role. Certainly, no one, including Japan itself, wishes to see Japan become a military giant again, but that is a possibility that would be facilitated if the US were to leave the region prematurely.

Furthermore, I think that an American withdrawal of a dramatic nature could heat up regional rivalries which have been made all the more dangerous by the spread of nuclear and missile technology. It could also inflame territorial disputes and arms races in this region.

There are also enough difficult regional conflicts to solve, such as those in Korea and in Cambodia — where we need to avoid both the return of the Khmer Rouge and Vietnamese domination.

Magnifying these uncertainties are other looming changes in this region: China's takeover of Hong Kong in 1997; the succession issue in Indonesia — a particular concern to Australia; the jockeying for power in communist nations when first generation revolutionaries leave the scene — as in China and Vietnam and North Korea. There is also the question of the future leadership in friendly nations: — like the Philippines and Singapore. Other potential sources of instability range from Burma to Papua New Guinea, from disputed islands in the South China Sea to the flow of refugees and the flow of oil.

Now, to be sure, most of these issues must be managed by the Asian Pacific countries themselves; and to be sure, the American diplomatic and economic presence is even more crucial than military assets; and we should not employ phrases like “vacuums” and “regional stability” mechanically, without thinking through their implications.

It seems to me that some instability will occur in countries which, like China, must make difficult
transitions. That is not necessarily bad. It is probably inevitable — stability is not an end in itself, but must facilitate progress and justice.

Once we have withdrawn from this region, it would be difficult politically to resurrect our presence in a crisis. Asia may present radical unforeseen challenges, such as those we have seen in Europe in the past year-and-a-half. To quote Alfred Lord Tennyson, "far away beyond her myriad coming changes Earth will be something other than the wildest modern guess of you and me.”

4. US allies are stronger now and therefore should take up more of the defence burden

Yes, our allies in Asia are much more robust and yes, demands on our resources at home are very great indeed. After four decades of commitment, it is realistic, it is equitable, and frankly, it is politically necessary that some responsibilities be shifted. In my view, however, the process should be gradual; it is already well under way.

Clearly, Japan is the most important case, and it is picking up more of the burden. But the last thing we want is for Japan to become a regional military power, and, as I said, our withdrawal could fuel that. There are other ways in which the Japanese can contribute to security. The presence of the US security umbrella helps to reassure all the nations in this region that Japan will remain limited to a self-defence role.

Another major candidate for burden-sharing is Korea, which has made remarkable economic gains despite its heavy defence commitments, although the tension between North and South Korea still remains an extremely dangerous situation.

5. Rising Nationalism

After decades of American presence and predominance and the growing strength of our partners, it is natural to see more assertive nationalism emerge. What is remarkable to me is not the rise of nationalism but rather how little anti-Americanism exists. In Japan there is greater support for the American role than ever before. In Korea the students may get media attention but the general populace would be very apprehensive if we were to withdraw precipitately. Admittedly, we face a more challenging problem in the Philippines, where there is a difference of opinion. If the Filipino people do not want us to stay, or if the government charges exorbitant rent, then we will leave. We have other options. They are not as good but we could go to Singapore or Guam or the Pacific Territories.

It seems to me that other key allies, including Australia and Thailand, clearly see mutual benefits in the American presence; not only the psychological reassurance but the exchange of technology and information and the access to councils of deliberation on global and Pacific policies.

We had to suspend our treaty obligations with New Zealand because of its nuclear ship visit policy. We are pleased that Australia continues its close defence ties with New Zealand and we look forward to the day when New Zealand will change its policies so that they can rejoin Anzus.

There are substantial voices in the US calling for a rapid downgrading of our presence in this region. For us to maintain a broad consensus to stay will require that our friends help to make clear to the American public, Congress and media that you want us to stay out here. Much more worrisome, however, than any tensions over the US military presence, are the frictions over trade. Many of our partners have run up huge surpluses which create serious political problems. There has to be substantial progress on this issue, such as an opening of markets. Otherwise, the American domestic pressure for a sharp reduction in the military presence in this region will escalate. In short, our friends should not take our continued presence for granted. On the other hand, the United States is hardly pure in these matters: whether it is sugar quotas or subsidies for wheat or restraints on textiles or steel. If we do not address these objections, the current generally welcoming climate that I see out here for the American presence could turn sour.

This Uruguay round of GATT (General Agreement on Tariffs and Trade) is absolutely crucial. It is now conventional wisdom to say that economic strength is increasingly more important than military prowess. In this case the conventional wisdom is accurate. The largest challenges to our political co-operation in the western Pacific lie precisely in these economic issues.

Such are the highlights of my response to the memo to President Bush, and my reasons for preferring our Asian presence to remain. My own policy conclusions should be clear by now, and I shall summarize them briefly.

I believe that the US mission in this region has been very successful, but I think it is far from accomplished. On some issues, we will continue to take the lead, on others our friends will and should take the lead. With respect to our overall military presence, it is time for review, modifications, prudent pruning. It is not time for wholesale overhaul. Thus I agree with the basic
approach of President Bush, as outlined by Defence Secretary Cheney. This approach includes some modest reductions over the next three years in close co-operation with our allies, representing about 10 per cent of our forces of 135,000 personnel: five to six thousand from Japan, 7,000 from South Korea, 2,000 from the Philippines, and some adjustment and relocation of some of our base facilities. This streamlines and tightens up our presence but does not diminish our capabilities.

In three years we will review the situation again, and we may draw down further. In particular, we envisage South Korea taking the leading role in its own defence by the year 2000, with the US continuing to provide support. This does, however, depend on intervening events. Above all, it depends on the assent of our friends out here.

In conclusion, today no region is more important to the United States than Asia and the Pacific. Into the next century this is unlikely to change. Most of the world’s peoples live here, many of the richest cultures flourish here, all of the great powers intersect here, and the most dynamic economies beckon here. America has fought in three wars in Asia during the past half-century, with Australia by its side. Almost 40 per cent of our trade is with this area. The volume is 50 per cent greater than our trade with Europe. A rising tide of eager and talented immigrants from Asia is enriching our culture and our economic life. A national, demographic and economic weight shifts steadily towards our Pacific coast. In sum, the firmest guarantees of America staying in Asia and the Pacific — much more credible than rhetoric from the rostrum or pieces of paper — are our overwhelming national interests.

This past year, the world’s attention has been focused on the dramatic events in Europe, but the sun still rises in the East. Many of the trends now clear in Europe and elsewhere were foreshadowed in Asia and the Pacific: the increasing importance of economic power relative to military power; the clear superiority of market economies over socialism; the imperative that political reforms accompany economic reforms; economic reform within the communist nations themselves. The political winds that have transformed the globe in the past year-and-a-half first gusted in Tiananmen Square.

If together we can demonstrate steadiness and vision, we face a promising and exhilarating journey in this region. ■

Notes
1. All references to “top-secret” memoranda are fictitious and merely a literary device.
Privatization Deserves Labor’s Support

If the Labor Party is to remain in government, the Socialist Left faction has to be defeated on privatization. This faction is demanding that huge amounts of taxpayers’ funds be committed to Qantas and other government undertakings. The Prime Minister, Mr Hawke, and other government leaders say this money could be better spent on health, education and welfare. The Government does not have to own an airline. Why not sell all or part of it to private enterprise? The logic of the Government’s argument is such that opposition to it looks absurd.

Some people try to sugar-coat the pill by referring to “public ownership”. I have yet to meet anybody who works for a government undertaking who believes that he or she actually owns any part of it.

It is a sad commentary on sections of the Australian Labor movement that they still cling to the out-dated and discredited dogma that government-owned enterprises must be superior to those in private hands. There is an element in the Australian Left that does not want the responsibility of government — it prefers the Labor Party to be in futile permanent opposition. From that irresponsible position these people can always sound noble, even if impractical. This is sometimes called the politics of the warm inner glow. But, that is not why the Labor Party was launched 100 years ago. Labor supporters want their party to govern, not just oppose.

The Socialist Left hopes to tap not only the remaining sentiment in the Labor movement for government ownership, but also the fears of those who see in any ownership change a possible loss of privilege. These sentiments appeal to public sector unions which are strong in the ACTU and the ALP but they mean little to the average person who cannot afford more than the occasional air trip.

The role of government in a democracy is to ensure social justice and provide the political stability in which enterprise can thrive. Of course, government cannot divorce itself from the economy. It has to make laws about taxes, tariffs and other matters relating to industry and commerce.

But, except in some special areas, it is not desirable for it to own and control vast portions of a nation’s industries. Surely, this has been proved in the Soviet Union and other socialist countries. In these nations government ownership meant low quality goods produced in unhealthy and unsafe conditions by poorly paid workers in an atmosphere of tyranny.

The ALP controversy over State or private ownership is not unlike that which occurred at the recent Soviet Communist Party Congress. The Soviet leader, Mr Gorbachev, in urging economic reforms was opposed by a majority of bureaucrats who did not want change.

It would be hard to name any Labor movement in the world that is now demanding the retention, let alone extension, of government ownership of key industries. On the contrary, most are demanding the opposite.

Leadership

Central to any sensible plan to save Australia must be the encouragement of more competition, incentive and investment by reducing the government’s role in sections of the economy. Hawke and Keating recognize this.

By giving bold and courageous leadership, the Hawke Labor Government won the support of the Australian people for its policy on the Middle East crisis. If it delivers the same quality of leadership in dealing with our economic crisis, its future in government is assured.
Gender Bending  For parents who wish to thoroughly confuse their children comes Anne Fine's new counter-sexist children's book, Bill's New Frock. "When Bill Simpson woke up on Monday morning he found he was a girl and had to wear a frilly dress to school," runs the blurb. "A brilliantly witty look at the differing treatment of boys and girls." But no boy deserves to be treated like Anne Fine treats poor Bill!

The story of Bill's identity crisis should interest Henry Jaglom, described by Newsday as America's most successful independent film-maker. Mr Jaglom confessed to the New York Times that he "is still trying to become one of the girls... I have the bedroom of a teen-age girl, frills along the side of the bed and stuffed animals on it. I am," he says, "a male lesbian." Jaglom says that since childhood he has preferred the conversation and company of women to men. "...at the stage when the boys were off playing with each other and going 'Yuk, girls,' I was off with the girls going 'Yuk, boys'. Years later, when my wife left me..."

Meanwhile, in England, an expurgated version of Enid Blyton's Noddy is being produced to suit the new sensitivities: golliwogs are out (to eliminate racial overtones), a more assertive Tessie Bear has been created and school teacher Miss Rap will be forbidden from spanking her pupils, reports The Australian.

Holy Tree  From the new morality to the new religion. To celebrate One World Week (5-12 August), Australian Catholic Relief, in conjunction with the Australian Council of Churches, issued a teaching kit for primary schools aptly titled "Mad About the Environment". Instead of the Stations of the Cross, the kit describes the "Stations of the Forest." First Station: "The Forest is condemned to Death"...Third Station: "Chainsaws slash the sides of the trees. As each tree crashes to the ground the splintering wood fills the forest with its screams"...Fourth Station: "Now the fallen trees lie dead in the arms of their Mother Earth"...Fifteenth Station: "After the death of the rainforest there is no resurrection. The rainforest will not return to life." Christians have always considered a wooden cross to be a holy symbol, but not until now have they done so simply because it is made of wood.

Too Much Breeding  In the Anglican Church, things are no better. The Bishop of Ballarat has signed a set of propositions presented to him by the Synod's "Planet Earth Committee." Over-population is a central problem identified in the manifesto. Forget "go forth and multiply." Proposition three states: "It is the plain duty of man to restrain his numbers...[T]he most likely successful procedure to reduce populations," it argues further on, "is to offer a reward to breeders (females) for not breeding — i.e. which increases their standard of living in such a way that they lose it if they do breed." Which political party will be the first to launch the anti-family allowance and tax rebates for the children you didn't have? The document concludes: "...the church should teach: that child bearing is a contingent, not an absolute, good — support policies that discourage population growth unless they are incompatible with Christian good — advocate a general reduction in economic activity." Not only should we be childless, but poor as well.

Mindless Activity  The Ipswich City Council's Art Gallery has advertised for a new director. According to the Gold Coast Bulletin, the advertisement reads, in part: "Applications are invited from suitably qualified persons for the above position; regardless of sex, marital status, race, colour, nationality, ethnic or national origin, physical or intellectual impairment or sexual preference..." Regardless of "intellectual impairment"? On second thoughts, intellectual impairment could be a distinct advantage in appreciating some modern art.

Log-Jam  The Australian Nurses Federation has lodged a log of claims which, if accepted by the Arbitration Commission, would entitle its 8,000 West Australian members to six months' sick leave a year on full pay. Full pay, under the ambit claim, would be $156,000 per annum. Every five years they would qualify for six month’s long service leave, and eight weeks ordinary leave for every 44 weeks' service. While the Nurses Federation admits the claim is extravagant, they point out that "these claims could be the norm in 10 or 20 years," reports the West Australian Daily News.

The Worst Crime of All  Western Australia's Premier, Dr Carmen Lawrence, believes that Australia's new breed of conservative young people pose a far greater threat to society than criminality among the young, reports The Australian. The "new conservatives" are destined to play a leading role in shaping the country's future — and "so their self-seeking attitudes are potentially more insidious
and far-reaching in their influence on our future.” Whereas, of course, criminals merely rob, murder, maim, etc.

**Reformed Schools or Reform School** An organization called the Biblical News Service reports a survey among American school teachers of the most common disciplinary problems encountered in schools. The results were compared with a similar survey done in the 1940s. The top five problems identified by the 1940s survey were:— talking, chewing gum, making noise, running in the halls and getting out of turn in line. The top five disciplinary problems identified in the recent survey are:— rape, robbery, assault, burglary, arson.

**Blame the System** Covering the Yorkshire Ripper case as a reporter, Joan Smith became convinced “that only a culture which nurtured and encouraged a deep-seated hatred of women could produce a mass killer of this type.” A bit extreme? Not according to the reviewer of Joan Smith’s book, *Misogynies*, Simon Hughes, writing in Melbourne’s *Sunday Herald*. He found such words “a tonic, cleansing away the filth and gore.” The system, of course, is to blame: “With regard to sexual violence against women, the law and its arbitrers stand convicted as accessories before and after the fact.” That lets the Yorkshire Ripper pretty much off the hook.

**Royal Jelly** I suggested in an earlier column that condoms were becoming the new symbol of civic virtue. Further evidence of this odd inversion appeared in a report in the *Melbourne Herald* that the British Deaf Association had presented Princess Diana, the patron of the Association, with a condom and a tube of KY lubricating jelly during her attendance at a conference of deaf people in Brighton. The Association did so in an attempt to highlight the dangers of AIDS to the deaf.

**Village Idiocy** At a symposium called “Organizing for an ecologically sustainable Australia” held at the ANU, a proposal was made that Australian cities should move towards becoming a system of villages by 2005. Peter Cock, from the Graduate School of Environmental Science at Monash University, spoke in defence of the proposal arguing that village life was more likely to lead to ecological and human well being. The village system would include expanded households of perhaps eight to 12 people. It sounds a lot like the Third World.

**The Art of Construction** What would a new estate of cubist or impressionist or surrealist houses look like? We might have a chance to find out. Four building unions have combined to launch “a national cultural initiative primarily aimed at a positive involvement by those unions in the development of opportunities for visual artists, art workers and craftworkers in Australia. Critical to the initiative will be the creation of a viable economy for visual artists and crafts within the building industry.” As a first step, the unions are advertising for a Cultural Officer at an annual salary of $35,000.

**Green Police** John Halfpenny, Secretary of the Victorian Trades Hall Council, has proposed the creation of a “green police force.” It would involve extending the powers of Occupational Health and Safety officers so that they could close down enterprises for environmental reasons, reports *Social Action*. Mr Halfpenny cited “the Nufarm incident” to support the need for such an extension of powers. This refers to the action earlier this year by Greenpeace to prevent chemical company, Nufarm, releasing material containing dioxins into the Werribee sewerage farm. Subsequent investigations revealed that the quantity of dioxins released by Nufarm was so minuscule as to pose no risk to human health.

