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.
In Pursuit of the Global Market
Michael Schwartz
The tyranny of distance is no longer an excuse.

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In Pursuit of the Global Market
Michael Schwartz
The tyranny of distance is no longer an excuse.
Consumption Tax

Dear Editor,

Des Moore, in his article 'Consumption Tax—or Less Tax,' (IPA Review, Spring 1990) makes an interesting if misleading argument that a broadly based consumption tax should not be the priority of a conservative government. Instead, it should plan to reduce government expenditure.

Possibly so, but that of itself should not be used as an argument against the introduction of a consumption tax. Priorities are, after all, merely matters of opinion and you can just as equally apply the same logic to the opposite scenario. You could, for instance, argue against a planned reduction in government spending on the grounds that you should introduce a consumption tax first.

Both initiatives need to be introduced. It would be better if they were done together — immediately. However, doing just one — either one — is still better than doing nothing. And whichever one is done first, it will lead inexorably to the other.

I welcome your view, Des, but please don’t confuse the issue.

Graeme Haycroft
Maroochydore, Qld.

Nicaragua

Dear Editor,

Paul Gray’s warped assessment of the former government of Nicaragua (IPA Review, Winter 1990) demands a sharp counterpunch. Gray, in revisionist high gear, bestows the blame for the sickness of the Nicaraguan economy entirely on those strutting Marxists in green fatigues. Rather than assess and balance the facts Gray hinges his argument on the words of former government economist Jorge Alaniz. Please, stand up the first economist who can create a system of economic exchange that is infallible!

Gray, at best, skims over the massive support emanating from the Reagan Administration that funded the Contra incursion. This alone drained much needed capital into military spending and bled the economy. Gray makes no mention of the CIA mining of Pacific harbours or the refusal by the USA to purchase Nicaraguan exports. Nor does Gray mention that the Sandinistas won an internationally supervised election in November 1984.

Finally, Gray has the audacity to criticize the Sandinista Government for diversifying from coffee to sugar “just as the world price dropped.” For heaven’s sake, who sets the world price for sugar, Mr Gray?

I acknowledge Gray’s point about the Left making out that the Sandinistas were simply misguided do-gooders, but fair is fair! Gray has made himself into a counterweight of Dr Jim Levy, the academic he assails in his article. Balance, Mr Gray, balance — coupled with critical but fair analysis. Your bias is as transparent as the academics and press who sympathize with the Sandinistas.

Ken Cotterill
Mareeba, Qld.

Student Politics

Dear Editor,

Meralie Armstrong (IPA Review, Winter 1990) put her finger right on the point when she suggested that politically active student groups have been ‘lack-lustre in their response’ to the Dawkins’ reforms to the Higher Education System. As she notes, there were several reasons for this.

Labor students see their own future tied up with the ALP and as such are hardly likely to criticize their own party. The extreme Left has lost all credibility with students and is suffering major defeats around the country at the hands of Labor Students and the Independents. The Independents, the third major national student grouping, could be regarded as the right wing of the ALP and, since key Independents are ALP members, it is in a similar position to Labor students.

This leaves Liberal students (plus a handful of other conservatives). ALSF, the national Liberal students grouping, is a one-dimensional organization with the single-minded pursuit of Voluntary Student Unionism as its only aim, despite the large amount of policy on its books. (Perhaps this is due to its radical and out-of-touch nature).

Peter Vitale in his letter in response to Meralie Armstrong (IPA Review, Spring 1990), points to the “major” success of placing VSU in the Opposition’s Policy Platform. But Liberal Students are yet to win a single campaign in the entire country on a VSU platform. (As I am sure Peter would acknowledge, his own Club, Monash, struggles to win any positions on student committees.)

Being successful is not about preaching to the converted or having fantastic policies — it’s about winning elections. You can have all the policies in the world but that does not help you if they cannot be implemented.

Jon Coroneos showed in his article (IPA Review, Spring 1990) that success is possible if we make ourselves relevant to students, and do the job once elected.

Unless we follow his direction, Liberal Students will find themselves confined more and more to a fringe position on campus because of our basic irrelevancy to students.

Andrew Taylor
Adelaide University
Liberal Club Executive
Dear Sir,

Jon Coroneos (IPA Review, Spring 1990) presents a questionable list of achievements as President of the ANU Students' Association.

While he provides some evidence to suggest that the Association has been well 'managed' during his term in office, one needs to ask, to what end has this 'management' been directed? By what criteria can his administration be judged successful?

I would suggest that an appropriate goal for the Association is that it adhere to basic liberal values, such as respect for individual rights. We can then begin to assess the Association in terms of its adherence to those values. Since Jon is a former Treasurer of the ANU Liberal Club, I can only assume that he shares some commitment to liberal ideals.

It should be unnecessary to remind Jon that his Association fails the test of respect for freedom of association. It would be nice to believe that Jon was seeking to move the Association towards voluntary membership, but until it is explained precisely how he intends to do this, we must remain sceptical of such a claim given past experience with student unions. The ANU Liberal Club has had four years to make the ANU Union voluntary, and yet the compulsory fee to that body remains.

Regardless of his future intentions with respect to freedom of association, many of Jon's actions while in office show a disregard for the rights of his peers. The increase in funding to clubs and societies, for example, denies to the contributors of these funds the freedom to choose how they will spend their money, while enabling a select few to arrogate this money to themselves by political means. This transfer is as arbitrary as any grant of money by the Association to a political cause, and just as objectionable from a liberal point of view.

Jon has succeeded merely in rearranging the spending priorities of the Association in accordance with his own and his supporters' prejudices. It is simply impossible to say that this reflects some general interest of students, since no such general will exists. A coercive organization enjoying monopoly privileges bestowed by the university will only ever be representative of the interests and predilections of those who control it, because it can know nothing else.

There are many student organizations, including the ANU Students' Association, that were previously under the control of well-intentioned people of a liberal-conservative bent like Jon. But they invariably fall into left-wing hands once again, and soon there is nothing left to show for the previous administration. This is because these organizations are inherently corrupt, and will continue to be so while universities grant to elected student office-bearers powers and privileges at the expense of their fellow students.

This situation will only be brought to an end by a change in the ideas about the relationship between society and the individual that presently govern higher education. We might then hope to see the emergence of universities which respect the rights and values of their students.

Rather than wasting time tinkering with irredeemably corrupt institutions, I would enjoin liberal students to instead participate in the great debate between the defenders of an individualist conception of social life, and the collectivist opponents of individual rights. Therein lie the prospects for an undergraduate life free of political interference of a type that Jon may well oppose, but has chosen a flawed means to combat.

Stephen Kirchner
Carlisle, WA.

Internationalism

Dear Editor,

Harry Gelber's discussion in the last Review (Spring 1990) of the paradox of nation-states multiplying as internationalism grows made fascinating reading. On a national scale the Santamaria-Elliott debate about whether football should be exported to other States or remain parochial raised parallel questions.

One consequence of increasing internationalism is increasing homogeneity. Professor Gelber overlooks one major force for international homogeneity and that is youth culture, especially American youth culture. American youth have always proclaimed loudly the value of individuality and originality, but practised peer group conformity. But their peers now are no longer limited by national boundaries.

The 'uniform' of T-shirt, blue jeans and sneakers can be spotted virtually anywhere in the world. American pop music can be heard in any large city (the crowds Madonnna draws in Tokyo are as large as those she draws in Paris, London or New York). Coca Cola and McDonald's hamburgers are consumed as eagerly in Moscow as in Boston.

There is not much point lamenting this. After all, nobody is forcing young people in Kuala Lumpur to try to emulate their peers in Los Angeles. Indeed, one can sympathize with the attraction to America, the land of the free and the affluent.

But finding yourself standing in a hotel lift in some faraway exotic city listening to John Denver or Michael Jackson over the muzac system takes some of the adventure out of travel. Viva la difference!

Martin Anderson
Albert Park, Vic.
Australia’s Recession: The Government’s Role

A USTRALIA is now experiencing its sixth recession in the last 30 years and it is not improbable that during 1991 unemployment will exceed the previous post-World War II peak of 10.4 per cent in 1983. While the IPA, since 1987, has consistently warned of the high risk of a serious recession without a radical change in policies, we take no comfort in now being proved right. But we do think it important to ask why Government has again proved unable to avoid recession.

The issue is particularly pertinent to the present recession given that it cannot be blamed on bad seasons or overseas influences. Indeed, on this occasion Australia is the first of the major OECD countries to move into recession and Treasurer Keating has acknowledged that “our recession” is policy induced: in fact, it is “the recession we had to have,” Mr Keating now tells us. This somewhat surprising acknowledgment implies that, without the tightening of policy, there would eventually have been a worse recession, possibly even a depression.

That may well be so (although we do not yet know the severity of the present recession). But even if it be accepted, the question remains as to why the Government allowed things to get so out of hand in the first place. Some excuses have been advanced, such as the stimulation to private sector spending from the better-than-expected improvement in the terms of trade in 1988-89 and the dropping of credit standards by financial institutions following financial deregulation. But the improvement in the terms of trade wasn’t sufficiently greater than forecast to explain the extent of the subsequent surge in spending; and, while financial institutions did extend excessive credit, why did policy allow that to continue for some five years?

Logic dictates that, if governments are to accept responsibility for ‘managing’ the economy, and claim credit when things go right, they must accept the blame when things go wrong. That has not been done. The issue should not simply be allowed to pass, particularly as there are still some who argue that, over the whole period Labor has been in office, it has performed well by comparison with its predecessors.

Some blame the Government for financial deregulation itself, arguing that the private sector has a natural tendency to borrow to excess and that credit has to be rationed not by price but by quantitative controls. Elsewhere in this Review, Professor Valentine rejects that argument. It suffices to add here only that, while the Government can plead that the move to deregulate the financial sector made it more difficult to operate monetary policy, the real problem there lay with the Government’s refusal to tackle inflation. The policy of ‘living with’ inflation provided an environment conducive to excessive private sector borrowing and speculation in assets.

Short-term Popularity

To understand the causes of the present recession we need to delve deeply and assess why the Government was not prepared to tackle the hard issues, of which inflation was only one. At one level we can say that, as all democratic governments are primarily concerned with re-election, this encourages them not only to avoid or postpone decisions which are likely to bring short-term unpopularity, but also to create an impression that government has the capacity to overcome any problem. We know also that all governments are concerned to ensure that powerful interest groups, particularly those thought to be electoral supporters, are kept on side. Arguably, these tendencies of governments combine to exacerbate the business cycle, rather than to smooth it: in particular, they may encourage excessive spending (and borrowing) in the upswing, which then requires really harsh measures to halt the resulting over-expansion.

These inbuilt tendencies of government have arguably been present in the case of the present Government to a significantly greater extent than for its
In Support of the Allied Effort

Mr Hawke should be congratulated for his leadership in giving firm Australian support to the United Nations-endorsed collective security action against Iraq. Saddam Hussein's invasion of Kuwait was a blatant and totally unjustified act of aggression and it is very much in Australia's national interests that such acts be deterred. Australia is a small country and, if in the future we need to call on the aid of powerful allies, it would do our cause no good to have refused aid to those allies in their time of need. That apart, Australia should, as a responsible member of the world community, be prepared to help the victims of aggression where it can realistically do so.

Australia also has a legal obligation, as a signatory of the UN Charter, to support Security Council decisions.

While polls have indicated that 80 per cent of Australians supported the Government's commitment to the collective security effort, only 57 per cent initially supported the use of force to expel Iraq from Kuwait. In part, this reflects the opposition to the allied action by church leaders (although not the Anglican Archbishops of Canterbury and Sydney) and a collection of prominent academics, writers, environmentalists and others who have had ready access to the media, especially the ABC. Mr Hawke's capacity to argue the case for the war has also been hampered, no doubt, by opposition from elements of his own party.
While there is an understandable revulsion to war, opponents of the Allied action fail to recognize that the best method of securing and maintaining peace may sometimes be to fight. It is difficult, of course, in a reasonably well ordered Western society to comprehend fully the viciousness of life in much of the rest of the world. Even so, one has to ask whether there are any circumstances in which those who now wish to appease Saddam Hussein would applaud forceful action against an illicit aggressor, particularly by the United States. There has been a quite obsessive anti-Americanism driving the anti-war demonstrations, ostensibly based on the view that the American involvement was related solely to protecting its access to Middle East oil.

Yet, both as Australians and as world citizens, we owe a deep debt of gratitude for the leadership and courage shown by the United States—and by President Bush in particular. George Bush’s painstaking organization of what must be the most remarkable coalition in the world’s history, and his preparedness to commit America to a quite disproportionate share of the coalition’s efforts, must surely be deserving of the Nobel Prize for Peace. The fact that America had material as well as other motives for involvement does not detract from its actions: after all, even bank robbers—and Saddam was much more than that—not infrequently have to be overcome by armed attack.

By contrast the United Nations was again a disappointment. True, the Security Council did not simply condemn Iraq’s aggression but authorised first an embargo and sanctions and then the use of force to compel Iraq’s withdrawal from Kuwait. But the fact is that, without American leadership, there would almost certainly have been no military action against Iraq. Talk of a new world order, under the leadership of the United Nations, is premature, even if it were desirable. The worry is, however, that the world may not always be able to rely on the United States to assume responsibility for organising the response to aggressors and for accepting the lion’s share of the burden.

**Australia’s Contribution**

Australians should recognise that, communications bases aside, our contribution of two frigates and a supply vessel was far from being ‘proportionate’, as the Government claimed. Moreover, while it may be argued that the conflict was not in our region, Australia has a significant stake in the stability of the Middle East and in ensuring that the world economy does not become vulnerable to an oil robber who takes over control of a large proportion of world oil supplies. Doubtless we could have made a larger contribution—particularly through our air force—if the Government had not experienced such difficulties with its left-wing; and it was certainly wrong for the Prime Minister to rule out any commitment beyond the three naval vessels. Most importantly, however, the experience again raises the question of the adequacy of Australia’s defence capabilities.

This is particularly pertinent to the post Cold War era, when the Americans will undoubtedly be scaling down their defence expenditure, which has been running at around 5.7 per cent of GDP compared with the 2.2 per cent of GDP that Australia now spends. We may now be moving into an era where medium-sized powers will no longer be able to depend on the superpowers for a defence umbrella and where they will have to be more involved in disputes that do not directly and immediately concern them but whose outcomes have the potential to affect their longer run national interests. Certainly we should not assume that the end of the Cold War allows Australia to reduce its defence efforts, just as there can be no assumption that there will be a decline in the efficacy of force as an instrument of international affairs.

As one commentator put it recently in pointing out the difficulty of predicting the course of human events, “While we might like to spend (the) next year making the Middle East more like Europe, we may have to cope with Europe becoming more like the Middle East.” The thought behind this observation is one that has wider application.
Mineral Liberation

Ron Brunton

The caring classes don’t like mining. Greens, social workers, radical feminists, artists, the ABC; they all see mining as macho and greedy, a callous lunge into Mother Earth. It is, they tell us, the sort of activity that a compassionate society could well do without.

From the waning perspective of common sense, hostility from such people could provide a powerful case in favour of mining. But we live in irrational times, and their attitudes are dribbling through to others, with all kinds of unfortunate consequences.

The irony is that their opposition is so unwarranted, and could easily be overcome. Mining companies have used the wrong arguments to justify their activities; arguments developed in times when people supported something because it seemed to be of benefit to themselves and their fellows. But now such arguments are repellent, a reminder of the self-interest that poisons our culture and sets us apart from the altruistic cultures of the Third World, like those in Bougainville and Burundi.

Mining must be redefined. No longer should it be portrayed as an industry, a technology, or an extractive process. For mining is a liberation, and a much more compassionate and far-reaching liberation than the limited versions we have been offered until now.

There can be few things more oppressive than being buried under millions of tons of the earth’s crust, forever locked away from the beauties of nature. To deny minerals their place in the sun simply because they are inanimate is vitacentrism, the chauvinism of those who think they can put living things on a higher plane than the rest.

Vitacentrism has no place in a multicultural society. All around us, in the Pacific and in Asia, there are cultures that recognize the dignity and worth of inanimate objects. Some of our neighbours even set up stones and other things of the earth as objects of adoration and worship. It is Western arrogance to pretend that our beliefs — which as liberationists always tell us, were developed by the exploiting classes to maintain their hegemony — are superior to the beliefs of tribal and peasant peoples. The world is looking to Australia to provide the model of a multicultural society free of injustice, and if we are to fulfil everyone’s hopes we must liberate our minerals as well.

Of course, liberation is not just a matter of bringing minerals to the surface. Most minerals exist in a double state of bondage: not only are they confined in a dense underground crush, they are forced to exist as a compound of elements whose true nature is incompatible. They are caught up in bonds far more oppressive than even those of the nuclear family. To deny them the emancipation that comes from refining is vitacentrism at its worst. Why should copper be trapped in a dismal union with nitrogen, or nickel be joined to sulphur, or uranium be forced to suffer fluorine? Our ancestors understood the potential nobility of the elements, but that was before the insane push for rationality subverted the spiritual depths of alchemy and transformed it into modern chemistry.

As the notion of mining as a process of liberation is developed, mining companies can be brought into the transcendental sisterhood of liberation movements; the madam’s agreement which prevents them from attacking each other. Women’s Liberation and Gay Liberation politely ignore the fact that many homosexuals are misogynists. Greens don’t call revolutionary liberation movements to account over the environmental damage that follows from the wars that they start. Liberation theologians manage to overlook the atheism or paganism of most other members of the sisterhood. In other words, Mineral Liberation would mean nothing less than an end to all demonstrations against mining companies, and all attempts to disrupt their operations.

It only remains to launch the Movement for Mineral Liberation. Of course, there can be only one way to do this: a big demonstration against those who hinder the cause. At first glance, this might seem to present a problem. Former enemies are about to become allies, so there is no point in demonstrating against them. And State and Federal Governments are out, because although they try to make things as difficult as possible for mining companies, they do fund liberation struggles. While this does not prevent the other movements from violently attacking these governments, they have been in the liberation game much longer. Mineral Liberation must earn its right to bite the hands that will feed it, and it would be churlish to do this too soon.

The target must be sought elsewhere, and it must be one that all liberationists can hate without the slightest trace of ambivalence. With only a little thought, it soon becomes obvious: Right to Life, the most unashamedly vitacentric group of all.

Dr Ron Brunton is an anthropologist and Research Manager with the IPA Environment Unit.

IPA Review, Summer 1991
Decline in pre-tax company profits in the September quarter compared with the same period in 1989: 23 per cent.

Amount of public money paid to political parties and candidates to subsidize their 1990 Federal election campaigning: $12,851,948.

Increase in average price of impressionist paintings in the international art market between end-1977 and mid-1990: 1,415 per cent. Increase in US consumer prices over the same period: 110 per cent.

Change in number of people employed June 1990 compared with June 1989:

<table>
<thead>
<tr>
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<th>Private Sector</th>
<th>State Government</th>
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<tbody>
<tr>
<td>Vic.</td>
<td>-6,300</td>
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<tr>
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<tr>
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<tr>
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<tr>
<td>Tas.</td>
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<td>-2,300</td>
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Expenditure by the Department of Social Security on staff travel allowances, Commonwealth car hire and cabcharge during 1989/90: $26,614,977.

Federal Government assistance to higher education institutions in 1989 for the promotion of equality of opportunity: $3,407,000.

Revenue foregone as a result of the recent Esso dispute in Gippsland:

- Federal and Victorian Government: $203 million
- Esso-BHP: $34 million
- Employees (lost wages over 44 days): $7.2 million
- TOTAL: $244.2 million

Amount legally gambled per adult per annum.

<table>
<thead>
<tr>
<th>Region</th>
<th>Amount</th>
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<tr>
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<td>Qld</td>
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<td>SA</td>
<td>$1,195</td>
</tr>
<tr>
<td>Vic.</td>
<td>$1,112</td>
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Amount spent by the Hawke Government in 1989/90 on advertising and promotional projects

$232 million

Protests by 'peace activists' outside the Iraqi embassy in Canberra between 1 December and 23 January: 2.

Largest attendance: 12.

Anti-American protests in Canberra over the same period: 9. Largest attendance: 700+

Agricultural subsidies (or equivalent) 1989

<table>
<thead>
<tr>
<th>Region</th>
<th>US$ billion</th>
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<tbody>
<tr>
<td>Australia</td>
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</tr>
<tr>
<td>United States</td>
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</tr>
<tr>
<td>European community</td>
<td>53.0</td>
</tr>
<tr>
<td>Japan</td>
<td>33.6</td>
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</tbody>
</table>


Industrial Relations and Management Letter, Vol. 7 No. 1.

Australian land area disturbed by mining: 0.02%.

Minimum value of minerals quarantined in national parks: $150 billion.


Male deaths per 100,000 population caused by heart disease.

In Japan: 55
In Australia: 280
In USSR: 480.


The Green Follies

Noel Bushnell

Politically astute green fundamentalists dominated the World Conservation Union's recent General Assembly. Our Government's representatives were only too happy to play along with them.

The recent $2 million IUCN General Assembly in Perth (most of which was paid for by the Australian taxpayer) did not make much of a splash in the national press. This is a pity because what happened in the Las Vegas-style auditorium of the Burswood hotel deserved broad public recognition. The electorate, whose green sympathies are alleged to have won the last election for Labor, would have been alerted to an incipient political tragedy.

The performance of green groups at the Assembly confirmed the worst fears about the direction of the conservation debate in Australia. Environmental policymaking, at a national level at least, though probably in the States as well, is being driven by green fundamentalists pursuing a political agenda which has little to do with conservation but much with gaining power. Thus:

- The ability of the Federal Government to create an acceptable sustainable development policy must be doubted.
- The Minister for the Environment, Ros Kelly, lacks control over her department, or at least the policy advice sections of it.
- Kelly's Department of Arts, Sport, Environment, Tourism and Territories (DASETT) is the client of green groups.
- Australia risks increasing tension in its relations with its near neighbours in Asia and the Pacific.

These factors represent a potentially deadly combination. If, because of the green fundamentalist influence, rational conservation (i.e. sustainable development) policies cannot be put in place, Australian industries will be encouraged to shift more and more overseas. Major new projects will be out of the question. The economic damage will be enormous.

There is a further danger. If the worst happens and the international trading system breaks down into a number of blocs, Australia will be looking for friends in its region. But action at home which threatens the interests of Australia's neighbours, such as banning rainforest timber imports, will render any search futile.