**Excluding the Non-Inclusive** The US publication, *The Living Church*, reports that the new *Presbyterian Hymnal* scheduled for publication this year will include some new hymns and exclude some old ones. Among those omitted are, ‘Faith of Our Fathers’ “because it is non-inclusive” and ‘Stand Up, Stand Up for Jesus’ “because it is considered offensive to the handicapped.”

**Secretary for Culture** At a two-day seminar in Sydney and Melbourne in November, for a mere $995 fee, business people can hear experts describe how to create a better “corporate culture.” The experts, organized by Australian Investment Conferences, include George Campbell, National Secretary of the Amalgamated Metal Workers’ Union, on the topic, “What human resource tools exist to aid you in changing your culture?”
Do We Need the Multi-Function Polis?

The Multi-Function Polis scheme has generated great controversy during 1990 and caused some unusual alliances: the RSL, the Peace/Green lobby and — during the election campaign — the Federal Opposition have opposed it, while members of the Government have joined business leaders in support of the project.

The MFP began in 1987, when Japan's Ministry of International Trade and Industry — the organization popularly credited with leading the "Japanese economic miracle" — proposed to the Australian Government that a high-technology "city of the future" be constructed in Australia, with extensive Japanese involvement. A number of private sector and Government feasibility studies were set in train. Currently, the proposed site for the MFP is just north of Adelaide in the Gillman region. On 19 August, the Commonwealth and South Australian Governments announced a further detailed study to assess the environmental and commercial viability of MFP Adelaide.

Risk of Enclaves The MFP will become an enclave, whether of foreigners or elite technologists. The large number of foreign technologists involved (not to mention their families) will inevitably push the Polis in this direction, whatever the government may intend.

Foreign Priorities The Polis — at least 80 per cent of which will be foreign-owned — would be oriented to serving Japanese and international business priorities instead of Australia's developmental needs.

No Community Consultation The MFP has been developed in extraordinary secrecy.

Asia-friendly The Asia-Pacific region is set to be the world's economic powerhouse in the next century. Japan is already enormously powerful. It is set to be joined by South Korea, Singapore, Taiwan, and perhaps Hong Kong. The MFP will help us develop expertise in dealing with the people of this region as well as helping us to develop products and services which they will want to buy. Rejecting the MFP could discourage the Asian-Pacific countries from trading with Australia; we could become the "poor white trash of Asia."

Technology Transfer The Multi-Function Polis will transfer valuable, sophisticated technology to Australia. It will thus help us to
The feasibility studies have made uninformative platitudes about "a rare example of Australians planning ahead to grasp and control the future," about a city of "more human dimensions," a Renaissance city, a Technopolis and a Biosphere. All of this conceals from the public exactly what is going on, and must give grounds for wondering whether any benefits really exist.

**"Quick-Fix" Mentality**
The Federal Government is treating the MFP like a magic potion capable of wiping away our economic problems. But government-orchestrated technopolis schemes in Japan have only consolidated existing trends; they haven't started new trends. Without a prior shift in this country towards high-technology industries, the MFP will achieve nothing. It could even drain meagre research funds away from the rest of Australian industry. The assumption that we can import expertise which will then filter out of the MFP and be absorbed by the community is a cargo cult mentality.

**Lack of Private Interest**
The fields of development proposed for the MFP — education, communications, health and the environment — are traditionally of no interest to the Australian private sector. And since it is the government which has set the pace and scope of the project, the promise of private-sector leadership may never eventuate. Taxpayers could end up footing the bill.

**A Dumping-Ground or Retirement Village**
Based on previous Japanese examples of high technology cities, technology transfer is highly unlikely. If the MFP does become private enterprise-led, as is promised, then the multi-nationals will only want to consolidate the things they are currently developing in Australia — namely recreational and education services. Any high-technology sent to Australia would be of the "pollution intensive" varieties which the Japanese do not wish to run in their own country.

**Excessive Cost**
Estimates suggest that the Polis will have a negative impact on Australia's balance of payments for 32 years. It would make Australia's foreign debt grow by $20 billion after 20 years. To be viable it would need $11-13 billion investment over 20-25 years plus a population of 100,000-200,000.

**More Applied Research**
The MFP could expand Australian work in applied research without draining existing resources from basic research. OECD figures indicate that we have as many basic researchers per capita as Japan, and more than West Germany and the USA. But our total research effort is much less than that of other OECD countries, and our applied research is very weak. Foreigners are better than we are at putting our ideas to commercial uses. The MFP will help us put the "Development" into "Research and Development" by involving industrial enterprises more closely with the research effort.

**Objections Based on Fear**
Opposition to the MFP stems from narrow-minded bigotry and fear. It is time that Australia grew out of its paranoid delusions concerning the "threat" from "Asian hordes." The Japanese are no longer interested in conquest, but simply co-operation for mutual rewards. Asians coming to settle in the MFP will pose no more danger to Australian society than do migrants from anywhere else in the world.

**No Enclaves**
The Federal and State Government explicitly rejected the concept of an enclave when the Multi-Function Polis feasibility studies began in 1987. The seventh of the nine principles governing Australian participation in the project stipulates that the MFP "should not be a cultural enclave" but, rather, should be integrated with the rest of society.

**Community will be Consulted**
Worries about alleged "secrecy" are based on a misconception. Potential developers have so far only been assessing the commercial attractiveness of MFP ideas. There is not much point in consulting the community until financial viability has been established. Even so, public submissions have been invited on the Adelaide MFP proposal. All the governments and corporations involved in the scheme have promised that the MFP will go ahead only if the community wants it, and only in a form that the community wants.

**Further Reading**
Why we should resist Minority Studies

Recently a statement was issued in Princeton, New Jersey, by the National Association of Scholars (NAS), drawing attention to demands for curriculum changes in American universities, based on the supposedly "Eurocentric" and "patriarchal" bias of the curriculum. The statement appeared under the heading "Is the Curriculum Biased?", and it deals systematically with the objectives and justifications of those who, starting from assumptions of bias, argue especially for so-called "minority studies" to be included in the curriculum.

Australian institutions have proved again and again their susceptibility to outside influence, and they too have begun to respond to pressure to eliminate supposedly biased curriculums in favour of supposedly non-biased ones. Needless to say, the most vulnerable faculties are those of Arts and Humanities, now feeling threatened by their de facto exclusion from the areas of high priority in the fulfilment of the Government's "national objectives." And there are no doubt some teachers — perhaps a majority of them — who would feel that "the new way" would satisfy demands for relevance, and the craving for recognition of minority groups, and of popular topics such as race, gender, and class.

First, one must acknowledge that changes to the curriculum are always necessary to accommodate new material, new discoveries, new concepts. Two principles have to be kept in mind when curriculum decisions are made. One is the recognition of the objective of the course, behind which lies (or ought to lie) a whole philosophy of the subject's place in a student's education; and the other is the question of the value of what is proposed, measured against the value of what it would replace. One of the immediate objections to the kinds of changes opposed by the National Association of Scholars is that they ignore both these principles, falsify the nature of existing curriculums, and replace the test of value by a political test of representativeness.

The demands of the innovators can be broadly classified into three kinds. First, they attack the existing "canon" of texts. Thus a literature course, for example, should include more works by supposedly minority writers, such as blacks, women and ethnic groups. Second, they insist that issues of race, gender and class should be introduced into many more courses. In practice this means — as is already clear from much writing and teaching of literature — that these issues will dominate student thinking and discussion, and that particular books will be judged according to the "correctness" of their views on these topics, not according to their value as literature, philosophy or history. Third, they say that there should be more courses in women's studies and minority studies, and it is sometimes argued that these should be compulsory for all students.

Discussion Stifled

It is ironic that the principal assumption underlying these demands is that the traditional curriculum is biased, deliberately excludes certain subjects, and is by nature and intention oppressive of women and minorities, and prejudiced in favour of white males. It is ironic because the intention of the reformers is to create bias in favour of certain ideas, by replacing qualitative principles of choice by political ones. The effect of this in practice is to stifle discussion and discourage independent analytical thinking. How can it be otherwise, when the whole reform project takes off from a set of false assumptions, which are promoted as though they were true?

Is it true, for example, that "other" cultures — i.e. other than white, Western cultures, have been neglected in the curriculum? No, it is not. Any liberal
arts curriculum which deals with history, politics, anthropology, society and literature, ranges across other cultures and societies. Literature is a more difficult case, because of the constraints of language, and because in many black societies oral traditions persisted into this century. But in any case, as the NAS says, "a sound curriculum cannot be built by replacing generally applicable intellectual and aesthetic standards" with "the principle of proportional representation of authors, classified ethnically, biologically, or geographically." Any such principle of construction will turn teaching into a reductive rather than an extending process. Where curriculums are designed and students taught according to themes, or by the selection of representative texts, the "theme" comes to dominate their reading and thinking, and they concentrate on identifying and illustrating it, rather than on testing and evaluating it.

If literature happens to be the subject, the reductive process actually inhibits full understanding of a particular book, and in any case is at odds with the nature of literature. If students were taught to read Dostoevsky's *Crime and Punishment* as an illustration of the oppression of the poor by the Tsars — a situation it undoubtedly reflects — they would have no understanding of the range of Dostoevsky's thinking, nor of his intellectual and metaphysical enquiry. And it is precisely these dimensions, not the particular historical circumstances in which it was written, that give it a universal and lasting value. There are many benefits to be had from the study of literature, but perhaps the principal one is to be introduced to other worlds of experience, to speculation, and to the variety of human experience, not to be confined within the narrow limits of one's own prejudices, presuppositions and theories.

Knowledge does not recognize national boundaries, and one of the purposes of education is to put students in touch with the unfamiliar, to extend their understanding far beyond the limits of their known world. Studies of other nations, of minority groups, and of questions of class, sex and race are necessary to this process. But they are the materials of study, not the reasons for studying; and insisting on their dominance of the curriculum on the pretext that the existing curriculum is prejudiced against them is dishonest. The NAS is right in saying that "multicultural education" should not take place at the expense of studies that transcend cultural differences (i.e. not allowed to be centre-stage), and that it has to be seen as valuable in itself, regardless of the quality of individual writers. The issue is not quality but social and political justice. This means, of course, that the principles of curriculum design mentioned earlier are irrelevant; special treatment for women's writing or black writing redresses a declared political and social injustice, not an educational one.

In the responses required of students and in the questions asked of them, these motives are perfectly obvious. And if they are pursued with vigour, they are at odds with the concepts of objectivity and critical enquiry which are central to a liberal humane education. It is not unknown for students of such courses to be rewarded not for their attempts to find their way into difficult subjects, but for their commitment to the doctrine. It is no wonder that the NAS "opposes subordinating entire humanities and social science curriculums to such studies, and views with alarm their growing politicization."

These developments are disturbing enough at tertiary level, when students are perhaps not quite so vulnerable to propaganda and bias parading as enlightenment. But they are not confined to tertiary studies.

It does not take long for ideas to filter down through the system, and the potential for harm is considerable. It goes beyond superficial notions of disadvantage to a fundamental skewing of the purposes of education towards displacing educational values by political ones, in the hope of changing students' attitudes. The Australian Studies courses in Years 11 and 12 in Victoria show many signs of taking this direction, and if pursued will remove from students room in which to grow their own thoughts, and reach their own considered opinions.
Dancing with a Dictator

THE BBC's Foreign Affairs Editor, John Simpson, recently observed in *The Spectator* that:

"Democracies are at their worst when they face dictators. In spite of all the evidence, they cannot conceive that men like Saddam really mean business. They shilly-shally, they try to buy them off with weak concessions, they imagine they can tie them down with feeble diplomacy, they make threats which everyone knows are empty. However much they try, they cannot enter into the minds of men to whom lying comes more naturally than truth, and violence than negotiations. With their short attention spans and feeble wills, democracies are good at convincing themselves that everything will turn out well."

Perhaps democracies like Australia, which have never faced life and death decisions, find it even more difficult than other democracies at standing up to dictators like Saddam Hussein. Nevertheless, the Australian Government has acted decisively in sending naval support to the UN-approved economic "blockade" against Iraq. While this move has won the approval of a strong majority of Australians it has predictably divided the media.

Most newspaper editorials approved of the Government's action. The *Sydney Morning Herald* was typical in recognizing that, while Australia's contribution to deterring Hussein must necessarily be modest, "it is entirely appropriate that we have assumed our responsibilities" (11 August). A notable exception was the *Canberra Times* which, in both its editorials and most opinion columns, typically opposed the intervention. Retired diplomat, Malcolm Booker, argued that Mr Hawke's attempt to justify Australia's involvement by appeal to Article 51 of the UN Charter (which entitles nations to self-defence) "is the sort of weasel-wording R. G. Menzies used to slide Australia into the Vietnam War" (21 August). Evoking the Vietnam parallel was common among opponents of the Government's move.

While the print media, especially the editorials, tended to support Australia's actions, the electronic media - both radio and television - veered in the other direction. Early on, Literature Professor Sister Veronica Brady was interviewed on national radio about her letter of opposition to the Prime Minister. The interview began with Sister Brady explaining that in her letter she set out no reasons for her opposition to Australia's stand. She did, however, fear a modern-day version of the Crusades. Speaking on ABC Radio's *AM*, Manning Clark, hardly an acknowledged expert on foreign affairs, accused America of viewing itself as morally superior. (To an aggressive, ruthless dictator? Surely not!)

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<td><strong>How the press viewed Australia’s intervention in the Gulf Crisis</strong></td>
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<td><strong>Editorials</strong></td>
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<td><strong>The Australian</strong></td>
<td>“Nothing concrete has happened to detract from Mr Hawke’s fundamental commitment to involve Australia in the redressing of a clear wrong just as Mr Bush has been proven wise in his decision to deploy defensive troops in Saudi Arabia.”</td>
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<td><strong>The Herald (Melbourne)</strong></td>
<td>“Given the past...record of the ‘Butcher of Baghdad’ and his penchant for aggression, other Arab states surrounding Kuwait, many of them equally as defenceless, must today be feeling apprehensive...”</td>
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<td><strong>The Age (Melbourne)</strong></td>
<td>“The actions of the Western powers in trying to force Iraq to withdraw from Kuwait and the Australian support of it, are fully justified by moral principles, international obligations and national self-interest.”</td>
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<td><strong>Sydney Morning Herald</strong></td>
<td>“Now is the time to show a ruthless, aggressive dictator that the world will stand up to him.”</td>
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<td><strong>Canberra Times</strong></td>
<td>“Even with the UN stamp of approval, Australia’s decision to become so involved militarily in the Gulf crisis is disproportionate and quite unnecessary.”</td>
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<td><strong>The West Australian</strong></td>
<td>“The Hawke Government’s decision to commit missile frigates to the naval blockade of Iraq is a proper response to a situation which poses grave threats to Middle East and international security.”</td>
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<td><strong>The Daily Telegraph (Sydney)</strong></td>
<td>“This man must be stopped and Australia must do all within its powers to be a part of the forces which bring him to heel.”</td>
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<td><strong>Courier Mail (Brisbane)</strong></td>
<td>“Had the West been supine in the face of the August 2 invasion of Kuwait, Iraqi action to seize the northern Saudi oilfields might by now have taken place.”</td>
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<td><strong>Australian Financial Review</strong></td>
<td>“…in the event of a real shooting war, not only will Australian men and ships be put at risk, but Australia could very easily find itself enmeshed in a vast and intractable global conflict.”</td>
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<td><strong>The Advertiser (Adelaide)</strong></td>
<td>“We entered this thing in an unsavory way with Western oil-lust muddying an adequate chance for Arabs to sort out essentially Arab affairs. However...we must, under the present circumstances, stand by that commitment as a matter of principle ...”</td>
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Kuwait as a pre-emptive measure against an invasion by Israel and the United States! SBS Dateline compere, Paul Murphy, did not enhance television’s reputation for impartiality by having Ahmed Shaboul uncontested two weeks in a row (18 and 25 August).

On ABC Radio in Victoria, Terry Lane gave most air-time to opponents of the Government — David Martin, the spokesman for the Association for Armed Neutrality, for example. ABC TV’s 7.30 Report was no better, putting Malcolm Booker up against Senator Powell of the Australian Democrats and letting them vie with each other in urging inaction.

Terry Lane revealed his own opposition in The Sunday Age (19 August), referring to Mr Hawke as “primed to bristle when George [Bush] gives a whistle.” Another ABC Radio compere, Paul Barber, interviewed pro-Arab lecturer, Andrew Vincent, at least four times without debating Vincent’s controversial views, which were typified by a Sunday Herald article arguing “that Iraq has a case” (5 August).

The Liberal Party darling and Mayor of Brisbane, Sally Anne Atkinson, told A Current Affair that one of her principles was non-interference in other countries’ affairs (she was condemning her own country, not Iraq?), while ALP Right-Winger, Ted Grace, went on national ABC TV news to insist that he would call the ships back when they arrived at Fremantle.

Kerry O’Brien’s Late Line current affairs program was more balanced. It included a debate between US foreign policy heavyweights Joseph Sisco and Edward Luttwak and a three-way discussion involving Foreign Affairs Minister Evans and ANU Peace Research Centre Chief, Andrew Mack. Mack alleged that Israel’s chemical weapons were just as threatening as Saddam Hussein’s. The fact that Israel’s intentions are plainly defensive while Hussein’s are not, apparently counts for nothing. Another ANU academic, Michael McKinlay, argued on the same program that the industrialized world should only have taken military action against Iraq once Saddam’s threats to Saudi Arabia had been put into effect (Late Line, ABC TV, 14 August).

Cloud cuckoo land stuff? The snippets have been unfortunately typical of the electronic media (particularly the ABC). Perhaps most remarkable was the media’s reliance on a former secretary of the Australian-Iraqi Friendship Society, Robert Springborg, to provide ‘objective’ commentary. In the two weeks following 3 August, Springborg, who is also Professor of Middle Eastern Studies at Macquarie University, was interviewed on more than 25 occasions on television and radio, mostly unopposed. Springborg was introduced as “an acknowledged expert” on the Middle East by the 7.30 Report.

On various occasions, Springborg has argued that Australia could even benefit from higher energy export prices by collaborating with Saddam and claimed that the Prime Minister was involving Australia in the Gulf because of his personal friendship with George Bush. This is apparently a line being pushed by the anti-American brigade. In fact, as the national political reporter of The Bulletin, Laurie Oakes, has explained, senior ministers were consulted, the Opposition was in full support and the entire cabinet expressed widespread support at its previous meeting.

A Danger to Economic Well-being

Mussolini made the League of Nations obsolete in the 1930s when he invaded countries like Ethiopia with impunity. The world community, and now the United Nations, which has condemned the Iraqi dictator, seems to have learnt the lesson of such appeasement. It is encouraging to see the Soviet Union, China and even the Arab League tell Saddam Hussein that he can go no further. It is possible now that the economic strangulation of the Iraqi aggressor will lead to the dictator’s removal in an internal coup. If not, the US and its allies will need to give serious consideration to more aggressive action. For Saddam’s invasion of Kuwait and threats against Saudi Arabia would, if unopposed, give him effective control of the world’s oil supplies. His action threatens the economic well-being of the industrialized world, especially our major trading partners — the US and Japan. Ask the average truck driver about the effects on Australia’s transport costs of a doubling of fuel costs (a possibility if Saddam remains undefeated).

Australians should also be concerned that not reacting to a regional dictator’s aggression would set a perilous precedent for the world, including Australia.

Iraq is but two to three years away from deploying nuclear bombs. What will persistently anti-Israel advocates like Peter Young (who attacks Israel for being a “wild card” [The Australian, 15 August 1990]!) say once Hussein has these weapons operational?

One of the few positive repercussions of Iraq’s seizure of Kuwait (and its threat to use once again the poison gas which it used on its own Kurdish minority and on the Iranians), is the united international opposition to this regional bully. If the United Nations takes over the sponsorship of the multi-national force in which Australia is participating, a precedent would be set in this dispute which could govern the experience of the post-Cold War world. Apart from the economic imperatives, Australia has a vital stake in seeing that no local aggressor is allowed to get away with the spoils of its invasion.
Is Mr Keating Right About The Age?

In August, Mr Keating attacked *The Age* and Economics Editor, Kenneth Davidson, for their failure to expose and vigorously pursue the Victorian Government's flawed economic strategy. Was he being fair?

### The Victorian Economy

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<th>The Reality</th>
<th>What <em>The Age</em> said before the last State election</th>
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<td>Victoria's debt servicing ratio (interest as a proportion of total revenue) has averaged almost 20 per cent since 1983. This compares to the average for all other States of 10.7 per cent. Victoria's deficit as a proportion of total output has been higher than that for all other States combined for every year since 1983. In 1988-89 all other States combined ran a surplus, while Victoria's deficit was $1.7 billion. From March 1984 to February 1989, Victorian public sector employment increased by 23,500, an increase of 8.4 per cent. Total public sector employment for all other States declined slightly.</td>
<td>&quot;The Cain policy speech was ... full of muted boasts and cautious promises, all the more plausible for being based on a proven record of achievement and within the bounds of fiscal responsibility.&quot; (21 September 1988) &quot;Broadly...Labor can point to a successful record reflected in measurable economic benefits.&quot; (28 September 1988) &quot;...in six years [the Cain Government] has succeeded in setting the state back on the road to development based on Victoria's distinctive strengths and potential. It has kick-started the economy. It has constructed an administrative and strategic environment in which individuals and businesses can operate with energy and with the hope of future rewards. We believe the state and its people would be best-served if the Cain Government were given another term to maintain that momentum.&quot; (30 September 1988).</td>
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Kenneth Davidson, *The Age*'s Economics Editor

"It is true that state and local government employment has grown more than 10 per cent since the Cain Government won office compared with a growth of about six per cent for the rest of Australia. But most of the growth has been in the areas of community services, health and education, and this reflects community desire rather than bureaucracy run wild." (3 May 1988)

### WorkCare

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| WorkCare has unfunded liabilities of $5 billion. 18,600 Victorians have been in receipt of WorkCare benefits for more than 12 months. The proportion of these who are off work as a result of soft tissue injuries (e.g. RSI) and psychological problems is 80 per cent. (*Statement of WorkCare Reforms by the then-Treasurer, The Hon. R. A. Jolly, MP, 23 June 1989.*) | ...in 1984
"...The new scheme promises significant economies, is more sensitive to the needs of its beneficiaries and has the support of the business community. It deserves a fair trial...The new scheme is a radical improvement on the old." (13 December 1984) ...in 1988
"The Rowe Report on WorkCare reveals a system with serious and deep-seated flaws. In its present form, WorkCare is too expensive, and the service it provides is most unsatisfactory." (27 October 1988) |

Kenneth Davidson

"...[the WorkCare proposals] will be a major step in reducing labor-on costs and thus in improving the economic efficiency of industries in the trade-exposed sector on which the prosperity of Victoria depends." (13 December 1984)

"The new scheme has not worked as well as the Government expected, but it has resulted in substantial savings for employers and has contributed to the faster growth of employment in Victoria compared with the other states." (3 May 1988)
A report prepared for the Australian Manufacturing Council falls into the trap of special pleading.

The final report by Pappas, Carter, Evans, Koop/Telesis for the Australian Manufacturing Council — *The Global Challenge: Australian Manufacturing in the 1990s* (hereinafter the AMC Report) — is a plausible report. This makes it especially dangerous.

The AMC Report is persuasive because it makes all the correct gestures towards lowering protection, fostering microeconomic reforms, improving relations in the workplace, promoting competition and so on. But it is deceptive. By recommending a variety of subsidies, tax concessions and procurement preferences to promote manufacturing industry and manufactured exports, the authors reveal that they do not believe or really understand the rationale behind the general policies they purport to support.

Australia's poor export performance during the past 40 years is demonstrated in the report by a catalogue of falling shares in world trade, by commodity, by region, by selected countries, etc. (To resort to sectoral trade balances as evidence of the manufacturing industry's problems is an amateur's mistake.)

The figure that has most significance is the share of trade in Australia's GDP, which has been stationary for 30 years, while other countries' shares have been increasing (p.5). This is significant because it shows that the Australian economy has not been becoming more specialized, and specialization is an important source for improving economic efficiency and increasing the division of labour. High levels of protection for manufacturing have worked against greater specialization in production.

While paying lip-service to the need for macroeconomic policy to maintain a delicate balance between continuing overseas borrowing, the mounting external debt burden and the domestic objectives of full employment and reducing inflation, the AMC Report makes a number of recommendations that could only exacerbate the tendency towards economic imbalance (Chapter 5).

A major complaint throughout the Report is that the high cost of capital is an impediment to manufacturing investment. Yet, interest rates are high because tight monetary policy is necessary to reduce Australia's persistent and high rate of inflation. Any special measures to lower interest rates to one group of borrowers would undermine the anti-inflationary policy. Only when inflation is eliminated — or at least reduced below the OECD average — can lasting reductions in interest rates begin to depreciate the exchange rate and improve Australian industries' competitiveness.

At the same time, tax concessions to promote investment would relax fiscal policy. Some would argue that fiscal policy should be tightened anyway. Any proposals to give tax concessions or additional subsidies to manufacturing would have to be offset by tax increases or expenditure cuts somewhere else in the economy. Similarly, the AMC Report's recommendation for "strategic procurement policies" to assist manufacturing would tend to increase outlays for ongoing government programs, and would tend to ease fiscal policy.

The AMC Report contains several recommendations that would amount to easing fiscal and monetary policies — depreciation incentives for investment, risk-sharing support for export market development, taxation reforms, support for research and development, greater use of trade-offset agreements, etc. It does not, however, advocate offsetting tax increases or expenditure reductions that would even maintain the present macroeconomic policy stance.

**Taxing Peter to Pay Paul**

Trade protection — known in Australia as industry assistance — is about domestic transfers of income (purchasing power). There is still a widespread belief that
import tariffs, export subsidies or similar measures, must benefit the economy imposing them at the expense of foreigners. Nothing is further from the truth.

Whether import tariffs, production subsidies or export subsidies are the instruments used, the benefits accruing to the target industries are provided at the expense of other groups in the community. So when the AMC Report accepts the 1988 program for lower protection, the amount of enforced transfers towards protected manufacturing activities will be reduced. But when it recommends subsidies for activities that promote manufactured exports, it is perversely increasing transfers from import-competing industries to exporters; that is, reducing the profits of those selling in the domestic market in order to raise the profits from exporting.

An import tariff (the traditional instrument used to assist manufacturing industries) raises the domestic prices of imports and allows import-competing producers to raise their prices while maintaining a competitive edge in the market. To raise their output, import-competing producers have to attract additional resources, and that means offering higher wages and other input prices. Producers of non-traded goods and services can continue to compete for labour and other inputs and can raise their prices. They do not face competition from overseas. But export industries find their profit margins squeezed as their input costs for labour, capital, etc increase, while their output prices are determined by world market conditions. Inasmuch as they cannot raise export prices, the marginal exports will be forced out of business. So, imposing a tariff on imports has the effect of being a tax on exports.

Introducing an export subsidy has a symmetrical effect. A subsidy to export industries increases the profits of existing exporters and enables them to pay higher prices for inputs to production in order to attract additional resources and to increase their output. The rising costs of labour and other inputs force producers of non-traded goods and services to raise their output prices. This effect is passed on to import-competing industries who, once again, cannot raise their prices because they would lose sales to foreign competitors. So the subsidy to exporters acts as a subsidy on imports. In addition, if the export subsidy applies only to selected industries, as the AMC Report proposes, it disadvantages non-subsidized export industries, which also face higher input and wage costs.

This analysis explains how the effects of protection permeate the whole economy. The actual increases in input costs and prices depend on demand and supply conditions in all markets in the economy, but the tendencies are clear. All interferences in trade or production work through the economy in this general way and result in transfers within the economy.

Materials Processing Industries

The redistribution of domestic incomes caused by industry assistance is directly relevant to the poor record of processing industries in Australia. The high protection of manufacturing industries in the past has imposed a "tax" on all export industries. Efficiency and rich endowments of land and minerals have allowed primary commodity exports to overcome this burden. But other potential export industries, like resource processing activities which face strong competition from overseas, have not survived that "tax". As protection is progressively lowered, these processing industries should become more able to compete on world markets.

The AMC report identifies the comparative advantage that Australia should enjoy in raw material processing (Chapter 6). It lists as impediments to the development of strong processing industries, excessive regulation of markets and barriers to vertical integration, inefficient transport and communications systems, high costs of capital, inappropriate policies on power pricing and increasing uncertainties about environmental regulations.

Reducing or removing these obstacles to processing would help to promote higher value-added resource-based exports. Lowering protection will also facilitate their development and the development of other marginal export earners, such as tourism and other services.
After so many failures, it is surprising that the AMC Report should try once again to select certain manufacturing industries for preferred treatment in the 1990s. The rationale seems to be the need for "growth-centre industries" to bring on progress in so-called "elaborately transformed manufactures" (ETMs).

In view of the emphasis given to the "globalization" of industries, identifying these growth centres seems inappropriate. Globalization suggests that "niche markets" in highly specialized parts and components should be the preferred path for a modern manufacturing industry. Very few complete ETMs are now manufactured and assembled exclusively in one country without imports.

Even more surprising is the choice of industries for special treatment — information equipment, pharmaceuticals, aerospace and — wait for it — motor vehicles!

Another Motor Vehicle Plan

The AMC Report calls for another motor vehicle plan when the present Button plan runs out. After years of government support, it is extraordinary that this report again picks the motor vehicle industry for preferred treatment.

The argument seems to be based on the "success" of the present plan, and particularly the exports of components and the Ford Capri. But an evaluation of those exports shows that the real resource costs of these exports to the United States far exceed the foreign exchange earnings that accrue.

There is good reason to be immediately suspicious that Australia should export motor cars when the poor domestic consumer is forced to pay such exorbitant prices for motor vehicles.

According to official figures, each Capri export will return A$13-14,000. Under the so-called Button Plan, any export of finished vehicles or components entitles Australian motor vehicle producers to import complete vehicles or components equivalent to the value of any exports, without paying duty. The protection normally amounts to 50 per cent of import values. So each Capri export receives a 50 per cent export bounty. Exports of components receive a similar bounty through the equivalent value of imports that enter Australia duty free.

By granting the industry the appearance of efficiency, the export bounty gives the industry a new claim for export assistance in the AMC Report. The domestic resource cost of around A$20,000 achieves a foreign exchange return of A$13-14,000.

The resource cost of present exports has been entirely missed in the AMC Report's discussion of priorities for global scale industries (Chapter 8). Indeed, the justification that the four industries selected for preferred treatment account for A$10 million of car trade deficit each year seems quite perverse (p.180).

Do We Need a Manufacturing Industry?

This question is usually answered in the affirmative, without much thought. The correct answer, of course, is that it depends on the price. If the Ford Capri is to be the model, the answer should be no!

The AMC Report accepts that protection should continue to be removed and that microeconomic reforms should be accelerated. That in itself should be enough to ensure that an Australian manufacturing industry will survive, and it may be larger than the present industry. Removing the price distortions and income transfers described above would allow comparative advantage to be reasserted.

International competition will allow processing industries to become established that can hold their own, even if some developed countries continue to protect their industries. Australia's cost advantage in minerals and agricultural inputs should allow value-added processing to develop, once the "tax" of import protection is removed. As the AMC Report notes, removing existing regulations, infrastructural impediments and environmental restraints would also be necessary.

In terms of ETMs, Australia has been able to establish industries producing medical equipment, computer components and software and aluminium castings that would only expand without the existing burden of protection. Globalization ensures that entrepreneurs with good products will find markets. The main task is to remove "protection taxes" on potential export industries.

To allow these industries to achieve their market potential depends on a competitive exchange rate, and that in turn depends on bringing inflation under control, which will allow external and domestic balance to be achieved.

Much in the AMC Report is to be supported and acclaimed. But the resort to specific preferences for selected industries suggests only that the manufacturers have become a little cleverer — but they have learnt little and they have forgotten nothing!
Amalgamations: The ACTU Power Grab Continues

Joe Thompson

The Federal Government has recently introduced legislation designed to force most existing unions to amalgamate with other unions by increasing the minimum required union membership from 1,000 to 20,000. Only about 30 of Australia's existing unions meet such a requirement.