Unfortunately, anyone of independent mind who watched the IUCN circus unfold must doubt whether rational environmental policymaking is possible in this country. The performance of the Australian greens was politically astute, well co-ordinated, tactically almost faultless and wholly appalling. Led by the Australian Conservation Foundation, they virtually controlled the conference floor from the start. IUCN Director-General Martin Holdgate and outgoing president Monkombu Swaminathan were powerless to withstand the ruthless political action.

Radical Mission Statement

Holdgate went into the conference with a new mission statement and set of objectives for the 42-year-old IUCN. The chosen course was to strengthen IUCN's work in the Third World by promoting sustainable development policies, i.e. to try to ensure that industrialization continued, but without large-scale environmental destruction. The proposed mission statement read:

"To harness the insights and skills of the world conservation movement in order to promote the sustainable and equitable use of nature and natural resources and to establish a harmonious future for humanity within the world environment."

Holdgate tried to head off the opposition by also inserting "to safeguard the diversity of the natural world in its own right and as humanity's life support system." But this patently empty platitude was never going to be enough for the Australian greens — ACF, the Wilderness Society, Greenpeace et al — who wanted a statement of fundamental principle emphasizing protection and preservation, and downplaying the practical considerations of harnessing conservation practices to the cause of

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Noel Bushnell was an observer at the 18th General Assembly of IUCN (the International Union for the Conservation of Nature) in Perth. He is Manager, Corporate Services, for Gavin Anderson & Co. (Australia) Ltd.
Third World development.

There was little resistance from developing country delegates, although the green push was clearly against their interests. Perhaps they took the somewhat cynical view that IUCN, being first and foremost a bureaucracy, would in all practical matters ignore the deliberations of its 'parliament'. In any event, it was notable that for long stretches of the assembly the area of the hall assigned to developing country delegates was sparsely populated.

The upshot was inevitable. The Australian greens, supported by like-minded groups principally from the United States, wiped the floor with Holdgate, and the

The performance of the Australian greens was politically astute, well co-ordinated, tactically almost faultless and wholly appalling.

IUCN is now saddled with this mission statement: "To provide leadership and promote a common approach for the world conservation movement in order to safeguard the integrity and diversity of the natural world, and to ensure that human use of natural resources is appropriate, sustainable and equitable."

The differences between the proposed form of words and the outcome are enough to divert IUCN from its historic course of being a scientifically-based service organization to becoming a more spiritual, 'environmental ethic'-based advocate. Holdgate told the assembly in his closing speech that he welcomed a greater advocacy role for IUCN. But he knew he had been rolled and by whom. "If your President, your council and I ... are to act as your advocates, we must do so for the whole movement represented by the members of IUCN and not a particular sector of that movement," Holdgate told delegates.

Different Views Excluded

The mission statement was the fundamentalists' most important victory of the assembly but far from the only one. They managed to defeat a Holdgate move to admit business groups as non-voting members. They passed resolutions interfering in the domestic affairs of individual nations, e.g. a call for a ban on imports of timber from the tropical forest of East Malaysia. They had the Tasmanian Forestry Commission barred from IUCN membership.

The fundamentalists' one defeat was on a resolution seeking to censure Ok Tedi Mining Co. Ltd for deliberately polluting the Fly River in Papua New Guinea. This dragged in the Governments of Papua New Guinea, Australia and Indonesia and had it been let stand could have caused a sizable diplomatic incident. As it turned out, the Wilderness Society went too far and the resolution was rendered innocuous.

Where was Ros Kelly's DASETT in all this? As representative of not just the Government but the nation, it should have played a big part in a conference that started out as international but became an Australian playing field. However, DASETT was all but speechless, not surprising really when it is known that the green groups were using its conference offices for caucusing, clerical work and public relations.

Time and again, the DASETT delegation failed to oppose the greens when clearly it should have. In the proposed ban on Malaysian timber imports, it actually voted for the resolution. In other instances, DASETT abstained. Thus IUCN called on the Australian Government to defer offshore oil drilling, to abandon resource security legislation and to include the Kakadu Conservation Zone in the surrounding national park - all with DASETT abstentions, despite these items being clearly matters contrary to Government policy.

Most of this could be dismissed as typical conference hot air if it were not for the peculiar importance of IUCN. The Geneva-based body styles itself the World Conservation Union and works in close partnership with the World-Wide Fund for Nature and the United Nations Environment Program. But its strength lies in its structure. It is an amalgam of governments, government agencies and non-government organizations (NGOs). No other body embraces these disparate elements quite so comprehensively.

Thus NGOs like the Australian Conservation Foundation can claim to have the international authority of IUCN backing them. Similarly, governments trying to sell dodgy policy to a suspicious electorate can use the international approvals and responsibilities IUCN membership confers.

In June, IUCN and its partners will launch a new world conservation strategy, a draft of which was circulated and discussed in Perth. It is a blueprint for action. Governments of all political persuasions will find it hard to ignore. The greens will use it to justify their actions.

The events in Perth were important and they deserved to be on front pages around the country. Coinciding as they did with news that Australia was officially in recession, the green follies would have made the silly season complete.
DEFENDING AUSTRALIA

Harry Gelber

The Gulf: a warning for Australia

The crisis in the Gulf offers some particularly interesting and direct insights into Australia's approach to, and conduct of, external and national security affairs. The way in which the issues have so far been handled demonstrates interesting changes in Australian attitudes and policies, but some even more remarkable continuities over considerable periods of time.

Following the Iraqi invasion of Kuwait, Australia came almost immediately to the support of the US and the anti-Iraqi coalition. The Prime Minister spoke of the grave nature of the crisis and its great importance to Australia. Two naval vessels plus one supply ship were dispatched to the Northern Indian Ocean and, at the beginning of December, were ordered to join a US task force in the Gulf. The House of Representatives voted, with only one dissenting voice, to support that commitment. By the end of January, with the onset of war in the Gulf, there had been no wavering in that bipartisan parliamentary support. At the same time, within the Prime Minister's party and in some sections of the public and the media, there were not just doubts but at times a notable degree of alarm. The doubts strengthened during the weeks leading up to the outbreak of fighting and many people remain unconvinced that Australians (in this case sailors) might be put in harm's way for the sake of distant causes or for the political abstractions in which the case for intervention has so largely been couched.

Several aspects of the affair, and of the debates surrounding it, are disquieting. The first relates to the Government's welcome recognition that Australia's fate and welfare continue to depend quite largely upon the global balance of power and the well-being of our allies in the advanced industrial world. That is, of course, the view which has rightly been taken by every Australian Government since Federation. In that sense, Mr Hawke's actions have reasserted Australia's traditional position in the world. But it is a view which is quite widely opposed, both in public and, perhaps more importantly, within the bureaucracy. In the public arena, its rationale is often ill-understood. Over the last 20 years or so, much of Australian opinion has tended to veer from an easy over-reliance on great allies to an equally easy cynicism about, indeed sometimes resentment of, those allies. Protection has rather been sought in a certain nationalist isolationism. For many Australians 'independence' has come to mean finding out what our allies were doing and then doing something — anything — visibly different.

The trend towards cultural as well as political isolationism has been unmistakable. In recent times it has doubtless been fed further by resentment at the way in which foreign economic pressures compel changes to our accustomed ways.

Some of these trends have been encouraged by other Government attitudes. After years of being told that our fate is closely and ineluctably bound up with East and South-East Asia, it is hardly surprising that many people fail to understand why some young Australians might have to die because of events in the Middle East. Following years of official insistence that our areas of primary concern are 'regional' and virtually confined to the South Pacific and those parts of South-East Asia which we call 'our neighbourhood', it is inevitably hard to persuade Australians that we have suddenly developed essential interests in Arab oil supplies to Japan and Europe, or even why we should worry overmuch about possible Iraqi attacks on Saudi Arabia. People resent a rise in the price of petrol, but they will not go to war because of it.

The widespread ignorance of the outside world, of other cultures and languages, also encourages uncertainty. The public often assumes that our commercial and political habits of compromise are universally valid; that 'negotiation', leading to some compromise, is the normal way to resolve all disputes; that verbal belligerence not only need not be, but should not be, followed by forceful action.
Australian public support for Gulf operations therefore appears to be wide but shallow. If the question of augmenting the Australian commitment were to become urgent and especially if the war were to be prolonged or costly in lives and property, the weight of opposition to the Government might increase, as would its public and intra-party difficulties.

**Inward-Looking Defence Establishment**

The bureaucracy is not always sympathetic to significant overseas involvements, either. It is, of course, conscious of the political environment in which its ministerial masters operate. It is equally conscious of Australia’s resource constraints. It is charged with maintaining continuities of policy and these now include the inward-looking, somewhat defensive and in any case belated responses to the Nixon doctrine which culminated in the Dibb Report of 1986 and the Defence White Paper of 1987. In addition, senior public servants inevitably encourage policies which give them more scope and which allow Ministers to look good both at home and abroad. All of which means giving principal attention to issues where Australia can look important, if necessary at the expense of those which are important to Australia. One result of all this is that the Australian Parliament, the bureaucracy and the services have become accustomed to thinking of the defence of Australia as meaning principally, indeed almost solely, the defence of the Australian continent and its immediate surroundings. Under the catch-cries of ‘independence’ and ‘self-reliance’, we have created forces to whose structure, equipment, training and outlook overseas operations are relatively peripheral. At the same time, and because the Australian continent is not obviously under threat, it has been expedient for the last 15 years to confine defence expenditure to something like 2.5 per cent of GNP.

One result is that, as the Gulf affair quite starkly demonstrates, we have forces which are no longer capable of significant overseas operations, even if we wanted to send them. Public servants can be heard to suggest that the PM has overstated the true importance of the Middle Eastern affair for Australia. Mr Hawke may gather intra-party support and even public plaudits for limiting the Australian involvement. But all that is merely to make a virtue of necessity. It is true that Australia might have increased its naval presence, maybe from two fighting ships to four frigate-type craft. Or we might have sent some F111s or a few squadrons of tanks, or possibly even a force of some 2,000-4,000 men. But that is not the point. If we had sent all we could, there would not be enough to form a self-contained brigade task force. More important still, since these are all we could field, we could not afford to lose them. The RAN might survive as a viable force if it lost two frigates. It could hardly risk four. Altogether, we could not send more men or weapons in any major category without unacceptably denuding the home establishment. In the event of fighting, questions of resupply and reinforcements would quickly run into insoluble problems and raise questions of even greater political sensitivity, such as the dispatch of reserves overseas or even, over time, of possible conscription.

**A Remarkably Small Commitment**

Public opinion — no doubt encouraged by Government propaganda — has been encouraged to think that Australia has made a great and significant commitment of forces. Yet the facts clearly are that the commitment
is remarkable for its smallness. It is small in relation to the Government's own statements as to the gravity of the issues. It is very small by comparison with the commitments of the US and Britain. One crude comparison: the population of Britain is around four times that of Australia. Britain is sending a force of some 30,000 to the Gulf. If Australia were to send forces in proportion, we would be sending a task force of some 8,000.

The smallness of our commitment, together with

That is the dangerous preoccupation of successive Australian Governments with trying to make major diplomatic as well as political gains with a minimal expenditure of effort and real resources.

the public and parliamentary stress on its significance, point to another factor of considerable long-term importance. That is the dangerous preoccupation of successive Australian Governments with trying to make major diplomatic as well as internal and external political gains with a minimal expenditure of effort and real resources. There is no possible comparison between the scale of the Australian effort in the First or Second World Wars and that which we made in Korea. The gravity of the issues, as stated by Governments at the time, was not entirely dissimilar. What changed dramatically was the size of the Australian effort in the two cases. Similarly, during the Vietnam War, when successive Australian Governments were far more 'gung-ho' than the US, as the record well shows, the Australian effort was notably small. Our commitment never exceeded some 8,000 men. (It is, of course, true that the men were good and did very well. But that is beside the point.) Or again, some years ago Kim Beazley, as Defence Minister, offered a handful of Australian Navy divers to help with a problem in the Gulf during the Iran-Iraq war. The divers did not, in the event, have to go.

But what is common to Korea, Vietnam and again the Gulf is the scale of Australian expectations. We want not just the Australian public but foreigners to take tiny Australian commitments at our own evaluation and to reap important diplomatic and political gains. The tactic worked in Korea, in Vietnam — in spite of occasional American grumbling that the Australians seemed to be willing to fight to the last American — and again in the Gulf some years ago. But it is surely most unwise for Australians to become accustomed to these discrepancies and to expect that we shall always be able to get away with doing so little when we claim that our interests are so great.

It may indeed be that the calculation does not work this time either. Washington and London have no doubt noted the fact that Australian help was immediate and a welcome addition to the international line-up against Iraq. Echoes of old comradeship, especially with the British and Americans, have had some resonance. The Prime Minister's skilful management of domestic dissent has been noted, and the allies will certainly do or say nothing that might weaken or downplay a Prime Minister who, possibly together with Paul Keating, is seen as the major allied asset in an otherwise frequently weak-kneed Government.

Limited Capability

On the other hand, our allies cannot fail to note the domestic limits to the Government's freedom of manoeuvre. Still less can they fail to note the limits of Australia's real military capabilities. Washington and London have given every sign of considerable impatience with the failure of allies to make significant contributions in the Gulf. It is true that the impatience applies most forcefully to Germany and Japan, and to some of the less glorious aspects of French diplomatic manoeuvrings. But it would be dangerous to suppose that Governmental or Parliamentary or Congressional patience with the quite minor contributions of others, including those of self-proclaimed friends and allies, will be endless.

All of this has serious implications even for our role in our immediate 'neighbourhood'. We say we have commitments to Papua New Guinea, for instance, and some parts of the South Pacific. But it is now widely understood that when the (then) Colonel Rabuka staged his coups in Fiji there was little we could have done even had we wanted to. If there were serious internal or external difficulties in Papua New Guinea, would its leaders really be reassured by our capacity to send, at most, two or three thousand men? The Gulf Crisis is raising, even more urgently, the same questions: what, if anything, we could actually do if ever we thought we should. In that sense alone, the confrontation between Iraq and much of the world may be doing us the huge favour of giving clear warning of our own political and military shortcomings.
Honour and Force in the Kuwait Conflict

David Pryce-Jones

The cultural traditions of Arab peoples reveal why force had to be the decisive consideration in the conflict over Iraq's invasion of Kuwait.

Arabs want liberty and justice just like other people. What prevents them from enjoying these desirable ends is not bad character but their inherited social and political organization.

Their is a customary order, a tribal order, in which the individual takes his identity from the religious or ethnic collective into which he happens to have been born. There is much to be said for such an order; it is cosy and familiar, producing no psychological doubts. Everyone in the tribe knows his place, and has no difficulty rallying against the outsider. Should injury be done to a member, should life be lost, the tribe is diminished and must exact retribution. That is the essential character of the blood feud, and it has tended to make Arab tribal history down through the centuries a series of skirmishes in which offence and defence are indistinguishable as relationships are tested and adjusted. Thus a challenge mounted on 'rights', 'just claims' or 'hereditary territory' is received as 'aggression', 'arrogance' and 'expansionism'. Borders are expedient; force is decisive.

In the evolution of leadership the tribe reveals an inherent structural difficulty. All male members are theoretically equal and capable of exercising authority, forcing those who wish to be leaders in practice to establish credentials and a standing heroic enough to gather supporters and frightening enough to deter rivals. Ruthlessness or cruelty come into their own; ambition is a prerequisite for reward. Someone duly emerges as superior in what might be called a domestic version of feuding. Once again, force proves decisive.

Challenge, then, leads to power, and power invites challenge in a perpetual motion which is completely stable, although its operation remains most unstable. That is the paradox which seems so often to baffle the Western mind. To Westerners violence is evidence of breakdown and they can hardly imagine that violence can be systemic.

Honour Prevents Reform

One difference between the present and the past is that Arabs are now able to travel widely, and to compare the ways of the rest of the world with their own. Arabs see for themselves that Western societies are based upon contract, having as a central constitutional pillar equality under the law. These societies may break down — as in the World Wars — but in general they produce peace and prosperity, in contrast to the warfare, waste, sterility and lack of innovation to be found in a customary order.

Why not reform this order? The reluctance to do so

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HONOUR AND FORCE IN THE KUWAIT CONFLICT

derives from tribal values of shame and honour, which legitimize custom. Long pre-dating Islam and going back to the earliest times, these values are common to the peoples of the Mediterranean Basin.

Honour is what makes life worth living; shame is a living death, not to be endured, requiring that it be avenged. Honour involves recognition, the openly acknowledged esteem of others, which renders a person secure in his own eyes and in front of everyone else. Occupying the centre of social and moral value judgments, the shame and honour code enforces identity and conformity of behaviour, inhibiting eccentricity and revolt. The code is in play in every human encounter, making of it a winner/loser situation whereby one emerges superior to the other. It governs the relationship not only of ruler to ruled, but of buyer and seller, husband and wife, the public sphere and the private — Muslim life is all of a piece in this respect.

Status considerations of this kind are not negotiable. If someone feels himself honoured or shamed, he cannot rationalize away these feelings or be argued out of them. Everyone is engaged within this order in the full time protection of his status. Society, in other words, is not a network of contractual relationships but a seething mass of conflicting careerisms. To protect himself, the individual has only his own skill and cunning, and the strength and influence and patronage of his family, his kin, those of his own sect or religious group. What to Westerners often appears to be evidence of bad character among Arabs — for instance corruption, lying, double-dealing and the like — is often nothing of the kind, but only procedures necessary to defend honour and to deflect shame.

Equality under the law is incompatible with these status considerations. Instead, they make inevitable the persecution of minorities and the absence of power sharing, affirming whatever must be done to keep the outsider always and safely outside the tribe or collective. Much that seems otherwise capricious or self-destructive in Arab society is explained by the anxiety to be respected at all costs, and by whatever means. For the would-be leader, for instance, honour occupies a place akin to balloting or favourable opinion polls in a democracy, for above everything else it is certifying power and careerism. Anyone embarking upon his challenge has his in-built excuse for self-aggrandizement, and his only restraint will lie in unlucky or inept miscalculation which might bring ridicule through exposure.

The power-holder who orders torture or a massacre, or declares war without reference to his subjects, or smashes Beirut or Kuwait, is not necessarily a monster or a madman — as so quickly classified in the West — but only a supreme careerist who would feel himself shamed or lacking in manly and warrior-like qualities if he failed to do these things. He would feel that his own kind expects such behaviour of him, and in turn his own kind would feel admiration that someone was doing in their name what they could never have brought themselves to do. Such a person must truly be exceptional, if also to be dreaded, a hero and conqueror claiming due honour. So it comes about that Arabs are to be observed admiring the man who is oppressing them or placing them in mortal danger.

The encounter of contract societies with status societies was bound to be fraught with misunderstanding on both sides. Colonialism was a complex phenomenon upon which many factors came to bear, but this absolute divide in social organization formed an unequal relationship from the outset. Western official circles understood that contractual relationships and the institutions that derive from them fully explained their own superiority. No matter that no tradition for this type of development existed in the Arab order, they proceeded to introduce its trappings, through municipalities, parliaments and monarchies, suffrage, accountability, power-sharing. A point was soon reached when officials perceived that they would have to break custom, and that such a break would be resisted by the Arabs.

In the Arab perception, there was nothing particularly shocking about superior force as such; they expected nothing less as proof of their conquerors' status. But with their custom under threat, most Arabs threw themselves so passionately into an honour response that Western officials quailed. It is a peculiar trait of the British, and to a less extent of the French, to admire custom for its own sake, and to wish to preserve whatever appears picturesque and romantic. Nor could they countenance abroad the use of force, which was unethical at home. Instead they chose to deceive themselves that enough had been done to allow Arabs to take over and
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widen for themselves such voluntary association and contract as existed.

On the contrary, within a few years of gaining independence, every single Arab state had wiped out all such vestiges of the Western outsider, closing parliaments, suppressing political parties and pluralism, eliminating opponents, imposing rigid control of all channels of expression, erecting a vast security and military apparatus at the sole disposition of the powerholder. Independence, in short, has meant a return to the customary tyranny of the past. Everything that the British and French did, for better or worse, in the Middle East is at one with Babylon and Nineveh.

Customary violence, legitimized by the search for honour, is to be observed in every Arab country going about its business in the years of independence; the endless series of coups and assassinations and civil and national wars speak for themselves. Neither whimsical nor the consequence of character, this violence is "normal" and systemic. The idea of imposing legal or constitutional curbs on his own absolutism has never been considered by any Arab powerholder.

Iraq illustrates these ground rules. After the First World War, the country was created by the British out of three Ottoman provinces, each more or less corresponding to the main elements of the population, the Sunnis, the Shia and the Kurds. True to themselves, the British imposed a monarch, Faisal, a Sunni, thereby directly precipitating a Shia revolt. The British hastened to convince themselves that the unworkable hybrid which they had fashioned was in reality the basis of independence. Iraqi independence was at once celebrated with a tribal outrage when General Bakr Sidqi massacred a small people, the Assyrians, who were Christians who had fled from Bolshevik Russia. This pitiful conquest gave Bakr Sidqi the status of a hero, and to him goes the credit for being the first to lead a military coup in the Arab world. Later military leaders murdered the king, by then Faisal II, and the rest of the royal family.

Politics in Iraq has been a continuous assertion of each religious and tribal group to extend its power at the expense of others.

The code of honour was reflected in his triumphant rebuilding of Baghdad, and the erection of walls at Babylon with bricks stamped with his own name, laying claim to be the new Nebuchadnezzar. His portrait was literally everywhere, in martial or inspiring father-of-the-country poses. Like the Arc de Triomphe in Paris but far more massive, an arch consisted of gigantic reproductions, on either side of the street, of his right arm holding a sword. His speeches spelled out that "the sun of honour has now shone in Kuwait" and threatened his enemies with shame images about gouging their eyes out or breaking their teeth.

Custom has been evident in the carefully controlled corruption whereby he has rewarded and punished those in public life.

There were treaties agreed with both Iran and Kuwait, but in the usual tribal manner he mounted an attack against those neighbours based on "rights" and "just claims" and "hereditary territory", which to the victims were aggression, arrogance and expansionism. The return to the position before the war with Iran leaves on the ground the typical tribal situation whereby the issue may be forced again at some opportune point in the future.