On the surface, this move has the potential to reduce demarcation disputes between Australia's largely craft-based unions. But the reality is that, if the move were to be successful, it would do little to reduce overlaps between unions and would greatly increase the power of some existing unions with aggressive attitudes. Depending on who wins the amalgamation battles, there is potential for an enormous increase in industrial strife.

It is important, therefore, to examine some of the major movers in the amalgamation stakes. Even before the legislation was introduced, there had been increased negotiations within the union movement designed to establish strategic positions in the power play to come. The first major move, made in 1989 by the Building Workers Industrial Union (BWIU) and the Federated Engine Drivers and Firemen's Association (FEDFA), was unsuccessful. Since then, a number of other unions have attempted to amalgamate.

The Storemen and Packers Union has succeeded in its attempt to amalgamate with the Rubber and Allied Trade Union and is pursuing amalgamation proposals with other small unions. Otherwise, the only proposal to have gained acceptance between unions of any significant size is the recent amalgamation between the 50,000-member Hospital Employee's Federation No. 1 and 2 Branch and the 30,000-strong Health and Research Union.

A disturbing feature of this latter ballot was that only 22 per cent of the membership even bothered to vote in it, despite the fact that all members had the amalgamation proposal posted to their home with a ballot form and a stamped, addressed envelope; it was only necessary to fill in and post the ballot form. This clearly indicates the apathy in the trade union movement generally, which may have to do with the effectively compulsory nature of the unionism involved.

Following the failure of the amalgamation proposed between the Australasian Society of Engineers (ASE) and the Electrical Trades Union (ETU), the ASE and the Federated Ironworkers' Association (FIA) are now seeking to amalgamate. The result will have a major bearing not only on the future of both organizations but on that of the whole of Australian industry. Some years ago, amalgamation proposals between these two unions failed after a ballot of the membership.

A Metalworkers' Takeover?

It is in the national interest that the present attempt succeed. If it fails, the Australasian Society of Engineers would be in a very difficult situation and could eventually lose its metal industries membership to the left-wing AMWU, leaving the FIA largely confined to the steel industry. Such an outcome would also enable the AMWU to recruit — forcefully or otherwise — at least 150,000 new members who are currently non-unionised but working in the metal industry primarily as white collar workers. This would bring AMWU membership to at least 320,000, making it the principal union for all the metal industries.

Moreover, there is little doubt that, if the AMWU got complete control of the metal industry, in a short space of time the Vehicle Builders Union (VBU) would also become part of the AMWU. The left of the trade union movement now has control of the VBU in both South Australia and Victoria, where at least 80 per cent of the union membership are employed and, in almost all major plants in these States, the AMWU has considerable membership in the maintenance areas. There is every reason to believe that the proposals to amalgamate the semi-skilled membership of the VBU with the AMWU could be successful with the assistance of the

The Hon. J.S. Thompson AM is former Secretary of the Vehicle Builders' Union.
AMALGAMATIONS: THE ACTU POWER GRAB CONTINUES

AMWU members in most vehicle industries plants. Then the whole of the Australian vehicle industry, including component parts manufacture, would be under the control of this one union, which would also cover all forms of engineering, the building of rail cars and railway rolling stock and the whole of our metal manufacturing industries. Given the militant and irresponsible activities of the AMWU, which are well known and well documented, this could pose a serious threat to Australia's economic future.

FIA the Model for Future

There appears to be a reluctance among unions which have a large craft membership to amalgamate with a union whose predominant membership is semi-skilled. This appeared to be the major barrier to the proposed amalgamation between the ASE and the ETU and also to the previous amalgamation proposal between the ASE and the FIA.

The METAL WORKER

TELL YOUR BOSS — THIS IS IT!
NATION-WIDE ACTION PLANNED
IF AWARD CLAIMS REJECTED

AMWU (then AMWSU) newspaper in the late 1970s: a history of militancy

Under the leadership of its national secretary, Mr Steven Harrison, the FIA has become the most rational and stable union in Australia and is paving the way for the successful future of the Australian trade union movement. With the provision of greater scope for enterprise bargaining under Section 118 of the Industrial Relations Act, the FIA has been able to seek and gain a single union agreement with a number of companies and enterprises. This has given the FIA complete coverage of that company or enterprise irrespective of the occupations of the workers involved.

This has led to a bitter dispute with the AMWU, which has publicly stated that it will seek to destroy the FIA if it continues to enter into agreements under Section 118 with enterprises which the AMWU believes it should cover.

When this dispute was first brought to the notice of the ACTU, its attitude was disappointing; it indicated that it did not intend to intervene. It was only when it realized that the dispute could lead to a split in the ACTU executive itself that it appeared to take some interest. One could be excused for thinking that privately the ACTU leadership was favouring the AMWU.

Since the failure of the proposed BWIU/FEDFA amalgamation, the ACTU appears to be adopting what they term a “Principal Union” policy for a particular industry. In many ways this is a more logical approach than their previous attempts to amalgamate Australia's over 300 unions into 20 mega-unions. There has been no positive ACTU statement that they now do not favour mega-unions covering a whole broad spectrum of industries and companies irrespective of occupation; but they appear to be favouring the concept of a principal union in each particular industry.

Meanwhile, however, the plan by Senator Peter Cook, Minister for Industrial Relations, to force unions to amalgamate by legislation, which would make it mandatory under most circumstances for a union to have at least 20,000 members to become registered, would certainly assist the ACTU in its union amalgamation plans.

Senator Cook would not be pursuing this line unless he had full ACTU approval, nor would it be being pursued now if the earlier amalgamation attempts had succeeded. It is in fact little more than an ACTU power grab to force union amalgamations irrespective of members' wishes. The only real winners will be the ACTU, whose control of the Australian workforce (whether as union members or otherwise through the award system and the centralized wage system) will be enhanced if the legislation is passed.

No Help to Economy

The ACTU and Federal Government's union amalgamation proposals will not assist the introduction of the reforms which are so necessary for our economic well-being; they may even make a bad situation worse. Moreover, future governments would find it almost impossible to reverse the position, and it could destroy any possibility of real attempts to reform Australia's chaotic industrial relations system.

Meanwhile, the Accord and the centralized wage system continue to widen the gap between Australian manufacturing industry and our overseas competitors. The ACTU leadership does not seem to realize that when Australia had a centralized wage system propped up by tariffs and quotas, we could survive in this cozy if
The Unions' Last Stand?

Surveys show that unions are losing popularity. Amalgamations may be some union leaders’ only hope of keeping their jobs.

BUSINESS and the general public are being invited to support union amalgamations on two grounds: that amalgamations are essential to the process of economic restructuring (and hence to economic revival), and that improved industrial relations will result.

But there is a more plausible reason for the current union merger-mania.

Although protected by legislation which gives their unions monopolies of representation in particular areas, many union leaders are faced with a declining base of support. Workers are increasingly preferring individual negotiation with employers to the system of centralized wage-fixing. The massive financial resources and coercive powers promised by mega-unions may be the union leaders’ only hope for preserving their power and thus holding onto their jobs.

The ACTU’s 1987 report, *Australia Reconstructed*, drew attention to the trend away from union membership. Since then, a number of nationwide surveys have graphically exposed the unpopularity of the union machines and machine-men. In April 1990, the Roy Morgan Research Centre conducted a Gallup poll on perceptions of professional honesty and ethics. Of 21 professions listed, only “advertising people” and “car salesman” ranked lower than “union leaders”.

Earlier Morgan surveys suggest that a majority of Australians believe both that trade union membership should be voluntary and that trade unions should not be affiliated with the ALP.

The extent of pro-choice sentiments is impressive. In Morgan’s poll on union membership conducted in September 1989, 87 per cent of the respondents preferred voluntary to compulsory membership. This high level of support for choice persisted even when the sample was disaggregated: 82 per cent of trade union members (89 for non-members) believed that membership should be voluntary.

Eighty-one per cent of ALP voters (93 for Liberal/National, 87 for Democrats) thought the same. Fifty-eight per cent of union members and 63 per cent of non-members agreed that employees who were dissatisfied with their unions should be able to form new unions or associations.

The question of union affiliations with the ALP was addressed by a poll that Morgan conducted for the ANU’s Research School of Social Sciences in January 1990. Fifty-eight per cent of the respondents believed that unions should not be affiliated with the ALP, nor pay membership fees to the party. Forty-eight per cent of ALP voters were opposed to union affiliations (and only 36 per cent were in favour of them). Fifty-six per cent of trade unionists who were members of ALP-affiliated unions were opposed to affiliation, while among members of non-affiliated unions, 61 per cent were opposed.

The ANU Social Sciences’ survey threw further light on the issue of voluntary union membership. Of those union members who belonged to a union to which they believed membership was compulsory, only half would choose to join if membership were made voluntary.

It is important to stress that most of the people interviewed were in favour of choice, rather than opposed to unions per se. A majority of both union members (77 per cent) and the total sample (67 per cent, up seven per cent from February 1987) agreed that unions had been (historically) a good thing for Australia. A smaller majority (74 per cent for unionists, 58 for the total sample) also believed that without trade unions Australia’s living standard would be lower that it actually is today.

Given a choice between three modes of determining wages and employment conditions (by direct negotiations between employees and employers; negotiations between unions and employers; or by the Arbitration Commission), 54 per cent of respondents chose direct negotiations between employees and employers. Yet 53 per cent of respondents also believed that the Conciliation and Arbitration Commission was doing either a “very good job” or a “fairly good job”. This suggests that a slight majority of Australians value the Commission as an independent umpire in disputes, but prefer to look after themselves when their employment relations are good.

The preference for individual negotiation, combined with the poor opinion of unionism in its current state, strongly suggests that unions have in recent years lost touch with the real needs and interests of the Australian people. By acquiescing in the creation of super-unions, business and the public could give the union leaders an excuse not to mend their ways.

— Alan Cocks
inefficient situation; but, with industry facing increasing competition from a much more flexible world, the result has been the virtual collapse of much of our manufacturing industry.

Germany and Japan are both classic examples of the need for nations to have a strong manufacturing base. Both countries have built highly efficient manufacturing industries which have enabled them to gain world dominance in the manufacturing sector. They have not done as Australia has, and relied upon tourism or the extractive industries.

I see no real future for this country unless our manufacturing industry can become competitive by world standards. This will never come about while we have a centralized wage system and an ACTU-dictated Accord with the Federal government.

Modern industry requires great flexibility both in labour and management. Some technology which is highly productive is also very expensive and needs to be worked continuously to warrant its installation. Australia's award system negates that; in practice, it is impossible for a union and an employer to bargain in the area of conditions which are considered national standards in all awards.

The Australian motor vehicle industry is a classic example. A tariff of 40 per cent presently applies to the importation of passenger motor vehicles, and under the so-called Button Plan, this will fall to 35 per cent by 1992. There are no quotas on the importation of motor vehicles and the vehicle industry could be decimated. The Ford Motor Company, which is Australia's most progressive motor vehicle manufacturer, is obviously deeply concerned about the industry's future after 1992.

Ford has a fine employee-involvement program and must be given credit for the way it handles its industrial relations; but like the rest of the industry it is tied into a national award system which does not permit the flexibility needed if it is to compete successfully with the outside world.

Centralism Strangles Manufacturing

A number of Australia's economists continually say that if tariffs are reduced our industries will become more efficient, but the facts do not bear this out. What is really occurring is that, with an inflexible centralized wage system and no real scope for enterprise agreements unless they are imposed on top of the award structure, our industry simply cannot compete. Consequently, manufacturers close their Australian manufacturing sections, move offshore and use that part of their enterprise which is left in Australia for distribution purposes only.

Twenty years ago, almost 27 per cent of the Australian workforce was employed in some form of manufacturing industry. This has now fallen to 16 per cent and will continue to fall. Obviously, some of this decline has been caused by better methods and technology, but the over-riding reason has been the failure of our industrial relations system to provide an environment conducive to manufacturing investment in an international scene where there is growing competition for investment funds. We ignore at our peril this decline of our manufacturing base. Yet we cannot have a sound manufacturing base unless we have stability, and that stability will be lacking while we have a system of industrial relations which, by its very nature, encourages instability.

In simple language, the ACTU and the Federal Government are living in cloud-cuckoo land if they really believe we can continue to survive under an Accord, tied to a centralized wage system, with the ACTU playing a dominant role with both the Government and the Industrial Relations Commission.

We now have an overseas debt of such magnitude that it is becoming increasingly difficult even to service the interest. Our current account deficit for 1989-90 was a staggering $20.7 billion. This situation obviously is unsustainable.

Even worse, if the world enters a period of recession, our exports of commodities will decline and even the tourism industry, hailed by the Federal Government as the great employer and earner of foreign currency, will suffer. The employment effects will be felt nationally and our whole standard of living will decline.

The NSW Government is attempting to legislate for a limited form of "Enterprise Bargaining". The opposition, led by the BWIU and the AMWU, is bordering on hysteria, with much in the leaflets explaining their opposition either untrue or seriously distorted. This is symptomatic of the state of our industrial relations system.

That whole system is in need of drastic surgery. This should include the abandonment of the Accord, which in the long term has been very damaging to the Australian workers whom it was supposed to assist, and a review of the centralized wage system. Before we can reanimate our manufacturing base we need to encourage enterprise bargaining, which is the norm in most of the industrialized world, and workers should be allowed to choose freely the union to which they wish to belong. In the absence of such reforms we shall not survive in an increasingly competitive world.
Privatizing Prisons

Les Timar

The privatization of prisons can provide savings for government and better conditions for prisoners, as well as greater public confidence that criminals will not have their punishment reduced because of over-crowding in gaols.

During the 1980s, the issue of the privatization of a whole range of government-provided services commanded substantial public attention in the United States and Great Britain. In these countries, this debate culminated in concrete action, with the privatization of a number of correctional institutions representing but a small part of this overall trend back towards the private sector. Although Australia's experiment with privatization has been on a much smaller scale in comparison, the area of corrections is emerging as one government enterprise in which private sector participation is cautiously being introduced.

By far the greatest advancement in the privatization of prisons and associated services has occurred in the United States. Facilities under contract to US Government agencies include minimum and medium security state facilities, juvenile detention centres, county prisons and Federal detention centres for the Immigration and Naturalization Service. In a 1987 submission to the President's Commission on Privatization, the US National Institute of Justice identified 34 large private facilities either operating or planned, accounting for a total of almost 10,000 prison beds — a figure approaching the entire Australian gaol population. The British Government is currently planning a private sector prison for remand (unsentenced) prisoners.

The only private prison currently operating in Australia is the Borallon Correctional Centre, situated in Queensland, which opened in January this year. The facility was built by private enterprise to maximum security standards, although it currently holds only minimum and medium security inmates. Borallon is managed by the Corrections Corporation of Australia — a conglomerate of Wormald Security Australia, John Holland Holdings and an international leader in private prisons, Corrections Corporation of America. Private sector involvement in corrections is also proceeding in New South Wales, where two new gaols are being privately designed and constructed and the prison industries section at Lithgow Gaol is set for private management.

The payment method adopted most frequently in private institutions involves the government paying a fixed levy per inmate per day to the contractor, who then endeavours to make a profit out of this budget. This levy may incorporate reimbursement for capital costs incurred by the private operator if the contractor owns the facility; alternatively an annual “rental” fee may be charged to the government agency to cover capital expenses. Some examples of variable daily levies also exist, so that lower rates per prisoner are payable by government when larger numbers of prisoners are held in an institution during a particular period. In these instances, the contracting authorities have recognized that certain fixed costs do not change with the number of inmates accommodated, and that some economies of scale are available to contractors.

Government Prisons Under Pressure

Over the last decade, the number of private companies seeking opportunities to take over the management and operation of prisons in the US has grown steadily, with over 60 providers currently in the market. Private sector involvement in individual services associated with corrections has a much longer history and involves a larger sector of the market. In contrast to the Australian experience, US private enterprise has vast experience in providing food and medical services, counselling, educational and vocational training, recreation, transportation and other services to correctional facilities.