Weaponry notwithstanding, the invasion of Kuwait was a modern version of the sort of tribal raiding that has occurred in the region for centuries. Resisters are expelled or killed, women are raped, the gold is looted and the outsider's territory laid waste. The victim resorts to the time-honoured strategem of forming as strong a coalition as possible against the invader. Once again, forcible annexation leaves open the repetition of tribal warfare once opportunity arises.

In The Republic of Fear, a book published in London by an Iraqi dissident under the pseudonym Samir al-Khalil, a passage is quoted from an address to his subjects by a ruler of Baghdad at the end of the seventh century:

By God, I shall strip you like bark, I shall truss you like a bundle of twigs...what I promise, I fulfil; what

(Continued on page 21)
Islam in Australia
Testing Time for Multiculturalism

Philip Ayres

Statements by some Muslims in Australia in support of Saddam Hussein threaten to cast a shadow over Australia's growing Muslim community — now estimated to be around 250,000. The real blame for the audacity of the extremist minority, however, lies with the government policy of subsidizing a multicultural industry.

Australia has always been a multicultural society. The difference today is the Professional Multicultural Industry, referred to here for convenience as the PMI: a collection of governmental and quasi-autonomous non-governmental organizations drawing their funding, including salaries, from the taxpayer, and clustered about the central idea of a multicultural society. The PMI's purpose is first and foremost the perpetuation of the positions, and the defence of the interests, of the professional multiculturalists who constitute its members.

All groups can be expected to act in their own interests. Obviously the interests of the PMI are served by making permanent, and magnifying, division and difference in society. In fact that is the unspoken agenda. Cultures are defined by difference. The PMI must therefore focus on difference and emphasize it. If they didn't do this they would be integrationists. It is quite likely that their final self-defence will be to tell us that they were really secret integrationists all along — that they wanted inter-culturality (which finally means no particular culture), or perhaps cosmopolitanism. There are already signs of this in their anxiety over Islam in Australia — a fear that they might have gone too far. Before resorting to inter-culturality, of course, they will try to defend themselves by blaming social divisions on the media.

I came out of an earlier multicultural Australia, having been born in a German-Australian town which has a German name, of a German-Australian mother who was herself third-generation Australian. My maternal grandparents spoke German most of the time, as did their friends. Church services were regularly conducted in German (there were also regular English services), and some of us even then, 100 years after our families had arrived in South Australia from Prussia, corresponded with family members in Germany and occasionally visited our ancestral German homelands in Silesia, Posen and Pomerania. We were part of a cohesive and generally free society, and proudly Australian. There had been some persecution during the First World War when the German names of many of our towns had been forcibly changed to English-sounding names, but in the 1930s most of these towns had officially reverted back to their original names. During the Second World War a considerable number of suspected Nazi sympathizers in the Barossa Valley — wrongfully suspected by and large — had to report regularly to their local police stations or were interned if they were less fortunate.

By and large, and certainly in our town, the end of the Second World War saw us still proud of our German heritage. Nevertheless we were patriotically Australian and considered the British and Australian institutions of the country as our own. By most of society, probably even during the Second World War, and certainly in my memory afterwards, we were regarded as part of a cohesive and free Australia — and that was how we saw ourselves.

Social Dividers

What was so different about the multicultural Australia as experienced by us in those towns when compared with Australia today? Quite simply, we had no Professional Multicultural Industry. We needed no PMI and wanted none. Our culture was normally left alone and rightly so. The state had no business interfering with us in that dimension of our lives. Fortunately it had not yet arrogated to itself such a presumptuous power.

Let us however suppose that, for whatever bad reason, our government in the late '30s had imposed an

This is an edited version of a paper presented to a meeting of IPA Forum. Dr Philip Ayres is Senior Lecturer in English at Monash University, the biographer of Malcolm Fraser, and a visitor to Afghanistan and Iran in recent years.
unwanted and parasitic PMI upon us. How would that have changed us? By extrapolating backwards it is easy to know the answer: we would have become more self-consciously distinctive, many of us would have felt encouraged to glorify our otherness, there would have been pro-German parades in our streets by Pan-Germanists in which many of us would have taken part, and finally, as Australia lined up with Britain, France and Poland, there would have been extremists among us burning Australian flags. Some of us would have waved swastikas. The media would naturally have exacerbated these problems by ignoring normality and giving coverage only to the spectacular and the extreme — that’s only to be expected. It’s how they work all over the world. Then the PMI would conveniently have blamed the media for it all.

That picture, not in its specifics but in its generality, represents a situation the Professional Multicultural Industry has brought about in recent years, acting always in their own professional interests. In place of South Australian Germans, we can take the case of Australian Muslims. The numbers are much greater, of course — estimates run as high as 400,000, but a quarter of a million is probably closer to the mark. The 1986 census reported 109,523, but these figures are now four years out of date and most writers, including Muslim journalists, seem to accept that the number was radically understated at the time. (If you didn’t want to stipulate your religion then obviously you didn’t write it down.) The quarter-odd million people come from a diverse range of cultures and are divided into Sunnis (the majority) and Shi’ites. Judging by the 1986 census, just under one-fifth come from Lebanon, a slightly lesser number from Turkey, and much smaller proportions from Yugoslavia, Cyprus and a host of other countries. Around 25 per cent come from the Middle East. Most live quietly and very happily here. But living in 1990s Australia they come under the purview of the PMI, which needs them more than they need it.

The situation is that from which we have extrapolated backwards to a hypothetical situation in German South Australia in the last 1930s. The PMI effectively tells immigrants that distinctiveness is to be promoted and relished in Australia. Naturally, given that Islamic culture impinges on all aspects of life including the political, their political demonstrations become a regular feature of social life, Australian flags are burned by extremists objecting to our role in the Gulf crisis, and it would not be all that surprising if ASIO were at this moment collecting data on numbers of potential detainees in the event of war. Who do we blame for such a situation, this time not imagined but real?

Many Australians have no doubt who to blame: they blame the Muslims here. The press goes out and asks individual Muslims, “Whose side are you on? Where do your loyalties lie?” Such questions are predictable but they don’t go to the origins of the problem. The militants among the Australian Muslim community are simply behaving according to the multiculturalist agenda, asserting their distinctiveness as they have been encouraged to do by the state itself. We should not blame the media either — though they naturally exacerbate these kinds of socio-cultural problems by focussing on them. The real blame has to be sheeted home to the first cause of the problem, to the professional multiculturalists, in whose interests the focus upon social distinctiveness works — or rather, works up to the point at which, with our ships at the Gulf and demonstrations and flag-burnings in the streets, millions of Australians start to react against a perceived social danger in their midst and anti-Muslim sentiment spreads. At this point the PMI hypocritically pulls back, blames the media and pretends to cool a situation it so effectually promoted.

Islam not new in Australia

It is important that at a time like this one should try to look objectively at the situation. If we take 250,000 as a mean between widely divergent estimates — no-one knows the real figure — the numbers of Muslims here is clearly considerable, although proportionately smaller than in France, Germany, Britain and the Netherlands, where a total of some nine million Muslims live, where fundamentalism is on the rise and where there are predictions of future no-go areas being set up as effective Islamic states within the host countries. Clearly, we
would not wish to see no-go areas in Australia. But are we really likely to head that way?

Islam is not new to Australia. It first entered the country with the Afghan camel drivers last century, numbers remaining very small until the 1970s and 1980s. Although the specific cultural backgrounds of the immigrants vary widely depending on whether they come from Egypt or Pakistan, Lebanon or Yugoslavia, Iran or Indonesia, Turkey or Malaysia, they share a religion which is a total faith ideally embracing the social, legal and political as well as the spiritual dimensions of life. They tend to be culturally conservative, and even without the existence and intrusion of the PMI many would feel threatened by the secular nature of our society and the ‘thought-invasion’ represented by radio, television and state schools, let alone multiculturalism as imaged on SBS itself. However, if the situation were not so inflamed by media exploitation and the PMI’s emphasis on distinctiveness, we would notice that among Australian Muslims there are factors that work in favour of a cohesive society.

In place of ‘multiculturalism’ we should begin to promote the idea of a cohesive and free society

Unlike the PMI, which basically believes in nothing but the cultural differences that justify its own existence and salaries, many Australian cultural conservatives could find common cause with Muslims in their opposition to abortion, pornography, legalized prostitution, easy divorce and a raft of other issues. Some Australian Christians, including the late Archbishop David Penman, have seen Muslims as spiritual cousins, sharing the same God, much of the Old Testament and most of the same prophets — in fact there is probably more devotion to the Virgin Mary in Islam today than in Australian Catholicism.

A recent survey of the Afghan community in Melbourne revealed that they are managing their lives in Australia well and matching the national average with regard to levels of income, housing, and education attainment. They report little discrimination. Fifty per cent of Afghan families are in their own home within four years of arrival, 77 per cent within six years. The majority have attended English language courses. The survey clearly revealed that the population of Afghans is generally well-educated, cultured and adaptive. They are bridging the language and cultural gap quite successfully while preserving their own most valued customs. They are social people, and they welcome Australian friends among them. At Afghan social functions I and other Australian guests have attended, large numbers of the women have not been veiled, one small indicator of rapid assimilation at the level of dress in a group coming only recently from what is considered one of the most culturally-conservative of Islamic countries.

It should also be emphasized that in Australia the general Muslim reaction to Salman Rushdie’s *Satanic Verses* was quite restrained. For example, the Imam of Lakemba mosque in Sydney, Sheik al-Hilalay, urged Muslims to ‘fight ideas with ideas’ rather than with threats of death. (I note in passing, as Geoffrey Howe has done, that Rushdie’s book not only insults Islam, but also the British hosts on whom the man now relies for protection.)

**Unbalanced Reporting**

However, it is distinctiveness, not the elements making for cohesion, that gets reported, this side of the coin being far more dramatic. For example, in August 1989 feuding erupted within the Sydney Shi’ite community at the Shi’ite mosque in Arncliffe, the only such mosque in Australia. Press reports claimed that the conflicting elements were composed of more than 1,000 people, aligned with Lebanese Hezbollah and Amal respectively. The cause of the conflict appears to have been a visiting Lebanese Imam’s praise for President Assad of Syria, and this Imam’s followers then attacking members of the nearby Alzahrara Islamic Centre. Each group accused the other of alignment with either Amal (pro-Syria) or Hezbollah (pro-Iran), which each in response denied. In the previous year Imam Hilaly created headlines all over Australia when he made what was seen by Australian Jews as a racist and inflammatory attack on them. Many Australian Muslims see Israel as a settler-state which has dispossessed the original Palestinian majority and which thus has no moral claim to existence, but Imam Hilaly directed his attack against Jews rather than Zionists specifically. He later retracted his remarks, and since then has been a force for peace in the community, as his statements on the Rushdie affair illustrate.

Recently there have been demonstrations against Australian involvement in the Gulf crisis in which Muslims and, of course, other Australians have taken part. Australian flags have been burned. Almost all Islamic and Arab organizations contacted by the media were opposed to Western intervention in the Gulf. A survey taken by the Arabic newspaper El Telegraph (circulation about 30,000) showed 82 per cent support for Saddam Hussein among its respondents. Other surveys reported on SBS gave higher percentages. Sensationally,
the Sydney-based newspaper *Al-Bairak* asserted that the 300,000 Australian Muslims now saw Australia as 'the enemy' and this claim was prominently featured in the *Daily Telegraph*.

It needs to be stressed, however, that *Al-Bairak’s* claim was immediately rejected by a prominent Australian-Lebanese leader. Furthermore, Ali Roude, Chairman of the Islamic Council of NSW, stated that the Council’s position on the Gulf Crisis “lies unquestionably with Australia.”

**How to Prevent Social Conflict**

What can be done to minimize social conflict and ensure that Muslims already in Australia are encouraged to feel at home in a cohesive and free society that accommodates but does not make a fetish of cultural distinctiveness? First, it should be made plain to would-be immigrants and those already here that this country’s institutions and values are irreversibly Western and in many cases British, that we are proud of this heritage and that not one ounce of it is negotiable now or in the future. Second, we should relegate the term ‘multiculturalism’ to the rubbish bin of tried and failed concepts. This one has failed, not because it inaccurately reflects a culturally diverse society but because it arrogantly imposes itself on that society through a Professional Multicultural Industry parasitic on cultural diversity and inflammatory and diverse in its stress on cultural distinctiveness. In place of ‘multiculturalism’ we should begin to promote the idea of a cohesive and free society. ‘Assimilation’ will not do because it has at its worst a connotation of cultural liquidation. ‘Integration’ is better but probably unacceptable to many of the minorities, for instance the Muslims now here who can hardly be expected to welcome the idea of complete integration at the cultural level, although as I have indicated, the Afghan community in Melbourne has already shown a high level of social integration. Unfortunately ‘integration’ as a policy-term runs a big risk of being misunderstood or conjuring up images of the White Australia Policy. ‘Cohesive and free’ is perfectly understandable. Its elements inevitably exist in some degree of tension but it is not a contradiction in terms, as is shown by the case of the South Australian Germans. It expresses the need for harmony, order and solidarity, implies an attachment to one particular set of political and legal institutions, while also emphasizing individual liberty, including liberty of conscience, a liberty that does not run to licence or threaten social cohesion. Unless we publicly commit ourselves to some such direction and shape all our relevant state and federal policies accordingly, Australia will continue to be imposed on by an undemocratic and self-interested New-Class Industry, to our immense and eternal cost.

**Notes**

1. Professor Martin McCauley, an Orientalist at London University, reported in *The Australian*, 28 July 1990.

Honour and Force in the Kuwait Conflict — David Pryce-Jones

*(Continued from page 17)*

I propose, I accomplish; what I measure I cut off.

In a comment on that tyrant, a contemporary poet wrote lines which every Iraqi school child knows, and which Samir al-Khalil says are popularly felt to be a truism on the exercise of political power: “I see heads before me that are ripe and ready for plucking and I am the one to pluck them.”

**Pleading for Hostages**

This has also been the language of Saddam Hussein. The continuity impresses. It is a mistake to underestimate the customary order and its evident capacity to perpetuate itself through successive tyrants. Today it has succeeded in engaging the West upon its own terms. Shame-honour responses are running in a high tide so that failure on the part of the West would, in Arab eyes, put to shame its values, its pluralism, and all notions of power-sharing and democracy. The West is in the position of pleading contract to those who are standing upon status, but contract has no relevance in a context where force is systemic and decisive. Those Western politicians who pleaded for the release of hostages did not understand the shame figures that they represented to Arabs, nor that they were certifying Saddam Hussein’s superior status. Should Saddam Hussein be rewarded in any way for what he has done, then Arabs everywhere — and quite possibly other peoples too — will be condemned to more of the oppression of custom.
An ‘Historic’ Initiative—or a Diversion?

IN 1991 we are going to hear a lot about Federal-State relations. The 'special' Premiers' Conference initiated by the Prime Minister last October to examine possible reforms in those relations, purportedly with a view to preparing Australia to enter the 21st Century, was touted as "historic", a "victory for common sense", and "ushering in a new era of co-operative federalism." From three perspectives it might indeed be described as historic. First, the number of working parties/committees established to undertake further inquiries must have set a record. Second, the communique of 12 pages was possibly the longest ever issued after a Premiers' Conference -- rivalling United Nations communiques in both length and excess verbiage. Third, there was a remarkable consensus between politicians of both political colours that the Conference was "a good start." But to what?

There is an old saying that when politicians from both sides agree, it is time for ordinary citizens to start getting worried. Of course, as no decisions were required on States' funding, it maybe that the Premiers simply felt that they should play along with the Prime Minister on that occasion. Even so, there is cause for concern about the apparent bipartisan consensus.

In the lead up to the Conference, Premier Greiner had chastized his fellow Liberals at their annual meeting for continuing to label their opponents as "socialists": such ideological distinctions were out of date, he asserted. As one wag said "Nick obviously doesn't know what makes the Labor Party tick in Victoria"! More seriously, though, a major worry about the Premier's comment is that it fails to recognize that, while socialism is dead as an ideology, what James Buchanan once described as "the Leviathan State" lives on. There is still an enormous number of pressure groups which seek to profit or obtain privilege and power by persuading governments to intervene on their behalf in the economic and social affairs of the community at large.

It did not escape the attention of some that the main substantive decision to come out of the Premiers' Conference was one that will involve an increase in government expenditure and the establishment of a quasi monopoly, in the form of a National Freight Corporation owned by the various governments. This could require new capital expenditure of up to $1 billion but, we are assured, with reductions in railway employment it will operate on a profitable basis. Perhaps a National Freight Corporation can improve the efficiency of government rail freight services: that would not be difficult to achieve given their current levels. But nobody explained why individual State Governments, with an incentive to improve their budgetary positions, could not achieve the same result acting on their own.

More important than this is the worry that the Prime Ministerial venture may be an exercise designed to show leadership while diverting attention away from the measures that need to be taken to effect the rapid and substantive reforms required to correct Australia's seemingly intractable problems, such as high inflation and an unsustainable current account deficit. The fact is that the major policy changes needed in Australia can all be implemented without 'reform' in Commonwealth-States financial relations. Thus, given the difficulties being experienced by the Government in effecting necessary policy changes, the Prime Minister had a significant political victory in both leaving the impression that the main game is the one between the Commonwealth and States, and in giving the appearance of providing leadership. Just why Liberal politicians went along with this tactic is difficult to fathom.

Politicians from both sides appeared to be serious in emphasizing the importance of increasing State tax powers so that the States could finance more of their expenditures from their own revenues. (I say 'appeared' because, when asked whether she would be prepared to fight an election on a platform of a State income tax, Victorian Premier Kirner ducked for cover.) Only

Des Moore is Acting Director of the IPA.
Treasurer Keating (who otherwise took a back seat at the Conference) got it right. He reportedly intervened at one point to emphasize that the so-called vertical imbalance, whereby the Commonwealth raises 80 per cent of total government tax revenues and the States account for 50 per cent of total government spending, had not constituted a serious economic problem in Australia in recent years. His remarks, which contradicted the main rationale of the Conference, seemed to fly over the heads of the Premiers and the media.

However desirable it may be from the point of accountability for States to raise the taxes they now spend, the reality is that there is nothing in the present structure of Commonwealth-State financial relationships that is preventing or seriously inhibiting the respective governments from undertaking substantial change in their own policies in the direction that is required in the national and State interest. The Commonwealth and State Governments should not be allowed to pretend that we have to wait for reform in Commonwealth-State relations before we can change the policies needed to overcome Australia’s economic problems.

Cutting Government the Priority

In the long term, it is true, it would be desirable for there to be a better balance between States’ revenue-raising and their expenditures. But this is not a major priority for today. Indeed, if an increase in States’ tax and borrowing powers were to eventuate now, there would be a real danger that it would inhibit the achievement of the much more important objectives of reducing government spending and increasing privatization.

A key policy priority in Australia today is to reduce the size of the government sector and hence taxation. Under the Australian political and federal systems this will, arguably, be achieved most rapidly through the exercise of control by the central government, utilizing the present structure of Federal-State relations. This is in marked contrast to the US system, where the separation of the executive arm of Federal Government from the legislature makes it more difficult to root out the vested interests that have won privileges through the lobbying of Congressional representatives at the Federal level.

In Australia the elected Federal Government largely controls both the executive and the legislature and, given a mandate, it can make relatively rapid progress in reducing the size of government once it sets its mind to it. The Liberal Party’s stated aim in the 1987 elections of reducing the size of government by about four percentage points of GDP over three years was widely derided in the media and by Treasurer Keating as “impractical” and “without precedent.” Yet in a classical grab of the other Party’s clothes, Mr Keating has gone even further than the Liberals foreshadowed — and the forward estimates hold out the hope that there is more to come.

By contrast, State politicians are too close to the vested interests that have established themselves in protected positions, and they therefore need an outside discipline in order to be able to break down the privileged positions that are represented in States’ budgeted expenditures. State Treasurers are a bit like the bank manager who needs to use the excuse of “head office directions” to refuse a loan or reduce an overdraft limit for a customer who is also a member of his tennis club.

More importantly, State politicians do not give national macro-economic issues a high priority unless ‘encouraged’ to do so by being subjected to cut-backs in Commonwealth assistance and controls on borrowings. Yet Australia’s current economic situation demands further urgent action to reduce the size of government and such action is dependent on the national government taking the lead.

Federation Budget

For some time now the IPA has been suggesting that one way to start would be to have an annual Federation Budget covering both the Commonwealth and State Governments. It is pleasing to see that the new Opposition Leader, John Hewson, has endorsed this approach. Prior to each year’s Premiers’ Conference, Commonwealth and State Treasury officers could meet to examine the economic outlook and the forward estimates of expenditure, revenue and borrowing by their respective Governments. They would prepare a report on options for overall targets for expenditures and borrowing by their respective Governments. They would prepare a report on options for overall targets for expenditures and borrowing in the year ahead, which would then form the basis for decisions at the Premiers’ Conference. That would require both the Commonwealth and the States to justify their expenditure needs, by contrast with the present situation where the focus is on how much money the States should have to spend. It is surprising that State Premiers have not so far picked up this idea, given that they have (rightly) been critical of the Commonwealth’s failure to cut back outlays for its own purposes. Perhaps the proposed 1991 Conferences will open their eyes to the opportunities.
Illicit Relationships in Queensland
While legalizing homosexual relationships between consenting adults, the Goss Government in Queensland has banned voluntary employment agreements (VEAs) between consenting adults. Trades Hall will be pleased, but not employees at SEQEB (South-East Queensland Electricity Board) who will lose up to $70 per week. Queensland's Industrial Relations Minister, Neville Warburton, is a former official of the Electrical Trades Union, the body which opposed SEQEB moves under the previous Government to introduce VEAs.

Education or Welfare
The reconstruction of the university as an arm of the welfare state has taken a symbolic leap forward in Melbourne's western suburbs. The former manager of community services at Sunshine Council has just been elected Deputy Chancellor of the new Victorian University of Technology. A key concern of hers, according to a report in the local newspaper, is — no, not educational standards, but — the unequal participation rates in higher education between Melbourne's western and eastern suburbs. The university will apparently be "targeting people from non-English-speaking backgrounds, those with disabilities, women seeking non-traditional courses and Aboriginal and Torres Strait Islanders."

Organically Conditioning Your Baby
How to produce an environmentally conscious child, from conception to birth and beyond, is the subject of Green Babies, a new book by British medical writer, Dr Penny Stanway.

Even prior to conception, prospective parents should eat only organic foods and regularly check their drinking water for impurities. But the real work begins when the child is born. Purging the home environment of dangerous impurities is essential: plastic comes under this heading, and electricity is suspect. Thus: "Keep the fridge and freezer away from the stove and open the doors for as little time as possible; choose energy-efficient appliances; dry clothes outside if possible; do not use unnecessary electrical gadgets; try not to use batteries ... do not buy furniture made of tropical woods from non-sustainable forests and avoid all plastics in the home."

After the family home has been redesigned, baby should undergo sensitization to the rhythms of nature: "by eating seasonal, local foods; by choosing small household decorations in a colour and style to suit the season, and by matching the colour and shape of your dishes to the food they contain."

After all this, don't be surprised if baby grows up to be an interior decorator.

Colour Sensitive
A correction, reprinted in a recent issue of the American magazine Harper's: "An item in Thursday's Nation Digest about the Massachusetts budget crisis made reference to new taxes that will help put Massachusetts 'back in the African-American'. The item should have said 'back in the black.'"

Mother Nature Votes
The scheme to plant one billion trees, launched by Mr Hawke 12 months ago, is wilting. The wrong choice of trees and the voracity of Australian bugs have caused the death of many of the trees planted. This almost included the one planted by the Prime Minister to launch the campaign. This tree has been saved only by regular insecticide spraying.

Lesbian Studies
"This is what we've been waiting for," writes songwriter Alix Dobkin, "original, illuminating, comprehensive and inspiring." The book she's describing is Lesbian Ethics: Toward New Value, published by the Institute of Lesbian Studies in California (where else?). Not everyone would share Dobkin's enthusiasm.

The author, Sarah Hoagland, is described on the book's cover, rather bluntly, as "a chicago dyke and a philosopher. She came out in 1975, a year after being labeled p.d.o.f. (potential dyke on faculty) by her lesbian students, and she named herself 'separatist' in 1976. She has been teaching philosophy and women's studies at northeastern illinois university in chicago since 1977..." (Hoagland refuses to capitalize proper nouns related to the public—male—arena.)

In a spirit of pagan mysticism, the book is dedicated to "Deidre, for the water; Julia, for the air; Marg, for the fire; Anne, for the earth... And [more enigmatically] to Smaug, Samantha and Elfyn, who wait patiently for lesbian transformation even if it means they have to deal with dogs."

But the final word should go to the uniquely-named Elana Dykeuwoman: "This is a book in which your best friend discusses and argues with you until 3 a.m. and you finally fall asleep delighted to be a lesbian, able to dream 'lesbianism, the theory.'" Undeniably, the further one explores this book the more sympathetic one becomes to separatism.
**Powder-Puff Journalism** The magazine, Good Weekend, invited a number of Victorians disgruntled about the economic collapse of their State to ask Rob Jolly, until recently Victoria's Treasurer, one question each. Among those invited was Kenneth Davidson, The Age's economics editor. Here was Davidson's opportunity to rebuff those critics (among them Paul Keating) who accused him of being soft on the Victorian Labor Government. What would he ask? Would it be about the State's record bankruptcies, the massive debt, the collapse of Tricontinental, the VEDC scandals? No. Instead, he put this 'Dorothy Dixer' to Mr Jolly: "To what extent did your economic policies contribute to Victoria's favourable economic performance?"

**Burning Issues** The Editor of the left-wing British Guardian Weekly claims that the highest demand ever for his paper was in Germany, soon after the Second World War. "We got an order for 100,000 copies of the paper," he told ANU Reporter, "'Delighted', we said. 'Which editions?' It didn't matter. The only thing that did matter was that it should be lightweight paper — suitable for making cigarettes."

**Old Before their Time** Australia's ratification of the UN Convention on the Rights of the Child suggests that we might be confusing the liberties which properly belong to adults with those applicable to children. Should children really be free to associate with whom they like?

The Netherlands, far more progressive on this front than we are, certainly thinks so. In November, it passed a new law relating to sex offences which lowered the age of consent from 16 to 12 years-old. The new law sailed through Parliament on a vote of 145 to five.

In Australia, not many would go as far on children's rights as Peter Saunders, Director of the Social Policy Research Center at the University of New South Wales. Dr Saunders is not a proponent of lowering the age of consent. But he does believe that the minimum voting age should be reduced from 18 to, initially, 14 and then further. Dr Saunders' reasoning is that politicians will only increase their support for families if those families have sufficient power of the vote. Extending voting rights to children would achieve this, Dr Saunders says. At last, he exclaims, "a real system of universal suffrage!" One can imagine the list of promises which would be issued by political parties to buy the children's vote: school holidays to be doubled; a new National Core Curriculum to include Ninja Turtle Studies; the confectionery industry to be given a massive government subsidy.

**The Australian Disease** The Hospital Employees' Federation (No. 1 branch) is not known for its co-operative attitude to attempts to review the work practices of its members. Late last year it threatened industrial action when an audit team wanted to observe the work practices at Melbourne's Alfred Hospital. This was sufficient to persuade the Auditor-General to back down. In his report (quoted in the Sunday Herald) the Auditor-General said: "Faced with the prospect of audit involvement precipitating a walk-out of hospital staff, which could have jeopardized the standard of patient care, I reluctantly decided not to proceed with this element of the review. I do believe, however, that it is in the public interest that this matter be pursued at some future time." The public interest needs some union muscle behind it.

**Comrades** "Should we fail to break out of this system — excuse me for using a rude word — from this foolish system of wage levelling, we will ruin everything that is alive in our people. The nation will suffocate." Another broadside at Australia's centralized wage-fixing system from a member of the H.R. Nicholls Society? No, in fact the speaker is Mr Gorbachev on the Soviet system. But then, Senator Ray, the Minister for Defence, did recently describe Victoria as the Albania of the South.

**Loss of Spirit** The World Council of Churches is meeting in Canberra in February. An estimated 500 journalists from all over the world will cover the Assembly. What's on the agenda? The plight of Christianity? The great moral issues of our time? According to a news report, "The 1000 voting delegates and 2500 observers will address biotechnology, the environment, racism, indigenous peoples, the global debt crisis and world economic order." The Australian Democrats should consider setting up a stall there. A ceremony at the opening will see WCC delegates requesting permission from Aboriginal elders to enter their land (i.e. Australia).
Should we have compulsory national service?

The world's democracies are divided on the question of national service. A majority of the countries in Western Europe have some form of it; Britain and the USA do not. There are, as well, subsidiary issues on which systems of national service differ: the length of service, whether it should be universal or selective, whether women as well as men should be subject to it, whether it should be only military service or involve a significant component of civic service.

While national service has not existed in Australia since the period of the Vietnam War, there are peace-time precedents to Australia adopting a system of compulsory military training for young men: such a system existed from 1911 to 1915, 1919 to 1929 and, under the Menzies Government, from 1951 to 1959.

Opinion polls suggest that support for "the reintroduction of a compulsory military service" ranges between 59 per cent (1978) and 52 per cent (1985). Support for "compulsory military training for young men" is greater, varying between 61 per cent (1977) and 66 per cent (1980). No political party has a formal commitment to national service although sympathy to it exists, in particular in the National Party.

YES

Defence  Australia's voluntary defence forces are simply too small to defend the nation's interests effectively. While East-West tensions have certainly eased, this does not mean an end to the need for strong defence forces, as the Gulf Crisis should remind us. Indeed, instability in the Pacific region has increased in recent years and it is likely that Australia will be required to play a more active role in this region. National service would substantially boost our defence capability and allow mass mobilization at short notice.

Social Cohesion  Whether military or civic, national service would help ease social divisions, bringing together people of different backgrounds to work for the common

NO

Too Expensive  The cost would be too great. Each serviceman costs the taxpayer about $50,000. It would be less expensive if servicemen were paid only a nominal wage (as they are in Israel) but in Australia this would make the introduction of national service more difficult to sell politically. It would also be less expensive if national service were selective rather than universal for an age group, but this is inequitable and would generate resentment by those chosen to carry the burden. To be at all useful, national service trainees would require extensive training, which in the modern technologically-intensive defence forces, is increasingly sophisticated. This training would absorb the time and energies of experienced personnel.
good, and thus reinforcing their sense of all belonging to the one country. An example of this is Switzerland where the shared experience of compulsory military service is crucial in binding together a nation that in many respects—such as the semi-autonomy of its cantons and the diversity of its languages—is extremely heterogeneous. In what Geoffrey Blainey now calls Australia’s “nation of tribes”, this aspect takes on increasing importance.

Duty The sense that each of us owes a duty to our country has been eroded considerably by the post-1960’s ‘cult of the self’, according to which all other obligations are subordinate to the pursuit of personal fulfilment. The Welfare State has also been corrosive of communal obligations, encouraging the belief that the welfare and security of one’s neighbours are the sole responsibility of government.

National service would help restore the sense of service to community which self-absorption and the Welfare State have undermined.

Character Building National service would be a constructive means of addressing the problems of the rising incidence of youth (particularly male) delinquency and aimlessness. By providing youth with serious work, discipline and challenging experiences it would provide a necessary rite of passage to the responsibilities of adulthood.

Economic Benefits National service would inevitably involve the imbibing of skills—such as mechanics and map-reading—and attitudes—such as the ability to work with a team and self-discipline—useful to later productive employment and thus of benefit to the economy. It would also help occupy the approximately one in four youth who are now unemployed.

Democratizes the Military In a democracy, it is important that the military not become an entity over and above the society. Australians would rightly be wary of the emergence of a powerful military elite. This is more likely to occur if the defence forces are staffed only by career professionals, who mix only with other professional servicemen and women. National service, by giving the country’s defence forces a strong base in the civilian population, would help integrate the defence forces and the society.

and thus would tax the resources of the regular services enormously.

Disruptive National service would disrupt, or force the postponement of, careers or higher education and thus have a detrimental impact on the economy.

Use Funds to Recruit Volunteers Conscripts make weaker, less willing fighters than voluntary armies, thus if a war did break out, Australia would be better off relying on the regular army than on national service trainees.

If it is deemed that a larger defence force is necessary, it would be more rational and cheaper to spend a proportion of the money which national service would cost on recruiting a larger voluntary army.

Divisive Introducing national service, particularly during peace time, would be politically divisive, particularly given the history of controversy surrounding conscription during the latter Vietnam years. Thus rather than enhancing social cohesion, national service could actually weaken it.

Increased State Power and Militarism National service would represent a dangerous enlargement of the power of government and foster militaristic and/or statist attitudes. These developments would be most unhealthy for Australian democracy. Democracies need critical, independent-minded citizens, possessing initiative and sceptical of authority. National service would tend to foster conformity and unquestioning allegiance to the state. Rather than democratizing the military, it would militarize democracy.

Violates Freedom of Conscience Serving in the armed forces entails a preparedness to fight or kill according to orders. But killing is wrong in most circumstances and is a major moral issue. It should be left up to each individual to judge, according to the circumstances and his conscience, whether he should be involved in killing, or preparation for killing. Compulsory national service denies the freedom of conscience which is every individual’s right.

Further Reading

Should we Reject Foreign Ownership of the Press?

John D'Arcy

The placing of the Fairfax Group in receivership has revived public debate about foreign ownership of Australia's newspapers.

The appointment of a receiver to the Fairfax Group in December was the start of that company's revival. Fairfax still has great newspaper assets — only the balance sheet was wrecked by a strange young man and his ambitions.

The Fairfax publications have suffered the same decline in advertising revenue that all media are currently experiencing, but are still basically in good shape. When our current recession is over, the rivers of classified gold will flow again to The Age and the Sydney Morning Herald.

The company then — some years hence — should be in a strong position to repay its debts and reward its new owners. Meanwhile, however, current income is insufficient to meet the interest charge on the huge indebtedness of $1.7 billion.

The receiver has a clean job. There is a single group company with only two shareholders. Debt is split between the banks ($1.2 billion) and the US junk bondholders ($500 million). The existing group must be recapitalized in toto to protect around $250 million of tax losses and to ensure continuity of two major newspaper operations in Australia.

The capital injection required must be enough to allow the company to satisfy its bankers and eventually to retire most of the debt to them. The US bond-holders will also demand some return on their investment, so some deal will have to be made.

In addition, and despite the fact that News Limited has put on hold a $1 billion program to upgrade its printing processes in Australia, it will still be necessary for Fairfax to provide funds for upgrading its presses in Sydney in the next five years.

These factors make it essential that the receiver obtains the best deal possible, which basically means the most money. If this means some or all foreign ownership, so be it.

If the receiver's options are limited to local bidders, it is not inconceivable that he could only obtain a high enough price from a break up of the newspaper properties. Such a result would ensure even more market dominance by the News group and would not serve the industry well.

Remember that the receiver's prime responsibility is to the banks which appointed him. As to that, it has been said that foreign ownership of Fairfax must be resisted even if this means the banks being penalized. The banks may have been unsound in their judgment of loans, but they cannot be held responsible for the avarice or failure of entrepreneurs. If we adopt a culture of regarding debts, whether to banks or any other lenders, as disposable in the interests of some kind of nationalistic sentiment, our corporate credibility will suffer severely, and much else with it.

The ownership of our media is a mess. Two television networks are still looking for investors or new owners after being in receivership for more than a year.

The last Annual Report of the Australian Broadcasting Tribunal reported results for the year ended 30 June 1989. In that year, the 50 commercial television stations collectively lost $3.2 million despite revenue of $1.5 billion. The 143 commercial radio stations managed aggregate profits of $18 million. Results for 1989/90 will be worse. All television and radio stations are owned by Australian companies or individuals.

Unless the Federal Government amends its television aggregation policy, some regional operators will probably face serious trading losses in the next few years. There is speculation that News Limited might unload some assets in this country. It is hard to find evidence that sufficient funds or investor confidence are available from Australians to ensure the continuity of all media properties currently or potentially requiring new owners and funding. The hard fact is that we may need to allow a higher degree of foreign ownership of our media if we are to ensure its future viability.

Ownership or control of our media by Australian

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citizens is certainly a fine ideal. That such ownership would automatically produce the best newspapers or the best programs is debatable.

The acquisition of the Herald and Weekly Times (HWT) group by News Corporation Limited in 1987 was accepted by all relevant governments and authorities in this country. That delivered over 60 per cent of all newspaper circulation to a foreign owner. Even if Rupert Murdoch could claim de facto Australian citizenship, all major ownership decisions relating to his newspapers are made in New York or London. It is a little late now to advocate heavy restrictions on foreign ownership, and the recent attitude of Government Ministers in that regard can only be described as completely inconsistent.

The world is shrinking. We talk of the global village. Communications technology has advanced so rapidly that national borders are no longer any impediment to the dissemination of information.

Australians are no strangers to investment in media properties around the world. Radio Australia may well have more listeners offshore than the ABC at home.

London must be the newspaper capital of the Western world. In that city newspaper ownership is dominated by an American (R. Murdoch), an East European (R. Maxwell) and a Canadian (C. Black).

Editorial Independence

The fear mostly expressed by the anti-foreign ownership lobby is the threat to editorial independence. Australian newspapers and journalists have been blessed in this country with a level of editorial independence that is unique. In my 35 years in the industry, I cannot recall a single incident of managerial or board interference with an editor of a newspaper in the HWT/Queensland Newspapers group.

Opponents of foreign ownership regularly refer to the role played by News Limited newspapers, especially in political elections. Any editor or executive who works in that group must accept that Rupert Murdoch is not only the major shareholder, but the manager, publisher, and editor-in-chief of every publication in the stable. He is a hands-on proprietor.

There should be no more risk to the editorial independence currently enjoyed by Fairfax journalists under a new unknown foreign owner than under a new unknown home grown one.

It is hard to argue against such an ostensibly worthy concept as The Age Charter of Editorial Independence. It has the same ring of purity as motherhood or football, or the save the elms campaign. But I wonder if it is a modern day version of 'cry wolf'. Has any proprietor in the past or future threatened The Age journalists? One can be forgiven for being slightly cynical when a group of journalists insists on complete editorial freedom and independence but still embrace the strictures of a closed shop culture. I cannot recall any demand for such a charter from journalists leaving Spencer Street when Rupert Murdoch waved a cheque book in the vicinity of Treasury Gardens a couple of years ago.

We should be positive, and recognize that generally investors in any company are content if an acceptable return on their investment is obtained. It will surely be recognized by the new owners of the Fairfax Group that in the end what makes a newspaper viable is the editorial content and the quality of the words.

Paul Johnson referred to the responsibility of editors and their association with management in The Spectator when it was still owned by the Fairfax Group:

"The editor must have ultimate power over editorial content, and this power should be maintained subject to the law of the land, in the face of all comers: management, unions, advertising people, printing workers and editorial staff. The powers of the editor, highly understood, are so great that they must be balanced by proprietorial power. An editor's right to serve his readers as he thinks fit is qualified by the proprietors, or management's right to conduct a viable commercial enterprise. A newspaper is a business and in any business ultimate authority must rest with whoever has to pay the wages."

All the good editors and managers I worked with observed these principles. Only a couple did not.

Government Control

The trend that should concern us more than foreign ownership of the press is that towards increased management of news by governments. The Labor Party is so much more expert in using all media for party and propaganda purposes than the conservatives. The 'management' of news is effected by the use of government media units both in State and Federal political arenas. This development has never been seriously challenged by the media themselves.
SHOULD WE REJECT FOREIGN OWNERSHIP OF THE PRESS?

Those highly principled people advocating more control over newspapers should reflect on the legislation now applicable to the electronic media. In 1976 there were 25 pages of ownership and control provisions in the Broadcasting and Television Act. In 1990 the same provisions require a couple of hundred pages.

The last metropolitan commercial television licence was granted in Perth in 1987. The Broadcasting Tribunal needed 117 hearing days. The evidence required 13,000 pages of transcript. There were 16 appeals by interested parties to the Federal Court. The licence finally allocated was sold before a studio was built, to a party who had taken no part in the hearing.

The catalyst for the incredible upheaval of media ownership in 1987 was the changes in the Broadcasting and Television Act, which also provided restrictions on cross ownership of television, radio and newspaper operations. The saddest part of these changes was that they represented, for the first time, a legislative control or restriction on who could publish newspapers in Australia. While radio and television ownership, programming, advertising content, etc have always been regulated by legislation and bureaucracy, the press has been free and subject only to the self-regulatory principle of law, decency, fairness and good taste.

This is why proposed state legislation to establish a Press Diversity Tribunal should be strongly challenged. A government-appointed tribunal in Victoria (or nationwide) with powers to block any newspaper 'transactions' represents the pinnacle of hypocrisy. In Victoria, this is the same government that a couple of months ago gave tacit approval to the control by the Trades Hall of press advertising. It is also the same government that in recent years has allocated millions of dollars to the maintenance of a media unit to ensure the 'management' of political news and information.

Any invitation to governments and/or bureaucracy to extend legislation into the ownership or publishing of newspapers could prove a most regrettable move in the years ahead.

In the end, perhaps too little credit is given to the judgment of readers, listeners and viewers in this country. Circulation and audience ratings suggest that the Australian public know what they want from the media. I wonder if they really care who owns the assets.

---

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Ross Gittins Sydney Morning Herald Economics Editor.

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30
The Greening of our Schools

Environmental education is the rising new area in the school curriculum. Two new surveys, conducted exclusively for the IPA, provide a disturbing picture of the ideas and attitudes which are shaping the new generation.

Just as concerns in the early 1980s about international peace prompted the inclusion of 'peace studies' in the school curriculum, so today growing fears about the condition of the environment have led governments to respond to green activists by introducing 'environmental education.' In 1989 and 1990, both the NSW Department of School Education and the Victorian Ministry of Education released environmental education policies, and both have sought to make environmental education a central part of the curriculum (see the box overpage).

But what is the nature of this 'environmental education'? And how widespread has it really become? Despite the flurry of activity at the policy level, there has been little information on what is currently happening "out there" in schools. Which books and kits of the many produced by environmental and industry groups are actually being used in the classroom? What do teachers believe are the most important environmental issues? What do they think about the related issues of economic growth and technological development? Where in the curriculum does environmental education occur? Are children being taught the costs of measures to protect the environment?

It was to help overcome this shortage of information that the IPA undertook two environmental education surveys. The two surveys offer us an unmatched, independent view of the state of environmental education in our schools. Among their findings, they reveal that:

- Environmental education already has an important place in schools. Most primary schools claim to give "serious attention" to environmental education in their curriculum policies, while 64 per cent of secondary schools claim to put "special emphasis" on environmental education in their curricula.
- The environment is rarely taught as a subject in its own right. In primary schools, the most common approach is through programs integrating many themes. In secondary schools, environmental matters are most often taught as part of geography and/or science.
- Few teachers have received specific training in environmental education. Fewer than 10 per cent of respondents to the primary school survey had received any in-service training in the field in the previous 12 months.
- The environmental movement's slogan "think globally act locally" has been influential. Environmental education in most schools attempts to relate global or national issues to immediate local action by the individual student.
- The news media are considered by secondary teachers to be by far the most important resources for environmental education, followed by environmental groups and publishers. Industry sources and individual companies are considered to be the least valuable resources.
- The Australian Conservation Foundation (ACF)

The Surveys

The surveys of environmental education practice in schools were conducted for the IPA by Peter McGregor, Director of the Centre for Economic Education. The first survey encompassed 189 secondary schools in all States, representing approximately 1,300 teachers. It concentrated on the nature and sources of the teaching materials used in environmental education and the importance attached to particular issues by teachers.

The second surveyed a sample of 58 teachers in 31 primary schools in NSW and Victoria, investigating each school's curriculum policy, the resources most commonly used for environmental education, descriptions of typical lessons and the attitudes of teachers towards various environmental issues.