The many fundamental problems facing correctional systems world-wide have forced prison administrators to look for innovative solutions, including privatization. Perhaps the most significant of these
problems is cost. In the US, for example, the prison population has doubled since 1980, so that there are now approximately one million individuals subject to incarceration, and the corrections budget is in the tens of billions of dollars. Although the number of prisoners is much smaller in Australia (about 12,000), the same trend toward a growing inmate population and increasing costs applies in Australian jurisdictions, particularly in New South Wales. In that State alone, inmate numbers have been increasing at an annual rate of 10-15 per cent over the past two years, and funding for the Corrective Services portfolio has grown by $50 million from 1987/88 to a level of $234 million in 1988/89.

The inability of the public sector to build an adequate number of prison cells to keep pace with the growth of the inmate population has led to a problem of chronic prison over-crowding. The situation at the State level in the US is so bad that entire correctional systems in nine States are under court order to ease prison crowding, as are individual institutions in 25 other States. Consequently, as one might expect, many US legislatures have opted for the privatization of prisons as a desperate response to this over-crowding problem. Whilst circumstances are not yet as bad in Australia, the New South Wales system is experiencing a rapid growth of prisoner numbers due to greater police activity and new “Truth in Sentencing” laws.

Further impetus for private sector involvement in corrections arises from the poor standard of management within the public sector prison system. Soaring costs, prisoners leaving the system no better than when they entered it, poor utilization of technology and primitive gaol conditions (many Australian gaols were built more than 100 years ago) have all been cited as criticisms of the correctional system. A 1989 consultants' report to the New South Wales Minister for Corrective Services identified a lack of incentives amongst staff in striving for the efficient economic management of prisons, as well as outdated work practices, which have led to high staffing levels and high operating costs. The report also focused on the inefficiencies of public sector gaol construction, which in some cases was twice as expensive and took double the time of construction by a private contractor.

Although the notion of engaging inmates in productive work has long been a feature of most prison systems, this has been accompanied by a tradition of half-hearted attempts to establish viable prison industries and persistent mass unemployment amongst prisoners. The phenomenon of dysfunctional prison industries has also sprung from the lack of business acumen possessed by prison management. Gaol administrators, who may be skilled at maintaining security and order, either do not understand or are uninterested in pursuing commercial values.

**Superior Rehabilitation**

The shortcomings of publicly-operated prison industries have led to a willingness on the part of legislators to consider the privatization of prison industries. Successful attempts have been made in the United States to involve prisoners in meaningful work under the guidance of private management. Florida's Prison Rehabilitative Industries and Diversified Enterprises Inc. (PRIDE) is managed wholly by the private sector and is involved in a myriad of different ventures. In 1989,
PRIDE obtained gross sales of $64 billion, and a profit level of just over $3 million — a level of performance almost unheard of in public prison industries.

A key element of the PRIDE program is that it seeks to relieve some of the financial burdens placed on the victims of crime and on general taxpayers, who must bear the expense of keeping offenders behind bars. From the wage that a PRIDE employee receives, deductions are made for incorporation into the Victim's Restitution Program, and a further percentage is returned to the system as payment for the accommodation and care of the inmate.

Whilst it is true that PRIDE only employs “model” prisoners — those that are willing to work — it is also true that the several thousand prisoners it does employ accrue skills and a work ethic far exceeding anything available from the public system. Beyond the apparent inability of publicly-run prison industries to satisfactorily equip prisoners with the skills and values necessary for work in the outside community, they are also infected with a large measure of “hidden” unemployment which falsely inflates the number of inmates supposedly occupied in prisons.

Other successful examples of private projects involving prisoner labour in the US include a booking office in Arizona for the Best Western International hotel chain, and a Trans World Airlines booking office in California.

Private sector prison operators have claimed that they can achieve significant cost savings due to a decreased interaction with government bureaucracies and red tape, and the improved financial, operational and personnel management of prisons. Yet critics of prison privatization have questioned the existence of real cost savings based on increased efficiency, asserting that the “savings” are actually the result of a poorer service to both inmates and society.

Rational thought and the available evidence weigh against this contention. Governments can, and have, imposed rigorous monitoring and reporting procedures on private institutions as a requirement of the contract. Indeed, permanent on-site monitors have been employed by government agencies in the larger private prisons. The US National Institute of Justice has observed a major effort on the part of private contractors to do their work correctly — just as one would expect from any business hoping to retain and expand its market share. For the Corrections Corporation of America and other private contractors, meeting the standards set by the American Correctional Association is corporate policy for all the institutions they manage. Clearly, any objection to privatization based on the fear of a reduction in the quality of care does not sit well in the context of public prison systems whose own financial and operational problems have led to an ever-decreasing quality of service.

Flexibility, Lower Cost

From an economic perspective, the benefits resulting from private sector involvement in prisons are numerous. As suggested earlier, experience has shown that private contractors can construct optimally-designed gaols at considerably less expense in a shorter period of time than can government. Private sector purchasing and negotiation methods save time and money when compared with the rigid and restrictive Government procedures involved in prison construction. Additionally, permitting private investors to build and run their own correctional institutions gives government freedom to redirect funds from its capital works budget for other uses.

The injection of private funds into the prison system may thus help overcome difficulties stemming from severe overcrowding. A further benefit accrues to government in the shape of greater flexibility, permitting the size and nature of the correctional system to be changed more rapidly and at a lesser cost.

With a greater freedom and incentive to make use of innovative technology and management techniques, private sector involvement in the running of prisons may produce a significant flow-on effect for the institutions that remain in public hands. The added element of competition between private vendors to provide the best service at the lowest cost serves to enhance the tendency for public institutions to raise their performance.

The Report of the US President's Commission on Privatization in 1988 stated that it had received no indication from the many submissions put forward to it of any significant government dissatisfaction with the performance of private contractors. Should any private correctional provider fail to any serious degree, however, the government would always have the option of invoking the ultimate sanction — termination of the contract. Should this possibility ever eventuate, far from being an insurmountable obstacle as some critics maintain, it could be overcome by a public correctional agency in one of two ways. Firstly, the correctional authority with its existing infrastructure and trained staff could resume management of the prison, or alternatively, tenders for the contract could once again be sought from the market of private correctional providers.

Presently, some uncertainty exists over the legal position of a government in terms of its remaining civil liability to prisoners held in institutions contracted out
to private enterprise. As a solution to this problem, some vendors have provided for the indemnification of governments should facilities become the subject of legal proceedings. The effectiveness of such indemnification from the viewpoint of government remains unclear due to the lack of legal precedent in the area.

**Prisoners Treated Better**

In the legal context, it is interesting to analyze the example of the formerly county-run facility in Bay County, Florida, where prior to private takeover three lawsuits were pending against gaol administrators and county taxpayers relating to poor prison conditions. Nine months after Corrections Corporation of America was contracted to manage the prison, all legal proceedings were voluntarily dropped as a result of the marked improvement in conditions.

How can we be assured, ask the opponents of privatization, that inmates will not be subjected to indiscriminate beatings and arbitrary disciplinary measures by the private prison administrators? Measures which can guard against this possibility include contractual provisions which explicitly state the acceptable methods of dealing with disciplinary infractions, and which specify the monitoring procedures that will apply to the private institution.

An internal prison disciplinary system may also be designed such that sanctions against prisoners for unacceptable behaviour would have to be submitted to the appropriate government agency or a visiting judge for approval. More than this, no private vendor interested in keeping a contract could afford the economic cost or public outrage that would emanate from a gaol affected by violence, riots and other disturbances. In the final analysis, private sector involvement in corrections adds to rather than subtracts from the safeguards protecting inmates from institutional injustice.

A study of inmate treatment by private operators, conducted by the US National Institute of Justice (albeit on the limited data available), compared private performance favourably with the conditions in public institutions. It is precisely this point that those who oppose privatization conveniently forget — the record of public prison systems in dealing with inmates is far from unblemished, and remains one of the central reasons prompting legislators to experiment with privatization.

Other critics of privatization in corrections have attempted to occupy the high moral ground, asserting that the confinement of individuals who breach the rules of society lies at the heart of the role of government. To allow private enterprise to administer the penalties imposed by courts, they say, is tantamount to government abrogating one of its most solemn duties to its electors. To take the view that the State's capacity to punish derives from the people that it serves, rather than seeing punishment as a right that the State owns *per se*, is to overcome this objection. If a private contractor is subject to the same legally enforced rules as a public corrections agency, and if in practice the privatization of corrections is advantageous to the individuals who comprise society, then surely such a reform is justified.

**Public Interest Paramount**

If the right of a society to punish wrong-doers derives from its citizens, then those citizens can direct the State to further delegate particular powers to a non-government agency. The very act of contracting with a private operator implies the expectation on the part of government that certain standards must be complied with in administering the sentence of the court. In fundamental terms, these non-State bodies remain accountable to the people through the government.

In essence, then, is it “wrong” to earn profit from the punishment of offenders? As Professor C.H. Logan from the National Institute of Justice has said, the concept of “prisons for profit” is a product of the same economic motivation as practiced by individuals who earn salaries and other benefits from administering punishment. If we are to condemn prisons run for profit, are we also to condemn by the same moral standard correctional employees who group together to make claims for greater economic rewards, or society itself which seeks to “profit” from the fruits of prisoner labour? For many of those who preach the evils of private prisons, their hidden agenda lies in an opposition to private enterprise itself and an eschewal of the truth that economic profit is a just result of hard work and initiative.

If it is approached with a broad-minded and constructive attitude, the concept of privatizing prisons and prison services commends itself to implementation in Australia. United States experience has shown that private sector involvement in corrections has yielded benefits to all concerned — prison managers, inmates and society alike.

With the Australian Government unable for dogmatic reasons to proceed with the necessary privatization on a Federal level, it may be that private sector involvement in corrections will become a path-finding experiment for what must eventually become comprehensive privatization on an Australia-wide scale.
Community in Defence

The Wrigley Review

David Anderson

The Wrigley Report on Australia’s defence forces, released in August, is the most important contribution to the defence debate since the Dibb Report. But Wrigley’s proposals have had very mixed reactions, with little enthusiasm in defence force circles.

Alan Wrigley, a former Director-General of ASIO and before that a Deputy Secretary in the Defence Department, was given broad terms of reference — to “seek ways of having the Australian community become more involved in national defence”; and to “identify opportunities for greater efficiency or economy” in defence through greater community participation.

“The Defence Force and the Community: A Partnership in Australia’s Defence” is a substantial, thorough and well-argued report which — and perhaps this was not foreseen when it was commissioned — makes proposals for revolutionary changes in the balance of our force structure. In a statement accompanying its release, the new Defence Minister, Senator Ray, praised the report with some not so faint dams. The report was “not a statement of Government policy.” The implementation of any of its proposals “would only be considered by the Government if the most thorough examination showed that this was justified.” Senator Ray also found it necessary, in the light of some controversial passages in the report, to reaffirm the Government’s confidence in the professional competence of the ADF and its respect for “their qualities and traditions.”

The Wrigley Review, as it is now generally known, starts from an assessment that although there is “fairly wide community support” for the government’s policy of self-reliant defence within the ANZUS alliance, the community is generally apathetic about defence and unconvinced that our forces could defend the country. The Review further finds that the Australian Defence Force is not only too remote from the community, but is excessively committed to self-sufficiency, over-gaered for a sudden “come-as-you-are war” and dominated by a tradition of despatching expeditionary forces to distant theatres. An ADF so organized, it is suggested, is anachronistic, wasteful and ill-adapted to the requirements of continental defence.

Total Defence?

As a prerequisite for stronger community confidence and support, the Review calls for bipartisan political agreement on a strategic posture of “total defence”, in which regular forces would continue to be used for “self-sufficient constabulary tasks” — like UN peace-keeping or the protection of Australian nationals or beleaguered governments in the South Pacific — but in which the full resources of the nation would be available for defence of the national territory. Such a “total defence” posture is seen as a logical development of the current doctrine of defence self-reliance and the priorities set in the 1987 White Paper. The Review acknowledges, however, that close interdependence between the defence force and the community might constrain the government’s future ability to use military force for certain “national interest” tasks where broad community support was lacking.

From this basis, and on the very reasonable assumption that Australia would have at least six months’ warning of any significant military challenge, Wrigley argues that the total defence force should be able to expand within six months to full combat potential for continental defence. The “sovereignty-defence” force he advocates would manage in peacetime with fewer full-time regular personnel but make much greater use of capable reserve forces and of support services in the private sector or the civilian public sector. (Wrigley notes in the latter connection that advances in civilian communications, for example, have far outstripped defence communications in technical sophistication, reduced vulnerability to interruption and coverage capacity.)

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IPA Review, Spring 1990
Wrigley's alternative force model involves (over a six-year period):

- a reduction of 32 per cent (70,000 to 51,000) in regular military personnel;
- an increase of 92 per cent in reserves from 28,000 to 52,000, this much larger force to be described as a "militia". (This proposal, in fact, would involve not only an expanded Army reserve but the virtual creation of new Navy and Air Force reserves);
- 43 per cent fewer public sector Defence personnel, but 23,000 more private sector civilians, mostly in service industries; and
- Three per cent more military personnel overall.

The Review claims that within this increased total, the proportion of military personnel in direct combat and combat support units would be increased from about 46 to about 60 per cent, with no reduction in the present high-readiness constabulary capability. Wrigley further claims that the overall combat capacity of the three services 12 months after mobilization would increase by:

- 50 to 100 per cent in the air force;
- 50 per cent in the navy;
- 40 per cent in the army.

All this would involve a dramatic expansion in the roles of reservists. Militia units and militiamen attached to regular units would fly and maintain aircraft in operational squadrons, man and support naval vessels and make up army combat and combat support units. Better training and equipment, higher pay and new incentives would be offered. Personnel leaving the regular forces would be encouraged to join the militia, and, indeed, the Review envisages that they would form the backbone of the militia — 35 to 45 per cent of the ground force, 60 to 70 per cent of the air and naval components.

Substantial savings are claimed for this alternative model, although economy is not the prime consideration. Replacement of regular personnel by militia would release about $1 billion, but this would be used for buying new equipment for militia training. At the end of the six-year period, annual defence expenditures could be reduced by some $400 million.

More importantly, Wrigley contends, his proposals would strengthen understanding and interdependence between the new defence force and the community, with the militia serving as a bridge between the two. A Militia Force Review Board would be set up to assist the Minister for Defence, *inter alia*, in public information campaigns to promote within the community an understanding of the national significance and value of the militia and the importance of community support.

Both for reasons of economy and to promote better civilian/military relationships and attitudes, the Review also envisages breaking up the present Defence Department into a much smaller, policy-oriented "department of state" and a separate Defence Support Agency set up "at arms length from the public service" to service the defence force directly by the most cost-efficient means.

The foregoing is a necessarily incomplete outline of some of the major conclusions and proposals in a thoroughly researched, comprehensive and persuasively presented report. Many of the proposals are obviously attractive and eminently sensible. Others, forcefully argued as they are, have incurred strong criticism and clearly require the most careful study and analysis.

**Increasing Community Involvement**

The need for combating public ignorance and apathy towards defence is clear, and the Review makes some useful specific suggestions — in addition to the central proposal for an enlarged militia — for heightening community awareness and involvement.

The concept of a total defence posture, in which the full resources of the community could be drawn upon in times of emergency, with a capacity for expansion to full combat potential within six months, is undeniably attractive. It is also consistent with the fundamental direction of present Australian defence policy and the emphasis this places on self-reliance in defence of the national territory.

But can we dismiss for ever the expeditionary force contingency? No doubt the despatch of three Australian ships to the Gulf can be rationalized in the terms of the Review itself as constabulary peace-keeping. But if a UN-sponsored settlement is achieved in Cambodia, for example, there may well be a requirement for a very substantial Australian military contribution. And in the less secure multipolar post-Cold War environment into which we are moving, there could be other contingencies requiring the despatch of sizeable professional forces beyond our shores.

The Review makes a strong case for the transfer of more defence support functions to the private sector and the increased use of civilian contractors for logistical support. Critics of these proposals point to the potential for disruption from industrial disputes and also contrast the size and flexibility of the American economy (Wrigley cites American experience in this context) with the severe limitations inherent in our own.
Even so, it seems clear that an excessive number of regular personnel are engaged in essentially civilian work and that the scope for greater “civilianization” of defence support activities, including the establishment of a DSA independent of the Defence Department, needs active and detailed consideration.