Both surveys included city and country schools from the government, Catholic and independent sectors.
### Attitudes of primary teachers and the general public to selected environmental issues

<table>
<thead>
<tr>
<th>Statement</th>
<th>Teachers</th>
<th>General Public</th>
</tr>
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<tbody>
<tr>
<td>The areas available for mining in Australia should be reduced.</td>
<td>46</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>32</td>
<td>16</td>
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<tr>
<td></td>
<td>22</td>
<td>57</td>
</tr>
<tr>
<td>The environmental restrictions on the activities of the forestry industry in Australia are too severe.</td>
<td>7</td>
<td>35</td>
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<tr>
<td></td>
<td>9</td>
<td>10</td>
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<tr>
<td></td>
<td>84</td>
<td>55</td>
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<tr>
<td>Australia should reduce its level of economic growth in order to solve its environmental problems.</td>
<td>13</td>
<td>6</td>
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<tr>
<td></td>
<td>28</td>
<td>22</td>
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<tr>
<td></td>
<td>59</td>
<td>72</td>
</tr>
<tr>
<td>Australia should act immediately to reduce greenhouse emissions in order to counteract global warming.</td>
<td>93</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>6</td>
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<td>4</td>
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<tr>
<td>For the future generation of electricity in Australia, nuclear power will be a more environmentally acceptable method than the burning of fossil fuels.</td>
<td>26</td>
<td>43</td>
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<td></td>
<td>36</td>
<td>30</td>
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<td></td>
<td>38</td>
<td>27</td>
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<tr>
<td>New technology will solve many of Australia's current environmental problems.</td>
<td>31</td>
<td>53</td>
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<td>33</td>
<td>27</td>
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<td></td>
<td>36</td>
<td>20</td>
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<tr>
<td>On ecological grounds, Australia cannot afford to increase its current level of population.</td>
<td>17</td>
<td>27</td>
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<td></td>
<td>35</td>
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<td>48</td>
<td>57</td>
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</tbody>
</table>
enjoys a pre-eminent position among environmental, industry and government organizations which provide schools with information. Eighty-one per cent of secondary teachers reported that they had found the ACF “helpful” in the last year whereas only 25 per cent reported this about the Environment Protection Authority (EPA) and 21 per cent about the Australian Council of Recyclers. Forty-nine per cent had found the Australian Mining Industry Council helpful in the last year.

SECONDARY SCHOOL TEACHERS WHO SAY THEY FOUND VARIOUS SOURCES OF ENVIRONMENTAL INFORMATION IMPORTANT OR VERY IMPORTANT

<table>
<thead>
<tr>
<th>Source</th>
<th>%</th>
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<tbody>
<tr>
<td>ENVIRONMENTAL GROUPS</td>
<td>53</td>
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<tr>
<td>INDUSTRY SOURCES</td>
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<td>GOVERNMENT AGENCIES</td>
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<td>SUBJECT ASSOCIATIONS</td>
<td>34</td>
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<tr>
<td>INDIVIDUAL COMPANIES</td>
<td>15</td>
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<tr>
<td>MEDIA, NEWSPAPERS</td>
<td>93</td>
</tr>
<tr>
<td>PUBLISHERS</td>
<td>57</td>
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</table>

- Teachers’ attitudes regarding environmental issues are consistently more green than those of the general population. For example, whereas only 27 per cent of Australians as a whole believe that the land available for mining should be reduced, 46 per cent of primary teachers in the survey held this view.
- Global warming, other atmospheric problems, pollution and trees are the issues given greatest priority by environmental education teachers, both primary and secondary. The economy is universally accorded low priority, industry is generally viewed negatively and teachers appear to have limited understanding of environmental economics. Of 10 issues presented to them, secondary teachers rated the greenhouse effect as the most important and the economy as the least important.

The surveys found that where industry was discussed, it often involved negative overtones, with industry being seen as the cause of problems, as in the production of industrial waste. None of the lessons reported in the primary school survey canvassed the efforts being made in many industries, such as the packaging industry, to make more “environmentally-friendly” products. Nor did any of the lessons point out the environmental advantages to be gained from technological development (which in the past has generally resulted in dirty, wasteful equipment being replaced by cleaner, more efficient machinery).

In stark contrast to their view of industry, teachers show a quite naïve trust in government control as a solution to environmental problems. They seem unaware of the academic research of recent years which suggests that government intervention may have exacerbated some environmental problems. They also do not seem to realize that environmental problems are at their most severely precisely in those countries where government has been strongest (the communist bloc and its Third World clients come readily to mind). The same bias can be discerned in the most popular textbooks used in environmental education (see the extracts overpage).

The Future of Environmental Education

Trends in education in Australia tend to reflect changes in political fashions: the rise of feminism produced women's studies, the rise of the peace movement produced peace studies. To this extent, the future of environmental education will depend on the political fortunes of environmentalism. Significantly, in Victoria at least, environmental education has been relatively untouched by recent budget cuts. The grants available to schools to bolster it have even been slightly increased this year. This suggests that environmental education is likely to continue to expand.

Environmental education is still not sufficiently developed at school level. With course guides yet to be distributed to all schools, and most schools still to implement environmental education programs fully, the opportunity remains to correct existing biases. Changes can and should be made before programs (and attitudes) in schools become entrenched.

Encouraging children to care actively for their environment is, of course, worthwhile, but their attitudes and actions should be the outcome of genuine knowledge about their surroundings, not the apocalyptic fantasies or political biases of adults. It is simply irresponsible to inflict on children nightmarish predictions of imminent ecological disaster — to tell them, as does the Gaia Atlas of Planet Management, “the ultimate horror of nuclear war is becoming more probable every day” and then ask them, “How many readers of this book believe they will die peacefully in their beds?” The excuse offered may be that these statements are designed to shock young
The Most Popular Environmental Texts

The IPA environmental education surveys revealed which of the many teaching resources targeted at schools are actually being employed by teachers. The most popular periodical in secondary schools is the Australian Conservation Foundation's journal, Habitat. Extracts from the three most popular books among secondary school teachers appear below: all portray a world on the brink of ecological holocaust. The fourth most popular book — which also rated highly among primary school teachers — was Greenhouse Alert: A Learner's Handbook, published by the Social Education Association of Australia. It presents the theory of global warming, highly contentious among scientists, as not only true but "the most important issue of our age."

No.1 Battle for the Earth: Today's Key Environmental Issues
by Goldsmith and Hildyard, Child and Associates. Foreword by Bill Hare, Australian Conservation Foundation.

The Origins of Class Exploitation "The seeds of today's ruthless exploitation of the natural world were undoubtedly present at the beginning of the neolithic revolution, some 12,000 years ago, when mankind first embarked on permanent agriculture and created fortress-like settlements to keep out nomadic invaders. Whereas all the members of the tribal forbears, the hunter gatherers, had participated fully in the venture of survival, the new settled agrarian way of life enabled a hierarchy to develop of labourers in the field and of overseers who could become rich through the toil of others" (p. 52).

Anti-Technology "We seem to have limitless faith in technology as a means of solving any problem. This faith is unfortunately unjustified" (p. 88).

Anti-Development "...specific policies designed to encourage economic development have caused increasingly serious social and ecological problems that have undoubtedly worsened the plight of most Third World people ... Development inevitably causes a population explosion by destroying culturally in-built population-control strategies" (p. 132).

The Market System and Famine "For the first time in human history we are witnessing famine on a continental scale, with two-thirds of African countries affected. Within a few years, famine is likely to spread to other major areas of the globe — and will eventually become both a global and a chronic phenomenon ... According to Karl Polanyi, the economic historian and author of The Great Transformation, the development of the market system has been the main cause in the increase in the incidence and seriousness of famines throughout history" (p. 147).

"Sustainability and development would thus appear contradictions in terms" (p. 216).

No.2 The Gaia Atlas of Planet Management

General Editor Norman Myers, Pan Books. Foreword by David Bellamy.

The Communist Model "China has largely succeeded in eliminating malnutrition — no mean feat in a country that supports one in five of humankind. The Chinese not only produce massive amounts of food, but — equally to be acclaimed — they ensure it is fairly shared among all. Furthermore, they are leaders in 'ecological agriculture', with emphasis on wasting nothing. They recycle much of their crop residues and by-products, and..."
also their general garbage and waste" (p. 62)

"...China's agriculture may serve as a model for other developing countries. True, success depends in part on China's political orientation. But much also depends simply on agricultural skills, regardless of ideology. However often China's leaders may assert that their approach is not for export, and that each country must work out its salvation according to its resources, many a developing country could learn a lot from China" (p. 63).

"We are already engaged in World War III... a war against our Earth"

Alienation  "The advent of automation and of de-personalizing technology has created a situation where many workers are alienated from the product of their labours" (p. 178).

Global Inequality  "Many individual countries have pursued economic growth first and foremost, in the belief that everyone benefits from this in the long run, through a 'trickle-down' process — they reject redistribution of wealth as being 'anti-growth', despite evidence that the two can go hand in hand. 'Trickle down' has advanced the richer sectors of Third World society, at the expense of the poorer. The global community, with its emphasis on growth, has fallen into much the same trap" (pp. 218-220).

World War III  "The ultimate horror of nuclear war is becoming more probable every day. How many readers of this book believe they will die peacefully in their beds?" (p. 248).

"We are already engaged in World War III, to paraphrase Professor Raymond Dasmann of the University of California, a war against our Earth — and we are winning it. In the South, we have successfully gutted large portions of tropical rainforest, and allowed good soil to be washed uselessly away. In the north, the Earth's river arteries and ocean life-tides carry untold poisons, while rain, that life-giver from the skies, sometimes proves to be as acid as vinegar.

"And, just in case our straightforward ecological assaults should fail, we have recourse to the alternative strategy of nuclear war. We could trigger a 'nuclear winter' with less than 1% of our current nuclear arsenal. We may convince ourselves that we are 'secure', but globally we have never been more threatened" (p. 250).

No. 3 Blueprint for Green Planet

by John Seymour, Herbert Girardet, Angus and Robertson Publishers.

How you can take practical action today to fight pollution

Political Activism  "Governments do not, on the whole like conservationists. And when they are scattered and disorganized, they find it easy enough to deal with them. But when conservationists become organized, the situation changes rapidly. So the best way that individuals can help to influence national policies is by swelling the membership (and funds) of environmental pressure groups." (p. 180).

"our immediate task is to do everything we can to bring our present life-destroying culture to a halt."

Time is Running Out  "...our immediate task is to do everything we can to bring our present life-destroying culture to a halt. Time is running out dreadfully fast. We have short memories: by the time this book comes out, the horror of Chernobyl will have joined the horror of Bhopal in the dim recesses of our recollections; no longer to affect us or our actions. Perhaps a fresh horror will have taken their places, and become a nine-day wonder — who knows? There will be a Chernobyl in the West sometime — now or in a hundred years — the mathematics of chance make it certain that it will come. Will that be enough to make us pause?...The present time — just these few decades in which we have been fated to live our lives — is the most crucial time ever for life on this planet" (p. 184).
THE OBJECTIVES of environmental education in each State are laid down by a variety of official documents, pride of place among which belongs to the environmental education policy statements, such as Victoria’s Ministerial Policy - Environmental Education, and New South Wales’ Environmental Education Curriculum Statement K-12.

Victoria and New South Wales are in many ways paradigmatic education systems, defining the two opposed models of schooling likely to dominate Australia into the next century (see IPA Education Monitor, Spring 1989). Yet there is a remarkable similarity between their views of environmental education.

Both Victoria’s Ministerial Policy - Environmental Education and New South Wales’ Environmental Education Curriculum Statement K-12 draw a distinction between three components of environmental education: education about, in and for the environment.

Vic: “Environmental education is the general term for learning not only about the environment, and very often in the environment, but is also for the environment. Environmental education seeks to develop a knowledge and understanding of the environment in its totality. It also seeks to develop positive attitudes towards the environment and skills to enable students to promote its well-being.”

NSW: “Environmental education helps students to understand the inter-relationship of all parts of the environment. Students can gain this understanding by learning ABOUT the environment, by learning skills in investigating questions and issues IN the environment, and by acquiring attitudes of care and concern FOR the environment.”

Both documents express the view that environmental education should affect all schools and all parts of the curriculum, should be relevant to the school’s local environment as well as to global issues, and should encourage positive action by the student.

The Victorian Policy “encourages all schools in Victoria to adopt an entire-school approach to environmental education”, while the NSW Statement declares that “it is mandatory for schools to ensure that environmental education is incorporated in the whole school curriculum.” Both States permit specific ‘Environmental Studies’ courses in secondary schools, as additions to the across-curriculum approach. The NSW statement says that separate courses are allowed “where there is interest in further specialized study” while Victoria has an ‘Environmental Studies’ course at VCE (Years 11 and 12) level. The Victorian course “draws from such disciplines as science, geography and economics” and has “an emphasis on action.”

In Victoria, environmental education aims to develop in students “an understanding of how life is sustained and supported on earth, both locally and globally”, while in NSW it aims to “examine major environmental issues from local, regional, national and international points of view,” as well as to “promote the value of and need for local, national and international co-operation in preventing and resolving environmental problems.”

The Victorian Policy aims to develop in students “a commitment to work, personally and cooperatively, for a better physical and social environment and a willingness to apply the knowledge and skills acquired in action programs to improve or protect students’ own environment.” In NSW, it is intended that “students have a role in planning their own teaching/learning experiences and receive opportunities to make decisions and accept responsibility for their decisions.” The NSW Statement adds that “ultimately, sound environmental education programs will enable students to participate in improving the quality of the environment.”

Balance

Nor do the similarities end here; Victorian environmental education sets out to give students “a wide range of knowledge and skills from different fields,” while the NSW Statement says — more succinctly — that environmental education should be “interdisciplinary, giving a balanced perspective.”

Finally, both States hope to foster understanding of the need to balance conservation and development:

Vic: “(students should develop) an understanding of the need to balance development and conservation to meet the needs of society.”

NSW: “(students should) examine the environmental and socio-economic consequences of plans for economic development and growth and consider how, through cooperation and sensitivity, a balance between environmental and economic needs can be struck to ensure a sustainable future.”
readers into action to rescue the environment. But they are more likely to fill children with panic or despair. What action could a child possibly take to save the world from imminent nuclear war?

Part of the problem results from the emphasis in State curriculum guidelines on education for the environment rather than just education about the environment. This emphasis risks pushing the teacher into the role of advocate rather than just educator, and thus opens environmental education to politicization.

This is not to say that politics is irrelevant to environmental education. Indeed, it is crucial that students understand under what political conditions environmental problems are best managed. It is remarkable that the second most popular environmental text in secondary schools holds up a totalitarian system — communist China — as a model for development. While the damage done to the environment in China seems petty compared with the enslavement of its people, environmental despoliation is nevertheless a major problem in China. Air pollution, for example, is 16 times greater in Beijing than in New York (OECD Observer, April/May 1989).

Land degradation is widely recognized as the most serious environmental problem facing Australia — and the one we can do most to rectify. Yet the secondary teachers surveyed ranked it of less importance than the greenhouse effect, pollution and ozone depletion. While many of the teachers emphasized the importance of local action, when it came to identifying the most pressing environmental issues facing us, they tended to ‘think globally’. The more environmental education embraces a global perspective, the more it tends toward invalid generalizations. The more it can focus on issues of local ecology the more responsible and realistic it is likely to be. A corollary of this is that students should be encouraged to clean up their own backyard (or school yard) rather than take on the formidable burden of ‘saving the planet’.

Just as children’s knowledge of the environment should be based on a sound grounding in science, so environmental issues should be discussed in the context of economics. Children should understand the costs of conservation and the role of technological development in finding solutions to environmental problems. Environment teachers should be required to have a grounding in economic concepts. Opportunities for in-service training to allow teachers to keep abreast of developments in the rapidly expanding fields of environmental science and environmental economics should probably be increased.

While the environment is not taught as a separate subject in most schools, it is being introduced as an independent subject in the new Victorian Certificate of Education. It would be better if it remained integrated with other subjects. Despite its claims to being new, environmental education is dependent on existing branches of knowledge, in particular geography, science and economics. There is nothing inherently wrong with this inter-disciplinary approach. Problems occur only when pupils undertake environmental education without first gaining a good grounding in its component disciplines. Unfortunately, this is what is likely to happen if environmental education is introduced as a separate subject. A good deal of the indiscipline of environmental education — the apocalyptic claims, the mixture of mysticism and science, the politicization — is the result of it having escaped from the rules and constraints applied by traditional disciplines.

Teachers are being flooded with new materials on environmental issues which they often do not have time or perhaps even the competence to assess. Clearly some of the most widely-used materials lack the balance and accuracy appropriate to school texts. It would aid teachers considerably to be provided with a list of recommended texts and more specific syllabus guidelines. These should be subject to public debate.

— Ken Baker
Has Financial Deregulation Failed?

Tom Valentine

RECENT YEARS have seen a steadily growing stream of criticism of the results of the financial deregulation which occurred in the early 1980s. This negative comment has reached such a high level that I have heard media interviewers criticize the deregulation of the communications industry on the grounds of the “failure of the deregulation of banking.” It has now culminated in the establishment of the Martin Inquiry into banking, and indications are that this inquiry will keep the anti-deregulation ball rolling.

Much of the criticism is out of focus, in that it is based on criteria for success which are largely irrelevant, and in that many important results of deregulation are ignored. It is worth attempting to redefine the issues involved in this debate (if such a one-sided campaign could be described as such) because acceptance of its current terms could easily lead to a trend back to heavy regulation of financial markets and create a significant impediment to deregulation in other areas.

Unfulfilled Expectations

Some of the current problems undoubtedly arise from overselling in the early ’80s by advocates of financial deregulation. Supporters of deregulation (particularly those in politics) saw it as producing lower interest rates for borrowers and higher ones for depositors, an expansion of the range of financial products and the introduction of many innovations and improvements in the general level of service to bank customers. It was also suggested that financial deregulation would go a long way towards solving all our economic problems, producing an efficient and competitive economy.

In fact financial deregulation was never going to produce all of the goodies claimed for it. It was always on the cards that there would be losers as well as gainers. The argument for deregulation must rest on the belief that gains outweigh losses, not that there will be no losses. Moreover, many of the benefits of deregulation were likely to be indirect — a point explored further below — making it impossible to evaluate the success or failure of deregulation from a purely personal viewpoint.

In a more macro sense it must also be recognized that the finance industry is only a small part of the economy. In fact it plays a service role, providing payments services and intermediating between savers and borrowers. An improvement in its efficiency will be a plus, but it could not make up for the many problems of the Australian economy. Much more extensive reform is required to deal with these problems.

The Litmus Test of Deregulation?

A major problem with the recent discussion is that it focuses almost entirely on the direct impact of deregulation on the retail bank customer. This impact is generally held to be bad because:

- transactions charges have been increased on many bank accounts;
- previously existing subsidies (most notably those to housing borrowers) have been reduced;
- the quality of services has been reduced.

It is difficult to evaluate the accuracy of the third claim, but the first two are certainly correct. This statement is, however, only part of the story.

In the regulated environment banks were not able to compete with other banks on an interest rate basis because of ceilings on their interest rates; hence they competed by paying ‘implicit interest’, which involved subsidizing transactions on deposit accounts and maintaining an extended branch network. The payment of implicit interest represented a distortion in the financial system because the amount paid was not necessarily related to the amount held on deposit and it encouraged depositors to use up resources (in carrying out transactions and using branch services) in excess of the amounts for which they were willing to pay.

It was always likely that deregulation would lead to
the replacement of implicit interest with monetary payments. This means that subsidies paid to depositors would be reduced and replaced by higher interest payments to depositors or lower interest charges to borrowers. This may appear to be a reduction in the services provided, but it is simply a substitution of one form of payment for another, albeit a substitution which promotes the efficient use of resources. Of course, this process will lead to losers (for example, account holders who maintain low balances and carry out a large number of transactions). Some of the losers may belong to segments of society deserving of support from the community and this problem will be discussed below.

The major problem with this discussion is that it ignores the indirect benefits of financial deregulation. For example, to the extent that business customers benefit from deregulation, these benefits are likely to be passed on in the form of lower prices or increased employment and a general increase in the competitiveness of the economy. If these benefits are not passed on, it is presumably because the businesses gaining them are not in a competitive situation. In this case the correct solution is to promote competitiveness elsewhere in the economy rather than to deregulate banking.

One aspect of this criticism is to argue that deregulation has resulted in an increase in margins in banking (i.e. in the gap between the rate which banks pay on deposits and receive on loans). Discussion here often focuses on specific margins such as the gap between the interest rate paid on savings-investment accounts and that charged on loans under $100,000. These measures are meaningless unless the loans in question are funded entirely out of the deposits named. They take no account of such influences on the banks’ cost of funds as the reserve requirements, which force them to invest part of every dollar of their deposits in low-interest deposits with the Reserve Bank and government securities.

A more meaningful measure is the banks’ overall interest rate margin — the difference between interest received and interest paid (divided by total assets). This measure has moved around somewhat since deregulation, and this is sometimes interpreted as a sign that deregulation has had no effect. But many factors are at work here, two of which need be mentioned. First, banks must earn a market return on the capital, this requirement has contributed to the widening of margins.

By exigent question hidden in this discussion is — have the banks been making excessive profits, suggesting that they have been exploiting customers? The answer appears to be in the negative. The banks’ returns on shareholders’ funds are in line with those earned in other industries and with the returns on government securities. Since there is no evidence that banks have been dissipating profits, exploitation is unlikely to be happening.

None of the earlier discussion should be taken to imply that there have not been some obvious gains from deregulation. Bank customers now have access to a much wider range of financial products and have increased access to banking services. While some of these gains are undoubtedly due to technological advances, this fact casts some doubt on the validity of the assertion that deregulation has reduced the quality of banking services.

Most importantly, savers now receive a higher interest rate on their funds. It is not at all clear why commentators focus on the impact of deregulation on borrowers — the banks have customers on the other side of their balance sheet. We are yet to see a headline which says “interest rates rise — another slug for savers.” In our current situation of high overseas borrowing, it is important to encourage saving as much as possible.

Observers have also noted that banks have been able to reduce their costs. This is a sign that deregulation has indeed led to a more efficient banking industry.

Banks and Social Reform

An important strand in the criticism of financial deregulation has been the suggestion that banks are failing to meet a responsibility they have to redistribute wealth or to provide support for specific segments of the community (e.g., lower income earners or home-buyers). It is not clear why banks have this responsibility. It is not expected of other businesses, or at least not nearly to the same extent. Discussion of this generally neglects the fact that any subsidy which a bank provides to one subset of its customers must be at the expense of other customers. Since this aspect of the argument is usually ducked, the equity of the transfer involved is rarely considered.

Indeed, using banks in this role is a very inefficient way to implement social policies. The Campbell Committee argued strongly in its Final Report that social policies should be implemented through direct budget allocations rather than through subsidies provided through banks because the former can be targeted on the desired recipients. In the case of subsidies provided through banks, it is not clear that they went to the people who were supposed to receive them. For example, the controlled interest rate on housing
mortgages benefited the wealthy as well as lower income families. Also, the amount of a budget allocation is clear and voters can make an informed judgment as to whether they wish to provide the amount of subsidy involved. These arguments of the Campbell Committee have never been refuted, but the discussion continues to be based on the presupposition that banks have a responsibility in the social welfare area.

It would be idle to deny that there have been some problems in the deregulated environment. Interest rates and exchange rates have become more volatile. This was expected from deregulation, but nobody to my knowledge forecast the extent of the increase in volatility.

Volatility does have some positive aspects. Interest rates and exchange rates are now free to respond to pressures from outside the economy (e.g., from overseas) and this makes adjustment easier. Also, the financial system has developed instruments and techniques for managing the risks arising from volatility.

There has also been some structural change in the financial system and once again this was to be expected. Indeed, it is quite likely that there is still a lot of structural change ahead of us. It is impossible to shift from a regulated environment to a relatively free one without a significant amount of structural change occurring.

One aspect of the reaction to deregulation which has surprised most observers has been the slowness of the adjustment process. The banks have taken more time to unwind their pricing policies than we expected at the beginning of the deregulated era. Also, structural change has taken a surprisingly long time to emerge.

Two aspects of bank lending in the late '80s which have been attributed to deregulation are the rapid expansion of credit over the period in question and the bad debts which emerged in 1989 and 1990. These are actually separate problems.

First, the rapid growth of credit was facilitated by banks' willingness to lend, which was in turn encouraged by the increased competitiveness of the banking industry. This was in line with one of the aims of deregulation — the removal of credit rationing and the assurance that business could obtain necessary finance. It must also be recognized that no bank manager could hold a gun to a customer's head and force him to borrow; there was a strong demand for credit. This demand arose out of the interaction of strongly increasing asset prices and a tax system which taxes capital gains net of inflation but allows investors to deduct from income the full interest cost of the funds borrowed to finance the asset holdings.

The boom in asset prices and the expansion of credit were fueled by the rapid rate of increase of liquidity in the financial system. The Reserve Bank increased the amount of its liabilities in the system, particularly after the stock market crash of October 1987. Its objective was to prevent the crash leading to a downturn in economic activity, but hindsight suggests that it allowed the property boom to go into overdrive.

The second aspect of bank lending which has attracted criticism is the bad debts which the banks took on board in the late '80s. To some extent these bad debts represent the results of poor credit evaluation, although it must be recognized that many market participants apart from the banks (e.g., brokers and the financial media) regarded today's bad debts as good investments at the time. We must also ask whether the current bad debt situation would have arisen if the Reserve Bank had not initially allowed credit to expand so rapidly in 1987 and early-1988 that it then found it necessary to tighten monetary policy so drastically in 1988 and 1989.

In short, it appears that the Government's monetary policy over the 1987-90 period had a lot to do with the recent spate of business failures and the bad debts associated with them.

In the end, the competitive system will sort out these problems. If any of the banks has been less prudent than others in granting loans and suffers a greater percentage of bad debts than others, it will be forced to widen its margins, causing it to lose business to more prudent organizations.

Summing Up

Discussion of financial deregulation has been misguided in that it has concentrated on its impact on banks' retail customers. While changes in this area are one component of the outcome of deregulation, any accurate evaluation of deregulation must also consider indirect effects, such as the increased efficiency of business and competitiveness of the economy. These may, in the end, provide substantial indirect benefits for retail customers.

The critical question appears to be whether banks are making excessive profits and exploiting customers. There is in fact little evidence that this is the case.

A final comment. Many problems which appear to arise out of financial deregulation have their origin elsewhere. One factor which has emerged at various points of our discussion is the problems created by high interest rates. These arise from problems in the economy. It is also possible that distortions elsewhere in the economy have prevented it from receiving the full benefit of financial deregulation. The solution to these problems is to remove the distortions in the rest of the economy — not to go back to a regulated and inefficient financial system.
The New Zealand Experiment

New Zealand used to seem old-fashioned. Then came six years of radical reform under Labor. What have been the successes and failures of the New Zealand model in two of its most important policy areas—economics and education? And will the new National Party Government do things differently?

The Economy

John Stone

When its previous National Party Government under Sir Robert Muldoon was defeated by the Labour Party in 1984, New Zealand had been reduced almost to the 'basket case' category.

In the six intervening years—the there have been both successes and failures of policy. There will no doubt be much future argument about the successive Labour administrations involved, under Messrs. Lange, Palmer and (very briefly) Moore, respectively. There will be much room for such argument, because the overall picture is thoroughly confused.

What was not confused, it seems, was the collective mind of the New Zealand people when, on 27 October last year, they delivered to the National Party an electoral landslide not seen since 1935.

In recent years, Australians visiting New Zealand—including businessmen and business economists—have tended to return with glowing accounts of the major strokes of good economic policy delivered there by its remarkable Labour Government. These encomiums have declined in frequency since that Government's first Minister of Finance, Mr (now Sir) Roger Douglas, left first the Finance portfolio and then the Ministry. Nevertheless, the tendency to hold up New Zealand as an example to Australia has continued.

Part of our fascination with the New Zealand experience derived, no doubt, from the same source as Dr Johnson's famous, albeit thoroughly sexist, remark about a woman preaching being like a dog walking upon its hind legs. "It is not done well; but you are surprised to find it done at all."

To see a Labour Government launching a remorseless attack upon the inefficiency of the public sector, both at the departmental level and in the public trading enterprises, is certainly surprising to any Australian, for whom Labour Governments have generally been synonymous with increases in public sector jobs (and hence increases in public sector trade union membership).

It has therefore been remarkable to see New Zealand Ministers—including even some identified with the Left wing of the Labour Party—allocating budgets to, for example, individual public hospitals, and then demanding that those managing the hospitals should live within those budgets.

Even more remarkable has been the drive to clean up the feather-bedded shambles of the public trading enterprises. The New Zealand Railways, for example, are now carrying about 15 per cent less freight than they were carrying six years ago, but are doing this slightly diminished job with only 40 per cent of the staff they previously had, and with freight rates that have fallen in real terms by 43 per cent. In effect, their labour productivity has more than doubled.

Massive Privatization

The Government did not stop at merely lifting the efficiency of the public trading enterprises. They also moved massively to sell them off into private hands, to the tune overall of some NZ $8.3 billion. To put that figure in perspective, New Zealand's total Gross Domestic Product (GDP) is now about $67 billion.

The most spectacular example of this wholesale privatization process was Telecom New Zealand, which was sold off last year, lock, stock and barrel, to a foreign buyer for the enormous sum, by New Zealand standards,
GENERAL TAXATION

Another decision much remarked upon by Australians was the introduction of a form of consumption tax, namely a Goods and Services Tax (GST). This decision was announced very early in the life of the then new Government, and came into effect, at a uniform rate of 10 per cent on virtually all goods and services, in October 1985. At the same time personal income tax rates were significantly reduced.

This is not the place to embark upon a debate on the merits and demerits of the GST, or any other form of general consumption tax (e.g. a Value Added Tax) per se. I have in any case expressed my views on this topic elsewhere. I do, however, briefly note three points.

First, I believe it is not coincidental that, despite Sir Roger Douglas' acknowledged reforming zeal in so many other ways, for which he has been justly praised (including by me), the New Zealand Government did not, either during his tenure of office as Minister of Finance or subsequently, reduce the level of its spending. In other words, having put a major new tax in place, it was no longer (at that time) under any pressure to cut spending. Inevitably therefore — in these circumstances — it did not reduce the overall level of its taxing, although of course it did redistribute that overall tax burden between income tax payers, on the one hand, and purchasers of goods and services, on the other.

Secondly, and consistent with the views of those who fear that endowing any government with a new tax will, in time, lead to it increasing it, the 10 per cent rate at which the GST was introduced was raised last July to 12.5 per cent.

Thirdly, and contrary to the views of those who, in Australia, have promoted the consumption tax as a means of raising personal savings and hence contributing to reducing our balance of payments deficit on current account, there seems to be no evidence of any such effect flowing from the introduction of the GST in New Zealand. The balance of payments deficit today is of much the same disastrous order as it was five years ago — although, given the many other factors contributing to that outcome, that also of itself proves nothing.

Cutting government spending, and transforming the labour market by moving to a full-blooded enterprise bargaining system, are the two most important tasks facing the incoming Government. As to the second of those tasks, however, again it should be noted that the Labour Government has already moved a considerable way towards deregulating the labour market. There has not been any centrally determined "National Wage" since the defeat of the Muldoon Government put an end to such nonsense.

Even so, New Zealand trade union leaders, still operating under the influence of bygone practices, pushed up money wage rates to levels which could not be justified by any improvements in productivity performance. The Government responded to the inflationary consequences of this by raising interest rates to levels which, even by recent Australian standards, would have been regarded as unconscionable, with housing loan rates for a time in the high 20 per cent range and so on. In turn, these interest rates attracted capital inflows and drove up the exchange rate, making life even harder for the farmers (still a very much more significant section of the New Zealand economy than they have now become in Australia) and other exporters, as well as for import competing industries.

While it was indirectly threatening their livelihoods through an artificially high exchange rate, the Government was also more directly bearing down on farmers by abolishing, more or less at a stroke, the plethora of farm subsidies and special tax breaks by which previous National Party Governments had sought to buy the electoral allegiance of their traditional supporters in the farming and associated communities.
Yet it was here, interestingly enough, that Sir Roger Douglas' political talents paid off perhaps most handsomely. Instead of rising in some sort of peasants' revolt against the new Government's treatment of them, the farmers, under sensible and principled leadership from the NZ Farmers' Federation, indicated their general acceptance of these moves (though their unhappiness with the high interest rate-cum-high exchange rate policy) provided that they were accompanied by comparable moves to reduce their cost structure. Though they may not have actually used the phrase, "levelling the playing field" in effect became the essence of their policy response.

Douglas therefore gained powerful allies, and ones moreover all the more significant from Labour's viewpoint because of their traditional allegiance to the National Party. They raised their collective voice effectively in support of such measures as rendering public enterprises more efficient; replacing the network of import restrictions by tariffs, and then moving speedily to reduce those tariffs; freeing up the labour market to reduce costs both directly and indirectly, and so on.

The widespread and long sustained shake-up of the economic structure to which all these changes led, at an often bewildering pace, has generated its inevitable reaction, part of which was seen in those election results on 27 October. Another part has focussed upon the policies of the Reserve Bank of New Zealand (RBNZ), and specifically upon the strong anti-inflationary stance to which the Bank now stands publicly committed.

**Reserve Bank Hits Inflation**

Towards the end of 1989 New Zealand's then Labour Government passed, with the support of the then Opposition (now the Government), a new Reserve Bank of New Zealand Act 1989. Section 8 of that Act states the primary function of the Bank as follows:

"The primary function of the Bank is to formulate and implement monetary policy directed to the economic objective of achieving and maintaining stability in the general level of prices."

Section 9 of the Act requires that:

"The Minister shall, before appointing, or reappointing, any person as Governor, fix, in agreement with that person, policy targets for the carrying out by the Bank of its primary function during that person's term of office ... as Governor."

Under this provision the previous Minister of Finance, in agreement with the Governor of the Reserve Bank, fixed a policy target for the Bank to achieve, by the end of 1992, an inflation rate falling within the range of 0-2 per cent. The new Government also accepts that policy target, but has indicated its intention of varying its date of attainment by 12 months (i.e. to end 1993).

Section 15 of the Act further states that, roughly twice a year "and, if directed by the Minister, more frequently", the Bank "shall ... publish a policy statement for the next six months ..." in a form, and directed to such matters, as are specified in that Section. Pursuant to that Section, the Bank published in September last year such a Policy Statement which, despite the imminence of a general election scheduled for 27 October, was remarkably frank by the standards of most Central Banks of which I have some knowledge (and certainly by the standards of our own Reserve Bank).

Note the following passage (emphasis added):

"The Act is based squarely on the weight of New Zealand and international evidence which suggests that price stability is the single most valuable contribution that monetary policy can make to New Zealand's economic and social welfare, and the only contribution which is likely to endure."

In an article in the Winter 1990 issue of *IPA Review* ('Inflation: Finding the Will to Act') I argued that if Australians are to tackle our "number one economic problem" (our balance of payments deficit), we would also have to tackle our "number one economic disease" (inflation). An editorial ("The Inflationary Disease") in that same issue pointed out that success in doing so will depend upon any program to that end being not too gradual, and upon the credibility with which it is pressed home. It is in this context that the New Zealand experience is so fascinating.

The Governor of our own Reserve Bank has told us recently that he does not discern a sufficient constituency among the Australian public for the view that inflation must be wiped out. As a statement of fact, he may very well be right. If so, however, it would be fair to add that perhaps that may not have been so had the Reserve Bank, and successive Governments, been more assiduous in publicly pointing out the social and political, not to mention economic, evils of the process of inflation over which, for the past 30 years, they have been presiding.

By contrast, I note the outcome of a recent major public opinion poll in New Zealand — whose Reserve Bank, as noted earlier, has been taking publicly a much firmer anti-inflationary line over recent years. Some 51 per cent expressed support for the 0-2 per cent (by 1992) inflation target, compared with 33 per cent who were opposed to it. That is hardly a vast majority, but the striking thing to an Australian is that the figures were not reversed.
In the September quarter of 1990, consumer prices in New Zealand were five per cent higher than a year earlier. The RBNZ's Policy Statement gave detailed reasons for believing that, despite the effects of the Kuwait 'oil shock', its policy target of 0-2 per cent inflation by end-1992 was still attainable, providing that there was no attempt to pass the domestic price effects of that oil shock into New Zealand wage and salary levels. "New Zealand has become a relatively poorer country" (as a result of the oil price increase) and "... there are no grounds for compensatory wage increases."

Such honesty, from any official source, is refreshing. Our own Federal Opposition -- the Government having ruled out doing so -- might do much worse than look carefully at the Reserve Bank of New Zealand Act 1989.

Meanwhile, the sharp rise in unemployment, and the other painful processes of economic readjustment to which the New Zealand economy is being subjected, have predictably led to attacks upon the RBNZ for its 'obsession' with fighting inflation, its insufficiently 'gradualist' approach, and so on. In turn, the Bank has publicly defended its policies -- which is as it should be, although again a rather far cry from what we have become accustomed to, over the years, in Australia.

The potential gains to be had from successfully removing inflation from the conduct of New Zealand's affairs are enormous. Such gains are never costless, and we must keep our fingers crossed that, following the change of government, the RBNZ will still be allowed to get on with achieving them; the signs, however, are reasonably comforting.2 !

Notes
2. On 19 December 1990, New Zealand's new Minister of Finance, the Hon. Ruth Richardson, announced that she had that day signed a new contract with the Governor of the Reserve Bank of New Zealand requiring the Bank to achieve an inflation rate within the range of 0-2 per cent by end-1993.

Education

Alan Barcan

On the first day of December 1990, the new system of school self-management in New Zealand was one year-old. This anniversary coincided approximately with the advent of a new, National Party, government and with greater realization of New Zealand's serious economic difficulties.

New Zealand ranks with England and New South Wales as a leader in the contemporary wave of educational reform. Devolution, school self-management, accountability, and a common curriculum currently dominate educational politics in these three societies. New Zealand also resembles England and New South Wales in the speed with which it implemented reform. Indeed, the reforms owe a great deal of their success to the rapidity of their introduction. The potential opposition -- the educational bureaucracy, educationists lecturing in universities and teacher training colleges, the left-wing leadership of parents' associations and teachers' unions -- were given little time to mobilize.

When the Nationals won power in October 1990 they inherited a new structure of education established by their Labour predecessors. Their task has been to introduce a few modifications, hinted at in their Education manifesto of the preceding May, and to adapt the new system to economic realities. The Education Manifesto proposed such changes as more vocational subjects, widening the powers of school boards of trustees, 'reviewing' the abolition of inspectors, monitoring progress in English, Mathematics and Science, ending mandatory mainstreaming and retaining special schools for handicapped children, abolishing zoning for primary schools and relaxing Labour's policy of central control over the universities.

It should be noted that when the reforms started the vast majority of schools were, effectively, state-controlled. In New Zealand state aid to non-state schools took the form of integration. An Act of 1975 allowed private schools to obtain 100 per cent state funding while keeping their religious character. By 1983 all 249 Catholic schools had integrated, together with nine others (mainly Presbyterian secondary schools). Fewer than four per cent of New Zealand pupils are now enrolled in non-state schools, mainly in a few elite or Christian fundamentalist schools. This is not, in reality, so different from Australia. Here the vast state-aided system of Catholic schools retains nominal independence but many of the schools differ little from state ones.

Devolution of Decision-Making

The reform movement in New Zealand may be dated to a Treasury brief on Government Management to

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the newly re-elected Labour Government in 1987. The second volume of this brief dealt with ‘Education Issues’. Early in 1988 the schools became the employing authorities of teachers. The report of the Picot taskforce, *Administering for Excellence*, was released in May 1988. Its basic principle was to make decision-making as close as possible to the point of implementation. After public discussion, David Lange, Prime Minister and Minister for Education, set out the government’s policy in *Tomorrow’s Schools. The Reform of Education Administration in New Zealand* (August 1988), which detailed “the most thoroughgoing changes to the administration of education in our history.”

Individual schools became the basic units, each being under the control of a Board of Trustees. But the day-to-day implementation of policy lay in the hands of the principal. Each school set its own objectives, within national guidelines, presenting its policy in a Charter. The running of the institution was to be a partnership between the professionals and the community: each board of trustees consisted of the principal, five members elected by parents, one representative of the staff, one representative (in secondary schools) of the students, two members nominated by the proprietor (e.g. the Church) in integrated schools, and up to four co-opted members. Funding of institutions was by a nationally-determined bulk grant. But teachers’ salaries were disbursed through a separate payroll procedure. Institutions became accountable, through a national Review and Audit Agency, for government funds spent on education. As in England, groups of parents could withdraw from existing arrangements and set up their own institution. (This provision was established mainly with Maoris in mind.)

As in Australia, devolution is an attempt to make educational institutions more democratic, more responsive to public needs, by local decision-making. But the central government sought to foster an instrumental, vocational curriculum and national standards in that curriculum. The reforms also aimed to make the school system more economically efficient. Thus tensions are inherent between the central authorities and the schools, between parents and teachers, and between teachers’ unions and the administrative bureaucracy. This produces stress, but stress is often a necessary price for more freedom and efficiency. The two big questions were: how would the mass of teachers and how would the displaced educational bureaucracy respond?

As in Australia, teachers have complained of the constant change. School principals dislike facing administrative tasks they have never had to tackle previously. While one aim of devolving power was to reduce the bureaucracy, as in Australia some people assert that new bureaucratic monsters have emerged, such as the central and regional Ministry, the Education Review Office, the Qualifications Authority and the Teacher Registration Authority. “It is an established fact that there are now more people employed in education administration than before Mr Picot made his recommendations,” the Principal of a Wanganui regional secondary school stated in December 1990.

A ‘national curriculum’ is an essential component of the reform movement in England, Australia — and New Zealand. As envisaged in *Tomorrow’s Schools*, the Ministry is in the process of setting out curriculum objectives. Previous syllabuses continue for the moment, but private consultants are undertaking the construction of new syllabuses, under contract. A crucial matter is monitoring of the curriculum and standards, either by inspection or testing. As yet no provision for either exists, though the National Party’s education manifesto of May 1990 hinted at reintroducing inspectors and promised to establish ‘learning objectives’ in English, Maths and Science and to monitor pupils’ progress in these.

As in Australia, the special interest groups seem to have lost some of their influence. The new National Party Education Minister, Dr Lockwood Smith, allowed schools to drop anti-sexist and anti-racist provisions from their charters. When critics pointed to research indicating that girls and Maoris were often discriminated against by teachers, the Ministry of Education told the *New Zealand Herald* (5 December 1990) that its new research had found that some public perceptions about discrimination were “not borne out by the facts.” For instance, girls do better at Mathematics than boys — if they actually carry on with these subjects into the sixth form. They also do better in English and Science. But the Ministry confirmed that Maori students do much worse than Europeans. At sixth form level, grades of one to five were obtained by 73 per cent of Asian students and 66 per cent of Europeans, but only 41 per cent of Maori students and 33 per cent of Pacific Islanders.

Also as in Australia, the economic crisis is scarring education. Tight accountability systems and even tighter budgets followed the election of the new government. For instance, schools are now required to pay their own individual insurance premiums and the full cost of advertising for staff, whereas previously these costs were ‘equalized’ across regions. Most schools face a budget cut of some 3.5 per cent in real terms for 1991. Equity grants in poor areas will be spread amongst more schools, extra funding for Maori students to cover the cost of Maori language courses will be reduced; and the inflation adjustment has been trimmed.

Ethnic Education is less important in New Zealand than in Australia. The immigration of non-Anglo-Celts has not been as great. On the other hand, Maori education is
proportionately more important than Aboriginal. Maoris, who are concentrated in the North Island, make up 12 per cent of the NZ population, whereas Australian Aborigines, in the broadest definition, constitute only slightly more than one per cent of the Australian population. In New Zealand, as in Australia, membership of the Aboriginal population can have financial benefits, especially for activists. One of the courses recently approved for the National Certificate in Business Studies in New Zealand Polytechnics is ‘Maori Resource Management’. It consists of six topics, with varying weightings for assessment purposes, within a flexible mark range. Guess which topic carries the highest weight! ‘Preparation of Submissions’, i.e. how to get money from the state, counts between 30 per cent and 50 per cent of the total.

In another aspect, the story is much the same as in Australia. In New Zealand schools, the Asians do best, followed by the Anglo-Celts, followed by the Maoris. John Gould, Emeritus Professor of Economic History at Victoria University, recently argued, in the monthly journal, Metro, that the majority of Maori people probably differ little, in respect of socio-economic welfare and lifestyle, from the less-skilled, working-class segment of the white Anglo-Celtic population, and that the gap is getting smaller. He rejects the argument that differences in achievement stem from ‘institutionalized racism’. Immigrants often do better than indigenous groups because they have chosen to migrate and realize it is they who must fit into the customs, the language and the institutions of the host country, not vice versa. Family support is another important element. In education, Pacific Island young people get very strong support not only from their parents but often from older siblings. Chinese and Indians also have strong family support. One reason why able Maori pupils fail is the discouragement of the peer group, who taunt those who do well with capitulating to the white ‘Pakcha’ system. Gould argues that the Chinese opt for difficult professional subjects while other ethnic minorities prefer ‘softer’ subjects: Education, Anthropology, or Maori Studies.