The heart of the Review, and the area which has drawn most fire from the critics, is of course its proposals for scaling down the regular forces and doubling the reserves. Critics argue that regular units are already badly under strength and that any reductions would gravely impair their combat capability. Wrigley contends that adoption of his proposals would increase the mobilized combat capability of the total force by over one-third. Most criticisms focus on the difficulties of attracting, training and keeping reservists in peace-time: the reserve already loses one-third of its strength each year, yet is now to be doubled. Wrigley argues that expanded roles, new incentives, better equipment, pay and conditions, will do the trick; and points to the successful use of reserve forces in the US, Sweden, Switzerland and elsewhere. The critics respond that Americans have a stronger patriotic motivation than Australians and that compulsory military training or national service programs enable European countries to organize reserve forces far more easily. New and imaginative efforts to improve reserve recruitment are clearly required, but the problems and the complexities of the issues involved should not be underestimated.

Mr Wrigley has some sharp obiter dicta about the conservatism and emphasis on rank and tradition within the present ADF — an image which, he suggests, estranges the military from the community and must be “shaken off.” No one can dispute the need for strong community support for the ADF, which for its part must remain sensitive to changes in the attitudes and values of the society it serves; but it is doubtful whether the gulf which Mr Wrigley identifies is as wide as he represents. Community indifference is one thing; alienation is another. The late Governor of New South Wales, Sir David Martin, was an exemplar of the best in the values and traditions of the RAN and his popularity was undoubted. Nor is his an isolated instance. The disciplinary structures, usages and traditions of our services should evolve with societal changes, but they have served us well and cannot be discarded overnight.

The Wrigley Review raises more questions — despite the extensiveness of the research and the cogency of its arguments — than it can answer conclusively. The logic and cohesion are impressive but the premises and assumptions are not always indisputable. Senator Evans’ recent assurance that the Review will not be “buried”, and will be given the “widest possible debate in the next few months,” is accordingly to be welcomed.
Is Commercialism Destroying Football?

The recent dispute over whether Port Adelaide should join the Australian Football League and the desperate public appeal by Richmond Football Club for sponsorship to avoid bankruptcy have focused attention on a controversial trend in Australian Rules Football. Is football becoming too much like a cut-throat business? Are commercial pressures undermining the bonds of loyalty that once united players, supporters and club officials? Or is commercialism enabling the game to survive and grow?

Two of Carlton Football Club’s most famous supporters argue the toss.

B. A. Santamaria

The case against the domination of Australian Rules football by financial interests — itself a relatively new phenomenon — is of direct importance only to followers of Australian Rules. Indirectly, however, it raises the now general question of the domination of money over non-monetary values of every type.

It may seem pessimistic to say that an assessment of the situation bears an uncommon resemblance to a coroner’s verdict. The verdict may establish why the patient died to the satisfaction of most members of the grieving family: but the patient unfortunately has expired and it is impossible to resuscitate a corpse.

My personal bona fides as an ‘aficionado’ of Australian Rules go back to the 1921 Grand Final between Richmond and Carlton, to which my father claimed that he took me at the age of five. Like most Brunswick families we were inveterate Carlton supporters.1

However, I was given my first season ticket in 1926, and have been to 90 per cent of Carlton’s games ever since. The reward for this display of local patriotism came in 1983 when I was asked to speak to the Club on the occasion of the distribution of guernseys to the new players at the beginning of the season. The talk must have had a very bad effect on the players since, after winning the premiership in 1982, in 1983 they had a struggle to get into the Five, and were unceremoniously pitched out in the elimination final.

Local Suburban Patriotism

The central point I endeavoured to make on that occasion was that until approximately 1968, Australian Rules Football was an extraordinarily successful enterprise with a firm grip on the affections of the Victorian public and almost equal standing in Western Australia, South Australia and Tasmania.

Although — perhaps because — the rules were not devised by high-powered intellectuals, the game was in fact founded on a clear set of principles. It was a game; not a business. Its purpose was entertainment; not advertising, or ‘cash-flow’, or any of the other orthodoxies of modern business practice. The focal point of the exercise was the family, particularly fathers and sons; not visibility on the TV screen. The test of success or failure was the attendance figures; not the panoply of ‘ratings’, fees and sponsors. The price of admission had to be sufficiently cheap to enable several members of the family to go to the local ground each Saturday. The ground and the guernsey served as twin forces to engender local suburban patriotism. And that

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was the heart of the matter — local suburban patriotism.

The players did not despise the three 'quid' they got from the game, but it meant that professionalism was automatically excluded. Most of the players wore the guernsey as a badge of honour. They didn't turn up next year in the colours of an arch-rival.

Even if one accepts that the judgment of the Victorian Supreme Court in the Foschini case made player contracts inevitable, it is one thing to provide a pay-out on termination of a contract; it is another to buy and sell players like cattle, or to count them as 'assets' to be 'depreciated' in a club's balance sheet. Players were treated as persons, not as machines or performing animals.

Today all of that is regarded as old hat. Even to list these basic principles is to risk dismissal as a public exercise in nostalgia.

Bankruptcy

Yet the inconvenient fact remains. The system succeeded. That which has succeeded it has failed.

The alternative system which operates today also has its principles. Football is now a highly-capitalized business, played by professionals, not for a sporting public composed of families but for television audiences, financed by TV channels and sponsors. In short, it is up with the times. It is simply an aspect of modern corporate enterprise. As part of the modern money economy, it is ravaged by inflation and high interest rates. Judged by its own commercial criteria, many clubs are close to bankruptcy. One, at least, declared itself bankrupt, paid its players some 20 cents in the dollar, and then continued merrily as if nothing had happened. Bankruptcy used to be regarded as a sign of failure. Somehow we have been brainwashed into believing that evident failure is the road to success.

While the spate of corporate collapses which have littered the Australian economic landscape over the past few years have not been visibly replicated within the Victorian Football League, it is clear that a number even of the more traditional football clubs are broke, having lost a considerable, if not the greater, part of their supporters. The memberships of many are in continuous decline, the administrations, stretched on the rack of financial necessity, like Mr Micawber, waiting for something to turn up.

Of course, as in the case of the most spectacular corporate failures, the previously hidden facts turn up only after the collapse. One would like to know how much of the League's own pot of gold has been poured into the former South Melbourne, renamed "Sydney" and deported to the Sydney Cricket Ground, just to keep it alive after what in business might be judged repeated acts of bankruptcy.2

How much money has gone into the fabled Brisbane "Bears", now possibly down to their last millionaire sponsor? The commentators assure us that Fitzroy, despite its great tradition, is visibly going nowhere. Richmond, that magnificent old enemy of Carlton, lies almost, if not quite, at the bottom of the ladder, without visible hope of recovery. The Perth-based West Coast Eagles now ride boldly — if temporarily — at the top. One wonders how many millions have been sunk into keeping them alive; and what has happened to the local League in WA which over the years has turned out hundreds of first-class footballers.

In Victoria, only four or five clubs — Hawthorn, Collingwood, Carlton, Essendon among them — still appear to thrive.

Across the broad spectrum of Victorian football the number of Australian Rules football teams of all types — junior and senior — has dropped from 2,031 in 1981 to 1,495 in 1989. In any other 'trade' a decline of 25 per cent of participatory 'firms' would be regarded as catastrophic.

The official contempt for the ordinary fans appears to be well exemplified in the plans for the new Southern Stand at the MCG. The preferred positions are being reserved for the corporate 'boxes', while the ordinary fan is being relegated to the 'Siberia' of the top-most tier from which the players appear as little more than moving dots on the green sward. The justification is that it will be the big companies, not the fans, who will ultimately pay for the stand. Fair enough — if the prime object of the game is corporate 'success'. But might it not be preferable to maintain the game's first purpose and to build a financial system around it rather than further to change the game's fundamental 'ethos' — which is to please the people — by fitting it into the strait-jacket of an alien financial structure?

Hence, I see no reason to qualify what was said to Carlton's players and members in those far off days in 1983 — which I therefore reprint with nostalgia:

"Throughout my life I have had such a deep regard for the game as exemplifying the very best in the Australian character that I would regard it as a disaster if it faded out. This, of course, is what is happening, due to the acquisitiveness of wealthy men, the mediums of television and sponsorship, and the facade of the corporate structure allied to modern finance. The fate of football is similar to that of the nation. Placed on fundamentally un-sound foundations, it is paralyzed, prevented from going forward or backward.

The only future, we are assured, by not completely
disinterested 'experts', is for a League club to become part of some tycoon's cash-flow, so that the losses on the football club can be written off against the profit of the business, and the interest paid on loans raised to keep the team alive can be deducted."

It is, of course, possible — as it has proved in the USA — to reshape a 'competition' on the basis of a couple of clubs per capital city, run on a purely professional basis financed by TV and sponsorship; by a tiny handful of coaches, administrators and media commentators on high salaries. (That is, of course, so long as the banks continue to finance the TV networks, since two out of the three of them are also obviously broke.)

But will it be football? It is, after all, important to define the essential object of any operation.

Notes
1. That particular Grand Final occupies a unique place in the history of the game, although the central incident has long since been forgotten. Richmond won, allegedly because it had bribed three Carlton players, who were immediately sacked. I have no memory of the game itself because the ground was so packed I saw nothing at all.
2. In just about the most despicable perversion of the footballing ethic, 'Sydney's' former full-forward was calculatedly 'marketed' in super-tight football shorts, allegedly to attract the 'ladies'. Recently, listening to the description from the SCG, I heard him referred to by a commentator as a 'product'! The full-forward originally got a game not because he was a 'product' to be 'marketed' but because he could kick goals. Finally he was not selected because of his capacity to kick goals, but for other reasons, the decision being made not by the coach but by the owner of the club! Now, as a 'product' he has apparently become 'unmarketable', has been cleared and finally dropped. His eclipse should be seen as a fault of the system, not of himself.

John Elliott
interviewed by Ken Baker

Ken Baker: Let me begin by putting this argument to you. In the past, there was a strong bond of personal loyalty between player and club. Money, commercial considerations, have undermined this relationship. Players now shift allegiances according to where the highest money is offering and clubs have no compunction about forcing players to transfer. What is your view of this?

John Elliott: Since the new system of selecting players and the salary cap have come in, that is disappearing. Clearly there were problems during the late '70s and early '80s when there were no real rules, and people were out bidding for players. Then whoever had the biggest cheque book got the best player. Many clubs were poorly administered and were spending money they didn't have, almost getting themselves into receivership. Now with the salary cap and the draft, much of that has been overcome. We at Carlton really lose none of the players we wish to keep. So I don't think that's nearly as big an issue as it was five years ago.

KB: What about the issue of clubs facing bankruptcy?
JE: I think that was very much created by a system in which administrators went out and bought players they couldn't afford and banked on getting some success after the event.

KB: But isn't it true that clubs were going to the wall for the wrong reasons: not because they lacked loyal supporters but because they couldn't get corporate sponsorship?

JE: I think that was more a result of the situation whereby players — in particular interstate players (local players were restricted by zoning) — could say "Well, how much are you going to pay me? How much is my club going to get?" Clubs demanded high fees as well. I think we felt that this situation had to stop. It was hurting the game. Clubs like Carlton were at least responsible. We didn't overspend. A lot of the clubs were spending money they didn't have.

One point about corporate sponsorship needs to be remembered: today Australian Rules football is probably the cheapest form of entertainment in Australia. On
Saturday afternoon the football will cost you $9.00; if you go to the pictures to see a movie it will cost you more; if you go to the theatre at night it will cost you two or three times as much. The only way the game can be kept cheap to the public is through corporate support, through offering the facilities and corporate boxes so corporations can entertain their clients. That in my view is keeping down the cost, and allowing clubs to survive and supporters to enjoy cheap entertainment.

KB: You mentioned corporate boxes. People I have spoken to say that football used to be the great equalizer. When people walked in the gate they were equal regardless of wealth or social status. Now there is a visible symbol of "the two societies": there are the corporate boxes where businessmen sit and entertain their clients and there are the ordinary people in the outer.

JE: I think that's just a sign of the times. I agree that there has not been enough upgrading of amenities at all football grounds for all patrons. Hopefully with more central control from the AFL more money will be put into the improvement of amenities. The fact that the MCG is being upgraded is good; I guess Princes Park will get a serve after that. Grounds are being improved quite a lot, but in the end you have to provide seats for people, for everybody. People today won't go if they're forced to stand in crowded conditions and can't see the game.

But in the end it's corporate support that makes the game more accessible to ordinary supporters. Without it, the cost of going to the football would probably have doubled. Carlton's probably the only club to have built a stand in the last 20 years. But we could not have built that except off the back of a corporation. That's just a fact of life.

KB: Another issue that's raised is the attempt to create the National League. The attempt seems to have had two effects. Where there is already a football league in existence, such as in Western Australia, it decimates that league by taking all the best players. The South Australian league is now facing the same threat. Where there is no tradition of football, such as in Queensland, introducing it is not going to work; it won't gain a substantial popular following. The problem is not like trying to find a market for a product like wheat or tin. It's more like trying to export Protestantism to Italy. It's a cultural problem. If football doesn't have its roots in a city, it's just not going to grow.

JE: Well I don't necessarily agree with that. Football's such a fantastic game, such a great spectacle. It still brings the biggest crowds of any sport in this country. In my mind there is no doubt that there has to be a national competition. You cannot keep Australian Rules Football parochial, otherwise you don't have the funds necessary to develop the sport.

KB: So it is money that's driving football to become national.

JE: Well I don't think it's just money. But money is necessary if you're going to provide the patrons with better facilities, improve the grounds and attract the best players.

But I think it is important that the code becomes a national code because in my view it is the best code of football in Australia. A team should exist in each of the States that have traditionally played the game — in Victoria, Western Australia, South Australia and, one day, Tasmania. The northern States are a way of expanding interest in the code. When you say it doesn't work up north, no club does well unless they are winning. If your team is down the bottom the supporters don't come. It's just a pity at the moment that the Bears and the Swans are not having much success. The Swans had a lot of success two or three years ago and, as a result, there was a lot of hype and enthusiasm in Sydney about Australian Rules football. That will come back when the Swans are successful. In the end the draft system has to be modified to make sure that those clubs are relatively successful. Today, Western Australia has a significant advantage in the draft and look how well it's doing. My view is that the draft system has gone a bit too far and needs to be modified so that in the end you'll get a fair system.

KB: How long will it take for Australian Rules football to take off in Queensland? Does it require a generation to pass so that boys can grow up with it in schools?

JE: I think what they have to do is to make sure that the team is competitive. Part of the problem there is that the owners went broke; and they didn't quite get their act together on where they were going to play. In my view it would have been better to have been playing in Brisbane where you've got a bigger population rather than the Gold Coast. So they've had some hiccups in that respect. What will have to happen, as I said, is that they will have to modify the draft system to make teams such as the Bears competitive. Once they're competitive and winning matches then you'll start to see support grow.

Of course, support won't grow overnight. Even Hawthorn, which has probably been the most successful club in the '80s, is still in the process of building a successful support base. It takes a long time because there
is a lot of tradition involved. Families barrack for the same team and hand it on from generation to generation.

KB: The decision to move South Melbourne Football Club to Sydney was made over the heads of supporters. Is that a good thing? Doesn't football ultimately depend on the strength of loyal supporters?

JE: Well, in the end it comes back to economics. The code will go backwards if we keep it parochially confined to Melbourne. We now have 11 teams in Melbourne...

KB: Why is that? Why would the code go backwards?

JE: Well, because the city can't support that many football teams economically. What would happen in my view if you went back to 12 teams in Melbourne is that you'd find there would be no money in the game.

One of the real options in my view to lessen the impact of the corporate dollar and strengthen football is to bring poker machines into Victoria. One of the reasons there are such wealthy rugby clubs in Sydney is because they earn their revenue off the supporters through the poker machines. Victoria's been very conservative in that respect so it's had to go another way. You have to raise the money; the question is how you do it. If Victoria allowed poker machines you could then re-look at the whole situation and say that Melbourne could afford to have 12 teams. You could afford to have less corporate support, you could build new grandstands just for the public, you could do more. But in the end the revenue has to be there to run anything efficiently and improve amenities for people.

KB: Let me change direction for a minute. You've spoken favourably about the draft system. Football also has standardized contracts between players and clubs and the salary cap which places an artificial ceiling on players' earnings. These are all, in fact, restrictions on the operation of a free market.

JE: I'm against the salary cap...

KB: What about the standardized contracts?

JE: I think the salary cap is. Those clubs that go out and raise more revenue and are more successful should be able to reward their players. So that part of it I think ought to be eliminated.

KB: Are footballers today better off than they used to be? Are they better rewarded?

JE: Yes, except I would say in the last three or four years their situation hasn't been advanced. It's probably gone back a bit because of the salary cap. Compared with professional sportsmen around the world Australian Rules footballers are poorly paid.

KB: The salary cap, the draft, the standardized contract are all restrictions on the operation of a free market in football, are they not?

JE: The problem with a totally free market — and nobody is more of a free marketeer than I am — was that we had this silly situation where a good player could stand up and say "Who's going to bid the most money for me?" And you had amateur administrators who over-spent. The game would have gone broke if it had been left as a totally free market.

KB: In summary, I guess the bottom line is whether the game of football is better today than it was 25 years ago.

JE: I think it's a much better game: the crowds are bigger, the players are more skilled, the television viewing is very successful. Having interstate teams allows the people who can't go the opportunity to watch on television. Live television coverage is just not practical if the only games are being played in Melbourne, because it stops people from attending the games.

There's no doubt that football is going ahead. The question is to make it a professional and entertaining sport, and to keep its share of the entertainment market you need to raise revenue. You can raise it either through the corporate sector, or through poker machines or you can raise it from the public at large. The AFL has taken the view that if attendance charges are put up to $20 or $30 a game then this will make football a sport which not everybody can attend.
Is the Nation-State Out of Date?

Harry Gelber

This is the age of the "global village", the European Community, multinational corporations and international financial markets. Is the nation-state redundant?

The period since 1945 has seen an unprecedented growth in the number, size and variety of nations-states. It seems to have become unchallengeable that any and every ethnically or culturally definable group is entitled, if it so wishes, to have its own state and national identity, with all the powers and privileges of that status. Membership of the United Nations has increased from some 50 originally to around 160 by 1990. Yet, during that same period, increasing doubts have arisen about the strength, even the viability, not just of some states but of the very concept of independent nationhood.

Internationalist Pressures

Many of the reasons are obvious enough. Instant global flows of news and information have created the illusion, and sometimes the reality, of a global community. Science and technology are hard, often impossible, to confine within national boundaries. There has developed an essentially global market in money, goods and ideas, with almost instantaneous reactions among its component parts. Moreover, that market often has no physical or geographic location: the global money market, for instance, consists of dots on anyone's computer screen. Governments and government statisticians know less than they think they know about events in the real economy. The result is that official statistics — so often treated as a bible by a credulous public and media — are much less reliable indicators of real economic developments.

The issue of "sustainable development" — however one might define it, measure the activities involved, and change individual, corporate and national accounts so as to incorporate the new criteria — is only the latest of the many questions which have arisen in recent times about the adequacy or appropriateness of the way in which economic activities are measured. For these and other reasons it is becoming clearer that governments have less ability than is often imagined to control money and credit, or the international parities of their own currencies, or safeguard the economic welfare of their citizens any more than, in an era of long-range aircraft, missiles, terrorism and drug traders, they can protect those citizens' physical security in accustomed ways. It is not even clear that the very concept of a national economy means what it once did.

An increasing number of important issues must be tackled by cooperation between states or not at all. Separate national approaches cannot cope with public health problems in a period when human or animal diseases can easily be transmitted across continents, for instance by travellers. Co-operation is equally essential for dealing with environmental problems such as the pollution of the North Sea or the Yellow Sea, or the effects of British industry in creating acid rain in Germany, or the impact of Polish air and water pollution on the Germans. Counter-terrorism mandates international police and security force cooperation, as does any serious campaign against drugs or many financial aspects of white collar crime.

All in all, it is hardly surprising that there should have developed, in many places, real longings for, and perhaps loyalties to, internationalist concepts. In Australia, as the Middle East affair has yet again made clear, there is a powerful urge at times of difficulty to

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IS THE NATION-STATE OUT OF DATE?

look to the United Nations as a source of international authority, and to some international legal structure in terms of which matters can be adjudicated and adjusted.

In Europe, matters have gone very much further, with the creation of the European Community and the prospects of a genuinely united European market in 1992. In mid-1990, the debate seemed to range between two poles: those who want to see the united market as an important step towards the creation of a real United States of Europe, which eventually would have one capital, one currency, one Parliament, etc, and those who, on the contrary, want a much more loosely organized quasi-federal system in which individual nations would retain not just their separate identities but many of their separate powers of decision.

Deeply involved in the debate are three more specific questions. One is whether closer European monetary union should be a preface to the establishment of a single currency, or whether adjustable pegs (and separate national reserve banks) are enough for Europe's needs. (Some, of course, argue that the question has already been overtaken by events. The former German Chancellor Helmut Schmidt summed it up by saying that the choice was between having Europe develop as a common currency area or else as a Deutsche Mark area.) A second issue is what the role of a united Germany should be. Should its size and power make other Europeans keener or more reluctant to agree to closer unity? The third is the issue of "widening" the community: what should be its relationship with Austria, Poland, Czechoslovakia, Hungary and, in the longer term, countries like Turkey?

New Forms of Regulation

Governments have looked for new ways of coping with all these internal and external problems posed by global markets, fragmented and pluralist societies, and pollution, population movement and other problems which threaten to escape their reach. Perhaps the most obvious has to do with regulation. There is a widespread perception that the 1980s were, in Australia, the USA, Britain and elsewhere, a period of deregulation. This perception is an exaggeration. The reality is that a priori regulation, or regulation by command, has tended to be replaced by regulation a posteriori, by political or politicized manipulation. Individuals and corporations, instead of being told: "Here are the laws and here is the web of regulations in accordance with which you must arrange your affairs," face a new principle. It rests on regulations often drafted in loose or general terms, allowing, indeed requiring, the exercise of much discretion by officials as to interpretation and application. The new regulations therefore say, in effect:

"We have drafted laws and regulations very broadly so that officials will have plenty of freedom of manoeuvre in how to interpret them. You had better arrange your affairs so that, after the event, we do not choose to interpret the regulations against you, or even pass retrospective legislation to make you, after the event, into a law-breaker."

This approach has a number of advantages for governments. It compels citizens to engage in self-regulation, not just in accordance with the law as it stands but in the light of the government's likely political preferences. It gives great advantages to large entities, like big banks, which can afford platoons of accountants, lawyers and negotiators with government, as compared with smaller and struggling entities which do not have such facilities. It increases the pressure on firms, wherever based, to be "good citizens" in the sovereignty and the currency area in which they operate. And, given the need for corporations to operate in several jurisdictions (for instance, so as to be close to the market or to cope better with currency fluctuations or politically-inspired protectionism) it increases the need to have, and keep, the goodwill of the local national government. Such a system is hard to challenge or change in a period of highly professionalized politics ruled by the needs of party unity.

Governments have also sought new or expanded methods for pursuing their aims internationally. One approach is through international co-operative efforts, whether through international organizations or through "regionalism". Regionalism is, of course, little more than an effort to achieve jointly what cannot be done alone; an effort to create larger and more powerful units — albeit ones with limited purposes — to act on the international scene.

As for international organizations, Australian
governments of all parties have, ever since “Doc” Evatt played a significant role in founding the UN, regarded that organization as a useful tool in pursuing Australia’s external aims, and a vehicle for increasing “middle power” clout, if necessary at the expense of great powers. Although membership of a host of international arrangements might be thought to constrain the governments of countries like Australia, they may in fact increase the number and variety of options available. If one is involved on a multiplicity of levels and a host of playing fields, one can also choose the playing field, and often the rules, on and by which one wishes to maximize one’s own national interests.

The Persistence of Nationalism

Altogether, there is very little sign of any broad resolution of the essential tensions between three levels of organization: global, international and national. In the working out of those tensions it is also clear that it is nations and national governments which are the entities sustained by the ultimate loyalties of their citizens and capable of exercising legitimate authority. Indeed, few things are clearer in the contemporary world than the continuing, even enhanced, hold of nationalism on the loyalties of individuals and groups. Around the world there is an evident reassertion of national identity (for example, in Eastern Europe), usually defined in ethnic and cultural as well as political terms, and a proliferation of claims and demands on essentially ethnic or national grounds. International and supra-national entities and organizations, however desirable, are much further removed from the experience and wishes of voters and, to that extent, more fragile. It is governments, also, which have the advantages of information and its flowers, of effective administrative machinery, of legal, police and military power. It is governments which remain the law-givers at home and the principal source of co-operation abroad. Indeed, many of the dearest wishes of electorates depend particularly upon government action. In both Australia and the United States, for example, the achievement of “equality” between socio-economic groups depends almost entirely on a governmental exercise of authority, even authoritarianism. One obvious example is the pressure for the achievement of educational equality through the imposition of ethnic quotas on the education system.

Equally dependent upon government is the question of migration and the way in which migrant flows should be allowed to continue or change the fundamental concepts of cultural and national identity. That question is certain to become increasingly important around the world as easy transmission of information, fear of local political or racial violence and ease of transport combine to swell the flow of refugees and other migrants. All that will make much more acute the choice between a policy of welcoming migrants, as a way of renewing ageing or inward-looking populations, as against a view which seeks to maintain existing cultural and other norms.

In sum, the nation-state does not seem to be declining and governments are not fading away—rather the opposite. While it is true that on a number of levels, such as trans-border criminal activities, or global flows of credit, new systems are arising over which governments have at best very limited information and control, and while such systems and areas of activity may flourish in parallel, so to speak, with those operated by legitimate governments, they will probably be vulnerable to intervention, directly and indirectly, by governments with whom real power continues to lie. To be sure, one would not pretend that the nation-state is necessarily the ultimate invention of political man, beyond which no further evolution is possible. It is just that no effective rival seems, as yet, to be in sight.
The Clean Sea Breeze of the Centuries

Susan Moore

My title has been taken from a passage in C. S. Lewis's *God in the Dock*:

"Every age has its own outlook. It is specially good at seeing certain truths and specially liable to make certain mistakes. We all, therefore, need the books that will correct the characteristic mistakes of our own period. And that means the old books... Where modern books are true they will give us truths which we half knew already. Where they are false they will aggravate the error with which we are already dangerously ill. The only palliative is to keep the clean sea breeze of the centuries blowing through our minds, and this can be done only by reading old books."

The importance of Lewis's insight into the dangers inherent in every age struck me forcibly a few weeks ago as I read a new book by a very good Australian writer from Wahroonga named Peter Shrubb. His second novel, *Living Alone*, is set in the present in Sydney. All of his characters, young and old, are confused about where their lives are going. All of them, at crucial points, ask themselves the question posed by the novel's heroine, Anne Waterton: What was I made for? Most don't know how to begin to frame an answer. That's because Peter Shrubb is a realist, a close observer of the contemporary scene. He knows that many 20th century lives, perhaps the majority of lives, are clogged by uncertainty about this fundamental matter.

A major reason for C. S. Lewis's insistence that we have got to keep the clean sea breeze of the centuries blowing through our minds is that we can't begin to answer the question "What was I made for?" or the related ones "Why am I here? What am I meant to be and to do?" unless the yardstick against which we measure our individual experience is firmly attached to the civilized past. Not only do the old books help us to see the errors prevalent in our world and in our time; they give meaning to our own individual comings and goings, our ordinary, everyday preoccupations and activities. Through them we acquire a firmer sense of possibility.

An Absence of Heroes

A central problem today —what Lewis might have described as a dangerous illness—is the absence in our world of high models of action for our children to emulate. When I was in America last year, I attended a history class in Providence, Rhode Island in which Year 10 pupils were asked to rate heroes of their own choosing in the order of their importance. Every hero named, except Martin Luther King and Al Capone (!), was an '80s rock star, footballer, basketball player or Olympic runner. Not a single person born...
before 1920, and not one person who was not an American citizen, was listed. I have had similar experiences in Australian schools — though, fortunately, not for some time. Today, large numbers of pupils are unacquainted with scores of individuals whose achievements are outstanding and well-known. Their heroes — if that word can be used — are figures from popular culture.

A vision of the heroic and the wise, extending back to ancient Greece and Rome, is no longer a fundamental part of the cultural experience of English-speaking countries. At no stage in their schooling are most Australian pupils required to read biographies or autobiographies. Such history as they experience in watered-down Social Studies courses often introduces them to only the sketchiest accounts of the lives of great men and women. Many don’t study European or Ancient History at all. The literature to which more and more of them are exposed is contemporary; and a great deal of it is concerned with human weakness, helplessness and brutality. No wonder fewer than 50 per cent of the American students who were given multiple-choice national tests in History and Literature in 1986 could identify Helen of Troy or Sancho Panza, the Prodigal Son or Dante.

For years, in a Tragedy course which I taught to second-year students at the Sydney Institute of Education, I began by asking everyone in the class to name the elements they would expect to encounter in tragic drama. When they told me there would have to be a tragic hero, I asked them to list the most striking personal qualities found in such a person, male or female. Invariably they responded by not answering: that is, by speaking about status (tragic heroes are kings or queens) or personality (they’re popular with others). They couldn’t name qualities, and certainly not moral qualities... until I suggested that they start with ‘courage’. Yet even then, and even after I advised them to think about additional qualities of mind and heart, and to consider what besides status gives a heroic person authority, most had trouble.

**Authority Undermined**

The large question “Which qualities confer upon heroic men and women the authority which all of them must have to act wisely?” not only isn’t asked in our schools; it isn’t asked in our culture — and I mean not just Australian culture, but the culture of the West. Ours is an age of anti-heroes (“I didn’t mean it... I didn’t do it”). Nobody looms high above us, as heroes in our early literature or earlier periods of history do or did. Even the authority parents and teachers had as recently as 30 years ago has been subverted by television, videos and other forms of popular entertainment; and it’s very hard for that authority to be appropriately reclaimed. Nobody, any more, wants to be a ‘Renaissance man or woman’: a person whose broad knowledge and skills issue in a range of superior achievements. The term itself is fast disappearing from our vocabularies.

The thinking that captures our imagination in public life is satirical. We respond at once to brilliant comic creations like Basil Faulty, Yes Minister, Dame Edna or Kylie Mole. But we don’t really believe there are people superior in thought or feeling to ourselves — as, by definition, heroes are. Why should we believe this? There is no pressure in our world for most of us to be deeply reflective or sensitive. The lively exchange of ideas—notably, ideas generated at other times and in other places—is not a feature of modern life, except in rarefied circles. Everybody, we’re convinced, has a right to his opinion; and every opinion is as good (or as worthless) as every other. The fact that our universities are producing more and more specialists whose general knowledge is woeful barely causes us to raise an eyebrow.

A recent editorial in The Australian pointed out that more than 1,100 men and women at our universities are so valued for their teaching and research that they have been endowed with the honorific ‘professor’. An additional 4,800 are associate professors or leading lecturers in their chosen fields. Yet with a “handful of exceptions”, they are silent in public life. Serious debate about major issues affecting all of us — health, international crime, education, pollution, and much else — is left to “small circulation magazines, letter writers and columnists in daily newspapers and to groups on the opposite ends of the political spectrum.” Radio talk shows pick up items highlighted in the daily press, and just as quickly drop them.

Very few of us believe that life would be much more interesting if we debated with one another over the kitchen table, as the Mackerras family did, about art and literature, religion and education. It wouldn’t enter most of our heads to discuss, socially, the wisdom of the Enlightenment belief that knowledge — not faith, not justice, not courage, not love, but knowledge — can cure our ills. We don’t consider it essential to read Anna Karenina (it’s so long: 900 pages) instead of watching the BBC video or the Garbo film of Tolstoy’s novel. Mental
activity of this sort strikes us as tiresome or pretentious, not as an essential means of fostering human closeness and combating the isolation and bleakness which result from the increasing absence in our culture of common cultural reference.