Young Maoris must master the material arts of the white world, says Gould. There is no such thing as Maori Mathematics, Maori Biochemistry, Maori Engineering. Nor is there Pakcha Mathematics, Biochemistry or Computer Science. Knowledge and skills (including English language) are international treasures. If there are to be separate Maori schools, they must be desired as more successful ways of imparting the universal skills which Maori pupils will need in today’s world — not as opportunities to promote a different curriculum or as refuges for those who cannot make the grade.

Tertiary Education

At the ‘tertiary’ level New Zealand is, in some ways, better off than Australia. New Zealand academic salaries, once much lower than Australian, are now quite attractive. Pressure for mergers or amalgamations is not strong — not yet anyway. New Zealand is fortunate in having six specialized teacher training institutions — four colleges of education (which have governing councils) and two teachers’ colleges. Unlike Australia, these were not submerged in colleges of advanced education and subsequently incorporated into universities. In the past New Zealand teachers coming to Australia have enjoyed a reputation for sensible, practical teaching. Perhaps the existence of specialized teacher training institutions is part of the explanation.

While the seven universities and the 26 polytechnics do not face the problem of mergers, they do share Australia’s problem of financial cut-backs. The Labour Government instituted central control of the university curriculum. Fees were introduced, and are rising. But the position is eased by the generous supply of bursaries. As in Australia, pressure is on to increase enrolments in order to help disguise unemployment. Yet, according to a deputy Vice-Chancellor I spoke to recently, about one-third of students should not be there. Because competition to get in is strong, the quality of new students enrolling in polytechnics is often higher than in universities.

The new government has restored greater autonomy over the curriculum to universities and given principals of polytechnics greater control over the hiring of lecturers. Pressure is strong to increase enrolments, but the increase in funding for 1991 has not been commensurate. So the number actually enrolled may fall.

Conclusion

Despite complaints that the pace of change has left many schools unable to cope, the new school system will persist, because the old alternative was educationally bankrupt. But the schools, and the universities, will operate in a bitter financial climate. As in other countries, the role of bureaucrats in the new system may prove stronger than intended. Whether efforts to improve standards in the curriculum will succeed remains to be seen. Much depends on the quality and co-operation of teachers.
Mr Bannon Gets the Lemon

The 1990/91 IPA Lemon Award for the most irresponsible budget was won by Mr Bannon, the Treasurer and Premier of South Australia.

Western Australia received the IPA's award for the most restrained and responsible budget, albeit subject to review to check proposed expenditure savings in the light of its record for the first six months of the financial year.

The IPA budget awards, which are based on the States' Policy Unit's annual analysis of the budgets of all Australian Governments, are a light-hearted way of drawing attention to the serious matter of the States' spending, taxing and borrowing policies and their impact on the nation's fiscal stance.

The States framed their 1990/91 budgets in the context of thickening fallout from their own fiscal profligacy. The economies of the States were, and continue to be, driven ever deeper into recession by the Commonwealth's high interest rate policy — a policy stance caused to an important extent by the inadequate response of States' spending and borrowing to the need, obvious and urgent from 1986-87, to slow down the growth in domestic demand and increase domestic savings. The policy-induced recession has now slowed the growth in the base of most State taxes, which in conjunction with the continued decline in real terms in Commonwealth grants, has exposed the expenditure policies as unsustainable. The economic and budgetary morass has been augmented further in Victoria and Western Australia by the loss of huge sums of money and political goodwill through inept deals by State government financial institutions. The Victorian and Tasmanian budget options were also constrained by dangerously high debt servicing levels.

In this climate we might reasonably expect the States and the Commonwealth to adopt a tighter fiscal stance. On paper this is what they have done. As shown in Table 1, the total public sector is set to increase its surplus or, in more technical terms, decrease its Net Financing Requirement (NFR) from −$0.5 billion in 1989/90 to −$3.3 billion in 1990/91. Significantly the States plan to decrease their NFR from $3.6 billion in 1989/90 to $2.3 billion in 1990/91.

Notwithstanding the need for a tighter fiscal stance, it is premature to give the States and the Commonwealth accolades for their 1990/91 budgets, for these contain serious, and possibly fatal, flaws.

First, Australia's current account and debt problems cannot be corrected unless domestic savings are increased, and the only viable instrument open to governments in the medium term to achieve a boost in

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</tr>
</tbody>
</table>

(a) NFR shown in budget papers corrected to include net advances to Commonwealth.
(b) NFR shown in budget papers adjusted for State takeover of Commonwealth Debt.
(c) IPA estimate as data is not available from budget papers.
(d) Not adjusted for reduction in personal tax rates announced after the budget.

Dr Mike Nahan is Director of the IPA States' Policy Unit, based in Perth.
savings is fiscal policy. Given the magnitude and urgency of these problems, as well as the limitations of monetary policy as an effective tool, the proposed increase in the public sector surplus for 1990/91 to $3.3 billion should be viewed as the absolute minimum. It would continue to leave monetary policy with an excessive role, thus continuing to put too much of the burden of adjustment on to the private sector.

Second, the proposed increase in the public sector surplus is to be achieved not by attacking recurrent expenditure, but rather by increases in taxes and further cuts to capital expenditure.

The total tax take by Australian Governments is set to rise by $7.8 billion in 1990/91, including the latest addition to the tax/wage trade-off, of which the Commonwealth will take an additional $5.6 billion and the States $2.2 billion. The overall increase is $456 per capita.

<table>
<thead>
<tr>
<th>Government</th>
<th>Total</th>
<th>Per Capita</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>758</td>
<td>129</td>
<td>9.6</td>
</tr>
<tr>
<td>Victoria</td>
<td>815</td>
<td>185</td>
<td>16.1</td>
</tr>
<tr>
<td>Queensland</td>
<td>197</td>
<td>67</td>
<td>7.5</td>
</tr>
<tr>
<td>WA</td>
<td>147</td>
<td>89</td>
<td>8.1</td>
</tr>
<tr>
<td>SA</td>
<td>236</td>
<td>163</td>
<td>18.0</td>
</tr>
<tr>
<td>Tasmania</td>
<td>55</td>
<td>120</td>
<td>12.6</td>
</tr>
<tr>
<td>NT</td>
<td>16</td>
<td>102</td>
<td>11.1</td>
</tr>
<tr>
<td>All States</td>
<td>2221</td>
<td>132</td>
<td>11.6</td>
</tr>
<tr>
<td>C’wealth(a)</td>
<td>5612</td>
<td>326</td>
<td>6.1</td>
</tr>
<tr>
<td>ALL GOVTS</td>
<td>7833</td>
<td>456</td>
<td>6.8</td>
</tr>
</tbody>
</table>

Source: Budget Papers
(a) Includes the wage/tax trade-off announced after the Budget which is assumed to represent a reduction in personal tax receipts of $430 million in 1990/91.

(see Table 2).

The 11.6 per cent increase in the States’ tax take represents a particularly onerous burden at a time when the economy is experiencing negative growth. Moreover, the $1.6 billion being received by Australian taxpayers via a reduction in personal tax rates from 1 January will be more than offset by the increase in State taxes.

The meagre spending restraint being exercised by the States is generally on capital works rather than recurrent spending. Capital outlays by the States are scheduled to decline by $190 million or 8.3 per cent in real terms during 1990/91. In contrast, Australian Governments have budgeted for an aggregate increase in recurrent outlays of 8.1 per cent in 1990/91 (Table 3).

The States have held expenditure more tightly than the Commonwealth, with the all-States increase of 7.9 per cent in recurrent outlays against an 8.2 per cent increase in Commonwealth own-purpose recurrent outlays. This exposes the duplicity of the Commonwealth’s approach to fiscal policy and state-federal relations in general. It also highlights the need for a federation budget as outlined in the Moore Economics column in this Review.

Another fatal flaw in the proposed tighter fiscal stance is that it is based on fragile and over-optimistic economic assumptions and thus is unlikely to be achieved. Most States base their budget forecasts on the Commonwealth budget’s macroeconomic assumptions, including a two per cent real rate of economic growth and a 7.25 per cent unemployment rate for 1990/91. The Western Australia Government went so far as to assume a growth rate of 11 per cent (four per cent real). These forecasts were absurdly optimistic and have been so proven by subsequent data. The national as well as State economies are unlikely to show any growth during 1990/91 and the unemployment rate is likely to average nationally above eight per cent. Moreover, the expenditure restraints inherent in the Western Australian, Victorian, Tasmanian and Commonwealth budgets are extremely fragile and in some cases vacuous. The Commonwealth budget estimates are already officially acknowledged to be off target by a massive $4 billion. Data on the States’ budget transactions for the first quarter of 1990/91 show slippage, which will almost certainly go further.

<table>
<thead>
<tr>
<th>Government</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>8.3</td>
</tr>
<tr>
<td>Victoria</td>
<td>5.7</td>
</tr>
<tr>
<td>Queensland</td>
<td>13.2</td>
</tr>
<tr>
<td>West Australia</td>
<td>4.8</td>
</tr>
<tr>
<td>South Australia(a)(c)</td>
<td>8.0</td>
</tr>
<tr>
<td>Tasmania</td>
<td>8.9</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>7.2</td>
</tr>
<tr>
<td>Total States</td>
<td>7.9</td>
</tr>
<tr>
<td>C’wealth—own purposes(b)</td>
<td>8.2</td>
</tr>
<tr>
<td>ALL GOVERNMENTS</td>
<td>8.1</td>
</tr>
</tbody>
</table>

(a) The Victorian and South Australian budget papers do not show transactions for General Government according to the National Accounts concept. Data shown is for Budget Sector which covers a lesser range of transactions. It is relevant that for South Australia public sector recurrent outlays are estimated to increase by 9.2 per cent.
(b) Commonwealth general government outlays less transfers to State and Local Governments.
(c) Adjusted for accounting charges.
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Dr Carmen Lawrence: ostensibly the most responsible budget, but a question mark remains

The Lawrence Government in Western Australia, which faced a critical financial position comparable to Victoria, presented on balance the tightest budget. Taxation changes were limited to a 40 per cent increase in Financial Institutions Duty. As a result, its revenue from taxes, fees and fines is budgeted to increase by 8.1 per cent, the second lowest of all States. Recurrent outlays were held the tightest of all States at 4.8 per cent and the public sector deficit or NFR is expected to decrease from $635 million in 1989/90 to $392 in the current fiscal year. The Western Australian budget estimates are, however, more dubious than those of any other State. Receipt of the best budget award must accordingly await review as an assurance against fiction.

Queensland's Inheritance

The Goss Government's first budget exploited fully the superlative fiscal position it inherited. The Queensland budget sector has been unique among the States for several years in showing consistently large surpluses. Moreover it has the second lowest level of public sector debt and the lowest level of taxation and recurrent expenditure per capita, and is the only State to fully fund its superannuation and other accrued liabilities. This inheritance allowed Mr Goss to meet his election commitments and mollify special interests through a massive increase of 13.2 per cent in recurrent outlays, whilst still avoiding any increase in taxation or new taxes and achieving a small deficit (a NFR of $21 million) for its public sector.

Mr Goss deserves some credit for limiting the extent of fiscal easing. He has had the foresight to reject the pleadings of his supporters for a fiscal splurge of greater, even Whitlamesque, proportions. Indeed, his budget speech indicates that he intends to preserve his inheritance and use it as a weapon in the new era of competitive federalism. If so it will be the single most potent force in the reform of State fiscal policy, particularly if applied in tandem with the competitive reforms of the Greiner Government.

Alas, there are a number of ominous aspects to Mr Goss's 1990/91 budget which belie his words. Recurrent expenditure was increased at or above the government's assimilative capacity, as was capital investment in public trading enterprises, which increased by over 100 per cent. The massive increase in recurrent expenditure during 1990/91 is to be funded to a large degree by revenue arising from a change in the timing of interest receipts and by drawing down accumulated investments. This revenue source will not be available in subsequent years but the new expenditure commitments are of an on-going nature. The 1991/92 and subsequent budgets will therefore be the real test of Mr Goss's fiscal management.

The 1990/91 Victorian budget was framed in a climate of financial crisis, with the burden of haemorrhaging financial institutions and high debt levels dominating budget considerations. In the circumstances, spending cuts were inadequate, with recurrent outlays growing 5.7 per cent. The greater part of the adjustment task was thrust onto the private sector through a massive 16.1 per cent increase in State taxation revenue and a 30 per cent cut in public sector capital outlays.

The New South Wales 1990/91 budget shows most emphatically the benefits available from microeconomic reforms. The reforms to public trading enterprises instituted by the Greiner Government over the last few years have assisted the 1990/91 budget to the tune of $400 million, involving a $156 million reduction in subsidies to transport authorities and a $244 million (71 per cent) increase in dividends.

Only slow progress is being made towards the Greiner Government's stated aim of reducing the public sector deficit. This is indicated by the high public sector deficit or NFR of $295 million estimated in 1990/91 despite the improved performance of trading
enterprises. The problem is a continued refusal to seriously tackle recurrent expenditure, which is budgeted to rise by 8.3 per cent in 1990/91. The $758 million or 9.6 per cent rise in State taxation highlights in a very painful manner Mr Greiner's weakness for spending.

The Tasmanian Government's 1990/91 budget gets "A" for rhetoric on the State's financial condition and scores well on intentions, given the proposed 2,000 cut in public service jobs. Although recurrent spending is estimated to increase by 8.9 per cent, this is reduced to 2.5 per cent if the $100 million redundancy program is discounted. Even so, this follows the massive blow-out in recurrent outlays of 14.9 per cent committed by the Field Government the previous year and, taking the two years together, the effort on expenditure is disappointing given Tasmania's debt problem.

It is not surprising, therefore, that the Field Government also had to hit the private sector hard with a 12.6 per cent increase in State taxation. Coupled with last year's revenue measures, taxes, fees and fines are estimated to increase 24 per cent over two years, an aggregate increase of $94 million or $206 per capita.

In spite of these tax increases, Tasmania expects an increase in its public sector deficit or NFR for 1990/91 of $220 million. Moreover its NFR at $480 per capita is more than double that of any other State. Under such circumstances greater commitment to reducing recurrent expenditures is needed.

Mr Bannon has up until now been able to hide and rationalize his fiscally aberrant behaviour behind the outrageous behaviour of his Victorian and West Australian compatriots. The demise of Messrs Cain, Burke and Dowding has taken away his smoke screen, although the South Australian press gallery has yet to awaken to this fact. But Mr Bannon's ninth budget stands out as the most irresponsible of all the States and a clear winner of the IPA lemon award.

In 1990/91 Mr Bannon plans to continue his high spending ways with recurrent expenditure set to increase by eight per cent. This is to be financed partly by a truly massive 18 per cent increase in State taxation and a two per cent reduction in capital spending for general government purposes. The impost on the private sector will not cover the scheduled increase in expenditure; as a result the deficit or NFR for the general government sector is set to expand by $80 million to $260 million and borrowings are forecast to expand by $116 million. Because of a reduction in capital investment and greater use of owner-sourced funds by trading enterprises, the NFR for the South Australian public sector is scheduled to decline to $292 million in 1990/91.

Mr Bannon's refusal to take the knife to recurrent expenditure, in a post-election year, portends poorly for such action in the future. A further round of tax increases should thus be expected next year.

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What's Wrong with the VCE?

The new Victorian Certificate of Education is the most controversial change to confront Victorian education in over 20 years. The Ministry of Education has widely distributed glossy booklets expounding the merits of the VCE, but many parents, students, educators and business people remain unconvinced. Many see the VCE as a barrier to the achievement of educational excellence and equal educational opportunities.

Decide for yourself by reading this 16-page pamphlet, What's Wrong with the VCE?, which summarizes in straight-forward terms the problems with the VCE.

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**Accord to Discord**

Guy Barnett

Tasmania has the dubious achievement of having hosted the longest running Green coalition government in the world.

Tasmania's electoral system was devised in the early 1900s by an English barrister, Hare, and a Tasmanian judge, Clarke.

It provides for proportional representation, and allows a candidate to be elected on only 12.5 per cent of the vote. Tasmania's House of Assembly - the House of Government - has five electorates, each of which returns seven members. There is thus a House of 35 in total.

The system inherently favours small or special interest groups. It is quite unlike the mainland States or the Federal House of Representatives - where 50 per cent plus one vote is required for election - thus favouring the mainstream or major parties, and the two party system.

It was with this knowledge and understanding on 18 April 1989, that the then-Premier, Robin Gray, announced a State election to be held on the following 13 May.

The Gray Liberal Government at that time held an overall majority of one in the House of Assembly - Liberal, 18; Labor, 15; Green Independents, two. Gray had won government in convincing manner in 1982 and again in 1986 after some decades of Labor Party rule (with a single three year interlude in the early 1970s).

Interestingly, Gray won the 1982 election on the Franklin Dam issue - on anti-green feeling, resentment against Federal Government intervention and the State Labor Government's lack of direction.

The prospect of a $1 billion pulp mill was one of the key election issues for the 1989 election: Predictably, the green lobby vehemently and vociferously espoused its claims. 'The Independents', as they were officially known on the ballot paper, stood candidates in all five electorates and were, and still are, commonly referred to as 'Green Independents'. Although not officially a party, the Green Independents acted as one. They could fairly be described as having their origins in the United Tasmania Group, who were formed in 1972 as a remnant of the 'Save Lake Pedder' campaign team. The origins of the Greens in power and influence in Tasmania can be traced to this - the flooding of Lake Pedder by the State's power authority, the Hydro-Electric Commission (HEC).

The election on 13 May 1989 saw the Liberals slip to 17 seats, with 46 per cent of the total vote, losing the majority of the total seats. Labor lost two seats, slipping to 13 seats, with only 34 per cent of the vote, while the Green Independents increased their representation from two to five seats, with 17 per cent of the vote and the balance of power. Apart from the 17 per cent of Tasmanians who voted for the Greens, they received considerable backing from the mainland cities of Melbourne and Sydney.

The Labor leader, Michael Field, and other key Labor Party personnel on behalf of the Labor Party negotiated with Dr Brown and the Green Independents what came to be called the Green/Labor Accord. The Accord document contained a number of significant green initiatives and represented the price paid by the Labor Party for government.

A major stumbling block, however, to the final signing of the Accord was the banning of logging in National Estate areas - over 30 per cent of Tasmania at the time.

The final agreement was in many ways a victory for the Greens, with a ban on logging in certain areas and a moratorium on nearly all National Estate areas listed at that time. The moratorium was to allow a review of these areas, to determine their conservation and productive potential.

However, on the same day that the Accord was made by the Labor Party and the Green Independents, the Governor commissioned Robin Gray as Premier, as the leader of a minority government. The strength and effectiveness of the Accord would have to be tested in Parliament.

About one month later on 28 June 1989, Parliament resumed and a no-confidence motion moved by Dr Brown, supported by all the Green Independents and the Labor Party, was passed against Robin Gray and his government, forcing Mr Gray back to the Governor and the resigning of his commission.

On 29 June 1989, the Governor, Sir Philip Bennett, approved the Green/Labor Accord, after separate
meetings with Mr Field and each of the five Green Independents, apparently being satisfied that stable government would ensue. It wasn’t until later that allegations of attempted bribery of a Labor MP to cross the floor and vote with the Gray Government were proved, and one of Tasmania’s wealthiest businessmen, Edmund Rouse, was sentenced to three years’ jail. This was a massive shock to Tasmanians. It casts its shadow to this day, with a Royal Commission conducting further investigations.

The Accord

The Green/Labor Accord was a mish-mash of recommendations and aims, relating primarily to the future of forestry operations and conservation measures. The Accord also included a ‘social’ reform agenda relating to freedom of information, container deposit legislation, Aboriginal land rights, price control and homosexual law reform. It was a document which stitched up government for the Labor Party while granting the Green Independents a mechanism to reach their stated objectives. Necessarily, there was compromise on both sides, and the Labor Party was severely criticized by some of its traditional supporters. Similarly, the Greens were seen by some of their supporters to have signed away their independence and ‘principles’. Their rejoinder was to say that by staying out of Cabinet, they had retained their independence (and principles), while having special access to Cabinet papers and decisions, and enormous power to influence government policy and action.

Within just a matter of months the Greens, with five seats out of 35 and 17 per cent of the total vote, had achieved a majority of their stated goals, as set down in the Accord. Many of the items in the Accord had been seen as the green lobby’s ‘wish list’ — but, without a fairy godmother, the wishes had come true.

The scale and enormity of the green lobby’s success in achieving its stated agenda is still not fully appreciated by the vast majority of those within and outside Tasmania.

The scale and enormity of the green lobby’s success in achieving its stated agenda is still not fully appreciated by the vast majority of those within and outside Tasmania.

Business Confidence Sapped

It is fair to say that while the Green/Labor Accord succeeded in many of its objectives, it was also the cause of a drastic reduction in business confidence and provided a political arena in which ad hocery prevailed. For example, Part 6 of the Accord provides as follows:-

“The Douglas-Apley National Park will be gazetted in 1989 with the boundaries defined by the Department of Lands Parks and Wildlife by agreement with the Green Independents.”

This decision to create a new National Park was made soon after the Labor Government came to power. It was made without consultation with the various and relevant interest groups and, according to some sources, locked up approximately 50 per cent of Tasmania’s coal
reserves (some consultants and commentators say Tasmania is now facing an energy crisis with future energy options severely restricted), as well as approximately $37 million worth of timber. No attempt was made to assess the economic and social impact of the decision and the public has, to this day, no idea of the costs of this decision to the current, and later generations.

Over and above the provisions set out in the Green/Labor Accord, the green lobby, primarily via the Wilderness Society and the Australian Conservation Foundation, had numerous other objectives. For example, it proposed that an additional 9,000 square kilometres or 14 per cent of Tasmania be made national park land — over and above the existing 14,000 square kilometres or 22 per cent of the State that was already set aside for national parks. Again, no economic or social impact statement was prepared and neither the government, the Liberal Party nor business groups called for one to be made available.

The green lobby also called for the banning of ‘Tasmanian Oak’. This would have wiped out the Tasmanian hardwood saw-milling industry almost immediately. The proposed ban would have included two of the most common varieties of eucalypt grown in the State. Again, the greens did not accompany their proposal with an assessment of the costs of their policies in either economic, or human, terms.

A third example, and amazing to some, was the call by the Wilderness Society to drain Lake Pedder. The Tasmanian Hydro-Electric Commission responded by estimating that the cost of providing the same amount of power elsewhere, by oil generation, would be $26 million per annum. The proposal was seen as extreme, yet it is retained as a long term objective by the Wilderness Society.