Common Ground Needed

Yet because of the enormous changes which have taken place in the last half-century, many of them a threat to stability and security — changes which have separated families from their homelands, children from their parents, friends from one another, us from our deepest selves — our need for common ground, and for ancient wisdom in handling the daily round, is very great indeed. A 20th century cliché is the word ‘alienation’. But we are alienated — deeply — from the achievements of our own past. The ‘deep springs’ of life which make humankind whole are for many of us painfully out of reach.

Connections apparent in every major work of English literature produced from the 12th to the 19th century, and every first-rate historical novel written for older children in the past 50 years, no longer strike us as essential. Barbara Willard’s *Manilenass* novels for children, which I’ve lately been reading, are concerned in a fundamental way with genealogy — not for snobbish reasons, but because of the values transmitted intact from one generation to the next: values like honour and pride of place. In plague-driven 16th century England, a Barbara Willard heroine who is orphaned at 15 derives an essential sense of continuity from her discovery of a locket depicting a lark and a laurel. Until she finds this heirloom, she has no secure sense of her place within her own family, and little understanding of her ties with her mother and grandparents. The locket, in unlocking her past, releases her present and promises her a future.

The desire for continuity is of course a basic human need. But it can’t be fulfilled in a world preoccupied with the present, or with self-interested provision for the future. From Plato onwards, our wisest philosophers have encouraged us to develop the habit of seeking long-term happiness rather than instant gratification, knowledge instead of opinion. They have also reminded us that what is pleasurable is very different from what is good. News-stand trivia — what used to be called dime store novels — and even decent but minor contemporary works cannot give us the deep personal sense of our place in history and human society which most of us need. Neither can most of the TV shows or videos which we spend years of our lives watching.

What the classics do — what C. S. Lewis’s ‘old books’ do — is attach us to everyone who has ever lived, to all of the ages of man. They do this by immersing us in worlds which differ markedly from our own, but in which, nevertheless, we feel perfectly at home. A common reaction of students reading Aeschylus or Euripides for the first time in schools, colleges, or universities is, “He’s so modern! Did he really write over 2,000 years ago?” Great works of literature, philosophy, history and theology confer upon all readers an unshakeable sense of shared experience. Even on a first meeting, Glaucen and Phoebe, Hector and Antigone, strike us as near-relations. They certainly belong to the same family as Aerin, the red-haired, intrepid, dragon-killing heroine of Robin McKinley’s recent prize-winning fantasy for older children, *The Hero and the Crown*. They’re not larger than life, but they all possess an Aristotelian largeness of soul.

Great Books

On the same visit to America in which I listened to Year 10 pupils discuss their heroes, I also heard others, at a much better all-black school in West Chicago, talk about *Ferdinand the Bull* (this was in Year 1), a fable about an elephant (in a Year 5 Special Ed class), and *The Book of Revelation* (in two Year 8 classes). All of these children were engaged in Great Book seminars, which they have weekly on Wednesday mornings for anywhere from 20 minutes (in kindergarten) to an hour and a half (in Year 8). In all my life — and I’ve spent years observing classes in schools — I have never seen as many highly intelligent and enthusiastic pupils as I saw that day. And these were children surrounded in their immediate neighbourhood by crime — children so disadvantaged that many would write them off as ‘born losers’, incapable of profiting from school.

The essential reason that their performance was so exciting was that their school is one of a few hundred American schools engaged in a program of reform begun by the distinguished philosopher Mortimer Adler. With Robert Hutchins, Adler started the Great Books program at the University of Chicago over 30 years ago. In the early 1980s he moved into schools, helping teachers to learn how to discuss large philosophical issues with young children, using excerpts from Great Books with older pupils and fables, myths, Bible stories, and tales with younger ones. His program has been an outstanding success in the places where it’s been fully implemented, chiefly because it has encouraged persons of every age — young children, near-retiring teachers, and lots of people in between — to experience as a matter of course the clean sea breeze of the centuries.
Cost Cutting Wins Students’ Votes

In a recent feature on student politics in The Bulletin (14 August) yet another ageing former activist (now university professor) laments that today’s students have become “resigned and apathetic.” Students may be apathetic about American multinationals, a treaty with the Aborigines, or the destruction of rainforests in Brazil. But as we have recently proved at the Australian National University (ANU), they are not apathetic about the management of student affairs. Apathy about student affairs — as distinct from apathy about other peoples’ affairs — has kept the Left in power in Australian universities for decades. Typically, of a student population at the ANU fixed at about 5,400, only 800 to 1,000 ever bothered to vote in student elections. But last year that changed. The number of students who voted doubled and the Left was swept from power.

Students will only bother to vote, of course, if there is a credible, broadly representative alternative on offer. Such a team emerged at the ANU. Calling ourselves “Back on Track”, we won by a landslide — gaining 16 of the 23 available positions on the Student Association. I won the position of President with 530 votes more than my nearest rival. For the first time ever preferences did not need to be distributed. While in recent years the Left had lost control of the student newspaper and the ANU student union, the Student Association had been in the hands of the Left almost continually for 32 years. The Student Association is the body that is meant to represent students’ interests. It funds student clubs, it has in its charter the objective of promoting social life on campus and, when required, it makes submissions to relevant government bodies concerning student affairs.

Why did our team, “Back on Track”, do so well in the elections? I think there are at least four reasons.

Firstly, we built a broad coalition of mainstream groups, choosing to construct our team from representatives of each college on campus and executive members of major clubs and associations — sports, social and political. The Liberal Club was represented, as was the Labor Students’ Club — although not the dominant faction of the Labor Students’ Club, which at the ANU is the Socialist Left. Some people may say that forming broad alliances compromises one’s principles. A degree of compromise is part of politics, but more importantly, the experience of “Back on Track” is that a huge amount has been achieved which would not have been achieved without consciously setting out to build a broad representative alliance. On the fundamentals, all the members of the team agree. In my view, liberal and conservative students too often get bogged down in petty factionalism. As a consequence, they rarely gain the power to get things done.

Secondly, we made it clear that we were there to represent student interests — not as an embassy for the PLO or an outpost of the ANC. We arrived at the view that, given its limited resources, the Student Association’s contribution to world peace would be very limited; so better to get our own backyard in order. When dominated by the Left, the Student Association had concentrated on serving minority interests; we decided to pitch our campaign to the majority (for whom the elitists of the Left have little but contempt).

Thirdly, we put cost-cutting and responsible financial management at the heart of our campaign. We decided that the role of the Student Association was not to be a job creation centre for friends and comrades, or a travel agency for executives of the Student Association, but rather to be efficient financial managers. Having a keen interest in business and management came in handy here.

Fourthly, we campaigned hard to encourage students, whatever their political persuasion, simply to vote. We knew that by doubling the level of student participation, we would greatly increase our proportion of the vote because most students are not radical socialists. Most, in fact, do not have strong political

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convictions at all. They are, however, distrustful of government and cynical about the main political parties. Our team benefited from this: by building a broad coalition we avoided being identified with any one party, and by putting efficiency before ideology, we appealed to student cynicism about empire-building politicians.

The Left ran a campaign that combined negativism (we were attacked for being inexperienced and too right-wing) and causes which had nothing to do with student affairs (Aboriginal land rights, for example). Happily for us, this was a losing combination.

**What We Have Achieved**

What have been the results after nine months in power? As I have said, a central plank of “Back on Track’s” campaign was financial reform — eliminate the waste and the rorts, reduce the grants to minority causes, improve student services by making them more efficient. The scope for cost-cutting was considerable. For instance, the Student Association was vastly over-staffed. We have halved the annual salary bill for the Student Association. As a small example, the previous incumbents were paying a friend $20 an hour to clean the Association’s offices. Existing staff now do this themselves. We have also sub-leased part of the Student Association offices.

As President of the Student Association, I inherited an entitlement to a $5,000 per annum research grant. I have abolished this as I believe the President should do research as part of the position. Travel allowances have also been cut. The annual allocation to the student newspaper has been reduced from $17,000 last year to under $5,000 this year and next year we expect to break even. The Editors are expected to make up the shortfall with advertisements (many local businesses have already taken out ads in the paper) and by seeking a more competitive price on printing.

Students will receive the benefits of all this. Next year the amount that is compulsorily levied from students to pay for the Student Association will drop from $151,000 to $97,000. Yet services have not suffered: indeed, they have improved. We have established a second-hand bookshop. We have increased the allocation to clubs and societies from $8,800 to $32,000. We have spent more on major social functions for students. In fact, while decreasing overall expenditure by $10,000, we have increased spending on student services by $40,000. The key to this has been not only improved efficiency, but also a willingness to seek commercial sponsorship. For example, every year the ANU has Bush Week, a popular social occasion which involves barbecues, bands, a wood-chopping competition and much eating and drinking. This year for the first time it was sponsored by Powers Beer.

The previous regime refused to accept commercial sponsorship, on ideological grounds. Last year American Express offered to help them with financial advice. They not only rejected the offer, they distributed a leaflet attacking American Express as a foreign multinational.

Overall, “Back on Track” has generated a surplus of well over $60,000 this year. This will be spent on improving student amenities, such as installing 15 Macintosh computers for student use and getting the ball rolling on a 25 metre indoor heated swimming pool. The bottom line is that ANU students will be paying less and getting more.

Students have had enough of student politicians grabbing power in order to reward their friends and push their own narrow, ideological causes. If students must contribute fees to a Student Association, they want their money to be managed efficiently — in a business-like way — and they want to see the benefits. Students don't trust politicians, they want astute managers who will represent their interests. My experience is with ANU; but I would be surprised if students on other campuses had significantly different views.
Dr Peter Kerr, who died suddenly on 15 July, had been Executive Director of the IPA only since the beginning of the year. Yet the quality of leadership he showed, his determination and acumen, his sharp wit and capacity to get quickly to the core of an issue ensure that he has left an indelible mark on the IPA and all associated with it.

Peter came from a long-established South Gippsland family. He grew up on the family farm and was educated at Foster and Melbourne High Schools. He was prominent in the La Trobe Valley area in the middle 1970s while a Lecturer in Politics at the Gippsland Institute of Advanced Education. His Doctor of Philosophy degree from Monash University was on political developments in Cuba.

After leaving the Gippsland Institute, Peter spent five years writing speeches for Andrew Peacock and Jeff Kennett, eventually becoming Chief of Staff for the Victorian Opposition leader. Peter also spent three years at ICI Australia where he was Manager of Marketing and played an important role in developing a new corporate culture. Before his appointment to head the IPA, he was at the Business Council of Australia.

At his funeral, which was attended by almost 1,000 people, eulogies were given by the Hon. Jeff Kennett, and historian and former speech-writer for John Cain, Dr Don Watson, symbolizing the respect with which Peter was held on both sides of politics. Don Watson, who had known Peter for 20 years, emphasized his unique character:

“He was not the least vain person I’ve ever known, but he was the least crippled by it. He had no mask. His face was open and it never grew closed. He could exaggerate, invert, invent, bluster and shiack, but dissembling was not his go. He was uncommonly and often disconcertingly — and sometimes we thought even dangerously — honest.

“He was a provocateur, an enfant terrible, a stirrer, a larrikin — but he was genuine. There was a centre. He was the real McCoy.

“He was like a passionate engine: when he smoked he sounded like a steam train going through the Foster Hills or a man cutting down a 200 foot blue gum...

“He was a frontiersman. He lived in Frontierland. Gippsland, which he loved in the traditionally mordant way, made him an inveterate teller of tall tales and true from the legendary past. Being descended of Border Raiders must also have contributed to this characteristic.

“But he was a frontiersman in a more significant sense. He liked to live on the edges of civilization — and very frequently he liked to push them back. And he liked to take people with him on his explorations. Because of this, they sometimes took him for a barbarian; but in fact he was more civilized than most Australians. He was always asking the question — are you as civilized as you think?

“He was rare among Australian men for having psychological instincts: he was interested in what made you tick. When he said how are you going — he meant it. He meant how are you really going. He actually wanted to know. He had a unique capacity to help people know themselves better; he could put them in perspective for themselves. He could make people feel that they were loved.”

In his varied career, Peter was admired for his energy, quick intelligence and detached sense of humour. He had the ability to sum up situations and people with great speed and acuity, and he had a sense of political strategy, which is not common in Australians. He had the ability to put people at ease and to overcome political differences with his repartee and quick wit, and was always the centre of attention. He became the humorist but also the motivator in any group, and these endearing personal qualities will always be remembered, as well as sorely missed.
IPA Initiates United Front on Victorian Economy

Acting in response to the continuing deterioration of the Victorian economy, the IPA recently initiated a joint statement with the State's major business organizations, calling on the Victorian Government to cut its spending and reduce taxes. After a number of meetings, the statement was issued on 6 August 1990. A more detailed statement, "Victoria — why are we in such a State?" was prepared to help the organizations to explain the details of the State's economic performance to their members.

The level of agreement amongst the different organizations reflects the seriousness of the problems besetting Victoria. The statement recalls the IPA's history of providing timely research support to business since the Second World War.

EPAC to Publish IPA Research

Efficiency of States Spending, a research paper commissioned from the IPA, is set to be published by the Economic Planning and Advisory Council shortly.

Prepared by the IPA's team of economic experts — Acting Director, Des Moore; Economic Consultant, John Stone; and Mike Nahan, Director of the IPA States' Policy Unit — the paper examines the differing rates of spending by the States in the delivery of education, health and public transport services.

Drawing on Grants Commission comparisons, which standardized the quality of delivered services, the paper found that Victoria was particularly inefficient in both areas. Victoria and Queensland represented the two extremes in the efficiency of health service delivery.

Boyle Blasts Industrial Collusion

Peter Boyle, the Federal Director of the Australian Small Business Association, was the guest speaker at the IPA Young Professionals' meeting in August. Mr Boyle made a forceful denunciation of centralized wage fixing, protection, and other forms of collusion in industry, and defended the vital role of small business in Australia.

Mr Boyle's speech was warmly received by his 40-strong audience at the IPA's Melbourne office. Thanks are extended to Mr Boyle, as well as the organizer of the occasion, Campbell Saltabank. Also in attendance was Mr Fred Stauder, Chairman of Dollar Sweets. The evening was sponsored by the Confectionery Manufacturers of Australia.
Chinese Reform Will Return, Conference Told

In July, the IPA's Pacific Security Research Institute held two stimulating seminars on the future of China and of US involvement in the Pacific. Each seminar — the first in Sydney, the second in Melbourne — drew an audience of approximately 120 people. The keynote speakers, former US Ambassador to China, Winston Lord, and his wife, best-selling novelist Bette Bao Lord, were confident that the forces for political reform in China would overwhelm the power of the repressive old-guard in the long-term.

According to Mrs Lord, "No more do Chinese regard their leaders as the keepers of an unerring faith, but as wardens of temporal powers shorn of ideals. "Therefore, today, the Chinese people lie in wait. They wait for octogenarians to leave the political stage and join Marx. They don't know what spark will ignite the prairie fire of change, but they know that it will be coming and not long in coming."

Mr Lord's case for a continuing US role in the Pacific appears elsewhere in this edition of the IPA Review.


During their visit to Australia, the Lords met with Australia's Foreign Affairs Minister, Senator Evans.

Education Survey Exposes Deficiencies

Professor Dame Leonie Kramer, Senior Fellow in the IPA Education Policy Unit, was appointed in early July to the NSW State Board of Studies. Professor Kramer is the Deputy Chancellor of the University of Sydney, and also writes a fortnightly column for The Australian.

In other education news, an IPA survey of Victorian Year-10 students has exposed a worrying degree of ignorance to do with social studies (Australian civic and political life, history, economics and industry, and geography). The survey was conducted by Peter McGregor, the Director of the Centre for Economic Education, and Dr Malcolm Rosier, the Senior Research Fellow at the Australian Council for Educational Research, on behalf of the IPA. Its findings were published in the Winter 1990 edition of the IPA's Education Monitor, and were reported in the press, on radio and on ABC TV's 7:30 Report in Sydney.

The survey found that only 55 per cent of boys and 32 per cent of girls could name the four political parties in the Commonwealth Parliament. Just 50 per cent of boys and 46 per cent of girls could locate Canberra on a map of Australia.

The full results of the survey have been published as IPA Education Study Paper No. 20. Copies of this paper can be obtained from the IPA in Melbourne ($5 each) as can be annual subscriptions to Education Monitor ($20).
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