Accord Moves to Discord

In April 1990, the Green Independents signalled moves to form their own political party. While this has not yet occurred, it seems likely to be on the agenda in the near future. In fact, for a Parliamentary ‘Green Party’ to get off the ground at a national level it is likely to be initiated, or have a strong impetus from Tasmania — from the experienced Parliamentary green professionals.

One of the most striking successes of the Green Independents in the Tasmanian Parliament has been their unity despite not being a party. With the Liberal Opposition constantly looking to open up divisions among the Green Independents, and the Labor Party monitoring their activities, their solidarity is surprising indeed.

After approving the listing of a further 600,000 ha of Tasmania as World Heritage area in late 1989 (making over 20 per cent of the State), the Premier in May 1990, ruled out any more World Heritage listings for three years unless “there is a broad community support.” This, with a number of other indicators, showed the Labor Party’s hardening attitude towards the Green Independents in an effort to bolster support from Labor’s traditional voters. Thirty-four per cent of the total vote is not a broad base on which to claim a mandate from the people. But this hardening attitude by their Labor partners has not stopped the constant, and often extreme, demands by the Green Independents.

Many on-lookers, particularly in Tasmania, stand aghast at the audacity of the claims, only to see them achieved and the claims broadened, yet again. There is much that business, industry, and other organizations can learn from the techniques of the Greens.

To date, the Greens are perceived as a single issue group — although they will deny it — with little thought given to policy areas such as industrial relations, law enforcement, agriculture, mining, farming — except from an environmental perspective. This may change and there are concerted efforts currently to change this perception.

The “think globally act locally” catch-cry draws out the emotional and spiritual impulses of the Greens’ supporters and potential supporters — it has been an effective boost to their cause. The green lobby is clever at manipulating emotions and arousing anxiety by producing ‘scientific evidence’ of the Earth’s degradation or imminent destruction.

By August/September 1990 the Green-Labor relationship had soured to a very low ebb. The Labor Party had toughened up its stand in favour of employment and development in a bid to recapture previous voters, and the Greens conversely had maintained their emphasis on conservation and preservation. The unique consensus document which was born from within the Green/Labor Accord was the very document which caused its final destruction — the Forests and Forest Industry Strategy. Most commentators would say it was the straw that broke the camel’s back.

After 12 months of negotiation and, in the latter stages, some public consultation, the 1 September deadline for final agreement loomed too quickly for the green lobby. An agreement was signed by all the parties involved, including government, forest industries, farming representatives, unions, local government — all except the green lobby. The green lobby produced their own strategy which, according to the forest industries, would have locked up 42 per cent of Tasmania to forestry and other productive operations. However, on 1 October 1990 the Labor Government endorsed the Forests and Forest Industry Strategy, which included the raising of the woodchip quota above the ceiling agreed in the
Counter-Cultural Coalition

The Rest of the World is Watching Tasmania and the Greens

edited by Cassandra Pybus and Richard Flanagan; preface by Paul Ehrlich.
Pan Books, 1990, RRP $14.95

Reviewed by Keith Mackriell

This is a collection of essays about the environmental movement in Tasmania. Written by a mix of Green politicians, commentators, Aboriginal activists and homosexual rights protagonists, it is, inevitably, uneven and disjointed both in its concerns and its quality.

The title derives from an exhortation to campaign workers prior to the Tasmanian election in May 1989, by Green candidate Christine Milne — the teacher turned activist, turned politician. Now nationally known, she writes of her campaign to block the construction of a third mill at Wesley Vale — a campaign she says she found “immensely empowering.”

The book’s tone is apocalyptic. Dr Bob Brown says, without qualification, that “the world is in the greatest crisis in human history.” Co-editor Richard Flanagan tells us that leaders of big business are “correct to publicly state their fear of the Greens, for Green thinking does point to the end of the economic system under which we live.”

Contributions from Aboriginal activist Michael Mansell and Gay leader Rodney Croome are explained by Flanagan, who says that in redefining their politics, the Greens “must develop counters to the conservative forces that operate upon them: they must make alliances with groups such as Aborigines, the unemployed and Gays who, by dint of their socially marginal position, are bound to radical politics.”

For his part, Croome calls on the Green movement to “make the connection that those who incite hatred against lesbians and gays are those who would woodchip our forests”! It will not come as a surprise that the Greens and their allies have proved rather too radical for Tasmania’s minority State Labor Government.

The demise of the much touted Accord — that alliance of five Greens and 13 ALP members that enables the latter to govern with 35 per cent of the popular vote — is foreshadowed in this book. Cassandra Pybus, writing before the collapse, makes it clear that there is “No love lost between the Accord partners, and not much in the way of mutual regard or tolerance either.” The Greens don’t care for the assertion that their electoral success is a reflection of Tasmania’s unique Hare-Clark electoral system. They would prefer to see it as a social phenomenon of “much greater and richer import than the results of one poll.”

That very much remains to be seen. Opinion polls over the past six months in Tasmania have consistently shown that the Liberal Opposition would win an election, that the ALP would attract fewer than last year’s 34 per cent, and that the Greens would lose one, and perhaps two, of their five seats.

The fact is that there is an emerging concern about the extremist element in the Green movement. This book will fuel that concern — as will the mounting realization that the greening process isn’t cheap. So that, while most Tasmanians do want clean air, clean water and unspoiled landscapes, the realization that these blessings aren’t free is starting to bite into the community consciousness.

Some of us have noted that the November elections in California gave voters clear choices between the costs and the benefits. Concerned about the highest unemployment in Australia, and the lowest standard of living, Tasmanians saw that Californians, given the chance to choose, in tough economic times, rejected Proposition 128, the so-called Big Green. Described as the most sweeping attack on environmental problems ever put before voters, both Proposition 128 and Forests Forever, a measure designed to ban clear falling and save old growth forests, were both emphatically rejected by Californian voters.

This will not have passed un-noticed, either, by Tasmania’s Greens, for whom “think globally and act locally” is a favourite slogan.

Tasmania will be worth watching again as voters realize that there are choices ahead, choices between sustained and sustainable progress — and an often extreme group who want the world to watch, while they lock Tasmania away. This book tells how they plan to do it. It is not clear at all that it will persuade the majority.
Accord of 2,889 million tonnes per annum. The Green Independents immediately announced the end of the Accord and stated that the Labor Party would now govern alone — as a minority government, with no guarantee of support from the Green Independents.

In doing so the Green Independents may have approved, unwittingly, an end to their Parliamentary support staff and advisers. There is pressure on the Government to reduce them to the level of other opposition members. If this occurs, it will undoubtedly limit the Greens' effectiveness.

Precarious Situation

The new political equation is unique and precarious — the Labor Party continuing in power with 13 out of 35 seats and only 34 per cent of the vote asserting its mandate to govern and the Green Independents accusing the Labor Government and business groups — particularly forestry and mining — of environmental vandalism. Yet both Labor and the Greens are relying on each other to achieve their objectives — and keep the Liberals out of office.

A recent Morgan Gallup Poll study showed 52 per cent of Tasmanians would vote Liberal if an election were held now (September/December 1990), compared to the 46 per cent in May 1989. Clearly, if this occurred the Liberal Party would govern in its own right, reducing drastically any power that the Labor Party and the Green Independents would have.

As only the Labor Party or the Green Independents can call or cause an election to be held, this will now not occur until either one or other believes they can increase their seats in Parliament, and that the Liberal Party will not gain a majority. Labor and the Greens have clear differences, but they are united in their antipathy to the Liberals. Accordingly an election is not likely to be held for some time. A close eye on the opinion polls will be the best indicator.

The Labor Party will do all it can to control the political agenda and, as was the case in 1989, the development of a pulp mill is again emerging as a key issue. Both the Labor Party and Green Independents blame the Gray Liberal Government, and the Liberal Party blames, in the main, the Federal Government, for the loss of the Wesley Vale Pulp Mill.

Hard Lessons For Business

There are major lessons for those who believe that green extremism is now a greater problem than unfeathered development. The importance of developing strategies to influence key opinion makers is finally being recognized.

In general, the business community has been slow to oppose and expose the implications of the claims of the green lobby. To the business community, the greens' claims have been irrational and extreme. But, to many people, they seemed to aim, simply, at protecting the environment.

The single most important spur for industry groups to become more politically aware and more community minded has been the failure of Wesley Vale. One visible example is the moving of their head offices to Hobart — the seat of Government — by the major forest company APPM, together with the Forest Industries Association of Tasmania and the Tasman Timber Promotion Board. The lesson is that industry cannot operate alone, it is part of a whole — it needs constant and regular contact with government, other key opinion makers and the community in general. It has been a hard-won lesson.

In regard to Wesley Vale, arguing the case for the mill was imperative not only in north-western Tasmania, but in Hobart and in Melbourne and Sydney, to say nothing of Canberra. The national green lobby mobilized support in Melbourne and Sydney in its aim to influence the Federal Government which made the final and key decision — at the time of a Federal election when votes were crucial. Indeed, many Tasmanians believe they lost the Wesley Vale mill in the marginal urban electorates of Sydney and Melbourne.

To date, Tasmania has led the nation in the political expression of the green philosophy, e.g. Lake Pedder, the Franklin Dam dispute, Wesley Vale Pulp Mill and the Green/Labor Accord. Tasmania is at the cutting edge of Australian and international environmental awareness.

The Green/Labor Accord was unique. Reference is made to the agreement between Green MPs and the Social Democrats in the West German State of Hesse, approximately six years ago, where the Government held power for approximately five months as a result of the support of the Green MPs. But the 15 months of the Green/Labor Accord in Tasmania was the longest running green coalition Government in the world.

Taken together, recent decisions in NSW and Victoria on logging in National Estate areas, with Federal Government approval, the consistent and regular jibes by Federal Government Ministers with economic portfolios and the break up of the Green/Labor Accord, may all be indicators of a tide beginning to turn against too-green thinking — but if so there is a long way to go.
In Pursuit of the Global Market

Michael Schwartz

Some myths need to be dispelled if Australia is to compete successfully in the international economy.

Conventional wisdom in advertising dictates that when you have nothing to say, you sing it. Witness the little ditty "Oh, I'm lucky, I'm so lucky I'm [insured] with AAMI." Something along these lines should be adopted by the country as its new anthem.

Australians by and large perceive their future well-being to be if not insured, then certainly assured, because of the fact that they live in a country richly endowed with agricultural land and mineral wealth. Such assurance enables the survival of some fundamental misconceptions:

- that the country has too sparse a population to allow internationally competitive manufacturers, and;
- that the major world markets are distant and inaccessible.

Towards the end of the 20th century, such beliefs are becoming increasingly myopic.

George Gilder postulates that "the central event of the 20th century is the overthrow of matter...wealth, in the form of physical resources, is steadily declining in value and in significance." Gilder lists examples, one of which is that a few pounds of optical glass fibre will soon be carrying as much information as one tonne of copper. This decreasing reliance of the world on raw materials is already being reflected in Australia's worsening trade deficit. Nor should this be regarded as a short-term aberration.

Harvard professor Michael Porter, in his most recent book, concludes that classical economic theories about comparative advantage, which emphasize only natural resources and other cost factors, are no longer valid. Porter's explanation of international trade concurs with that postulated by Kenichi Ohmae, who heads the Tokyo office of McKinsey and Company, the international consulting firm. Ohmae attributes competitiveness in the international market to the intensity of national (i.e. internal) competitiveness.

The Porter-Ohmae thesis has major ramifications for this country. It should make us seriously consider:

- whether our natural resources do assure our future well-being;
- whether we can continue to undermine our internal competitiveness especially through gross inefficiency in the utilization of labour;
- whether we can continue not to compete seriously in the global market for manufactured goods.

In its recent report, Manufacturing Investment, the Bureau of Industry Economics found that the local market was the major "determinant of the extent of manufacturing investment." Such sentiments are clearly invalid. And so too are our underlying perceptions. World markets are accessible.

With regard to this, we can learn from the history of the shipping container. This device helped Sony first dominate the global transistor radio market, then the global television market and after that the global videocassette recorder market. The container has facilitated the flood of imports into this country, and more than any other innovation, is responsible for the globalization of world trade. Fortunately, it is a completely neutral tool, and could be as effective for Australian exporters as it has been for importers.

The tyranny of distance continues to dominate our thinking in Australia, but it should not. In the words of Professor Theodore Levitt, of the Harvard Business School, "with transportation costs proportionately low...global competition spells the end of domestic territoriality, no matter how diminutive the territory may be." Given the gross inefficiencies of our waterfront and ports, we may deem Levitt's words as irrelevant to our situation. However, this is clearly not the case with regard to our global competitors. It is thus imperative that we rapidly address these internal problems.

Michael Schwartz is a lecturer in marketing at the Phillip Institute of Technology.

IPA Review, Summer 1991
The Market Test

We need urgently to turn our attention to those factors which continue to undermine our internal competitiveness. History has consistently confirmed that the allocation of resources is best judged by the test of the market. Only perhaps one-eighth of Japanese trade is international. Yet the Japanese, guided by the market, consistently and decisively concentrate in areas where they are internationally competitive. Japan thus has a highly productive allocation of resources, which largely explains her economic success.

Local circumstances reveal a striking contrast, as exemplified by events a year ago at Kodak Australasia. Despite an evident failure in the market-place (Kodak Australasia lost product orders for its South-East Asian Market to Kodak in Brazil), local taxpayers found themselves compelled to contribute to the on-going employment of most of the work-force of Kodak Australasia. The Government's over-riding objective was to preserve employment. But rewarding the loss of an overseas market with a subsidy is self-defeating. Such resource allocation will not foster growth. As a rule, companies which are losing their share of the market are not simultaneously developing opportunities either for labour or for capital. Such an effort to protect employment will, over time, simply create further unemployment.

A subsidiary reason for the Government's $36 million handout to Kodak was the company's allegedly crucial contribution to Australian exports. In fact, the company is a net importer and its trade balance is worsening. Currently, it imports about 20 per cent more by value than it exports — contributing almost $30 million to Australia's trade deficit.

The community as a whole would be much better served by exploiting opportunities in the global market, and by the facilitation of this through the automation of manufacturing.

Automation

Australia will never be a low-wage competitor in the international economy. But this may not matter. Since Otto Dering introduced the assembly line over 80 years ago, labour has increasingly accounted for less and less of the total cost of production. It is thus by no means certain that a low-wage country has a competitive advantage. On the contrary, against a highly-automated competitor, a low-wage country could be at a distinct disadvantage. Increasingly, it is not the cost of labour but the cost of capital which is critical. This, of course, leads us to consider the ultimate costs of high interest rates, which takes us on a well-worn circular path back to those out-size trade deficits.

At the end of the day, automation in order to increase our manufacturing exports will largely mean decreasing blue-collar employment in those industries. When farming became mechanized, the agricultural sector experienced the same loss of employment. However, there are few alternatives. A continued reliance on the sale of commodities exposes the country to the possibility of far greater unemployment in the future, particularly if we are to face an on-going contraction in demand for these commodities, as Gilder warns.

The recommended path may seem too tiresome or too fraught with complications. If so, there is always the option of letting things continue much as they have been. The country can only get poorer and more tourists will come. They will certainly provide work...as doormen, bellhops, porters and waiters.

Notes
The Tom Wolfe Society

I was, I think, completely ignorant of the existence of such a thing as the university for probably the first five or six years of my life. At some point around age five or six I was introduced to the fact of its existence by the energetic cursing of my father, brought about by television news pictures of a riot on one of the campuses. Lest there be any misunderstanding I should point out that he was not swearing at the police, whom I very dimly recall were twisting the limbs of some of the rioters and applying headlocks to others. Rather (and I am sure he was not alone in doing this that night) he was cursing the rioters themselves, all of whom had long hair, loud voices and a generally somewhat grubby appearance. These people were of course university students, the best and brightest, and the most spoilt, of what a friend of mine describes as the most spoilt generation in the history of the West. My early impressions of the university were that it was a vaguely disreputable thing. While the passage of time has enlarged my understanding a little and taught me about the idea of the university, I am afraid it has only served to confirm me in my juvenile impressions when it comes to the actuality.

The fault is not entirely that of the university. Like the other institutions of our society, all of which to some extent are undergoing crises of different sorts, the crisis of the university is but a reflection of a broader cultural crisis. It is a crisis not so much of decline as of enervation, and it is this which is the root cause not only of the enfeeblement of our institutions but also of the debasement of our political and social discourses.

Of course certain political measures — expressions of the same crisis — have not helped matters in relation to the university. Indeed, one could argue that the recent 'reforms' and all they entail amount to the all but total destruction of what was left of the university as an institution dedicated to pure research. Although most students are gaily indifferent both to the reforms and to the university, there were still a few of us who thought we should try to do something to defend the university as an institution and to make university life, at least for ourselves, more fruitful. Hence in May 1989 the Monash University Tom Wolfe Society was formed.

Most people are familiar with Wolfe through his tremendously successful novel The Bonfire of the Vanities (1987) which depicts with great detail and liveliness the way in which so much of public life in New York City, if not in the US as a whole, has been corrupted and politicized by the ambition and fecklessness of public officials and their capitulation to the bullying tactics of self-interested 'community' groups. But he is also the man who, attending a party given by the late Leonard Bernstein for the radical Black Panthers in the 1970s, summed up the disposition of the fashionable and the beautiful to embrace extreme or violent political causes, all for the sake of being seen to be avant-garde, with the phrase 'radical chic'. The increasing obsession with self which developed in the 1970s, and the ridiculous lengths to which it drove people, he described and explained in his phrase "the me decade." Such expressions are now common currency.

We took Wolfe’s name in part to honour his achievement as a writer, but chiefly to give the Society a certain character. Wolfe tests ideological and political poses by referring to the vanity, self-indulgence and cupidity of those striking them. There is no malice in the way he does this; on the contrary, he is rather sympathetic, for he understands that vanity and self-indulgence are things to which we are all prone. With his use of satire, his emphasis on intelligence, his love of human diversity and his interest in manners and morals, he reminds one of Swift, Pope and Fielding. And with them he shares a belief in the importance of the self-critical approach which is the hallmark of Western morality.

Our activities consist primarily of weekly lunchtime seminars during the university semester. These are rather informal affairs with invited speakers
opening a discussion rather than giving a lecture. Our
speakers over the last 18 months have addressed us on the
situation in various central and Eastern European
countries, on China after the crack-down, on the appalling
way in which the Vietnamese refugees in Hong Kong are
being treated, and on the relationship between Indonesia
and the Australian press. Other seminars have considered
trends in literary theory, the political theorist George
Sorel, the film Dead Poets' Society and the novels of Jane
Austen.

During semester breaks we usually have either a full
day or half-day conference. Our most recent conference
discussed the differences between liberals and conserva-
tives properly so-called, and our mid-year conference
heard papers delivered on Futurism, Tom Wolfe (of
course), cultural decay and modern cinema, and the need
for sound order and authority. These conferences are
rather more formal affairs than our seminars. As Evelyn
Waugh once observed, the modern world stands in
danger of destroying all classes and replacing them with
a proletarian mass ruled over by technocrats. The Tom
Wolfe Society is firmly opposed to the proletarianization
of modern society, and in its efforts to resist this trend
insists that members attending its conferences dress like
the good bourgeois they are. So far this has meant coat
and tie. But next year we might seize the offensive and see
if we can restore the wearing of hats and gloves.

Against Self-Indulgence

The good-humoured seriousness that typifies our
activities is in part the result of taking Wolfe as our model
(Wolfe is renowned for wearing very high stiff collars),
and the Society has thus been able to attract many good
people. Still, one could not describe our influence as very
widespread. The problem is that the chief characteristics
of students today — as of those 20 years ago — are intense
self-preoccupation and hearty self-indulgence. Today's
student, like his predecessor in the '60s/'70s, believes in
very little, but unlike his predecessor he does not feel
compelled to disguise this emptiness by striking political
poses. Self-indulgence and self-preoccupation are today
expressed in more frank, honest, and altogether more
agreeable forms; in chocolate appreciation societies, for
example. It is not quite the same as helping to sell South
Vietnam into slavery, but if students have to express their
self-preoccupation and self-indulgence, then I say let
them eat chocolate every time. But whatever way is
chosen to express these things, groups such as TWS are
not likely to figure highly. So much the better, of course.

For the task of a group such as TWS is an extremely
serious one, the restoration of the classical idea of the
university. Historically, the prime concern of the univer-
sity has been the realm of concepts, of pure speculation
and research. It is from the realm of concepts that the
ideas applied in Science, Medicine, Engineering and
Economics come. Just as importantly, it is pure specula-
tion and research in the humanities which generate the
ideas that shape, for good or ill, culture, morals, law and
society at large. No society can afford to be without an
institution given over to this work, work which in essence
is that of the regeneration and continuing vitalization of
society itself. Technical and vocational training are, of
course, essential, but these things are not and cannot be
the main concerns of the university. Every horse has its
course. Technical and vocational training are properly
the activity of a different sort of educational institution.

It can be no other way. Central to the idea of the
university which TWS defends is a concern with charac-
ter, with moral and intellectual formation. University
education must be more than the simple imparting of
information. The classical idea of the scholar is that of a
man with a passion to know and understand the nature
of things as they really are; in short, the truth. Inseparable
from this is a fearless dedication to truthfulness and
integrity, and it is these alone which can lead to a genuine
receptiveness to new ideas, a rigorous analysis of all that
comes before you, including your own preconceptions,
and, most importantly, a rejection of ideology, which is
always and everywhere the last resort of scoundrels.

Wisdom and virtue are the true ends of a university
education and it is these which the Tom Wolfe Society
seeks to restore. While our success in this goal on the
wider plane is somewhat limited, we have been successful
at least in relation to ourselves. We have, in a way, created
a university within the university, and in this manner we
seek to pursue the wisdom and virtue that the modern
university no longer understands. Our discussions are
always animated and mostly fruitful, for TWS is not a
bunch of eggheads trying to extract (in Swift's phrase)
sunbeams from cucumbers. This is perhaps the most hear-
tening thing: that ordinary students (albeit not many) are
still interested in wisdom and virtue and in what the
university should be. It is an interest that everyone should
share. For whether or not we have wise judges, upright
politicians, good administrators, honest teachers and solid
citizens, in short whether or not the polis is to thrive or to
wither, depends on the success or failure of the ideas we
seek to restore. Whether the Tom Wolfe Society is the last
flicker of a hopelessly lost cause, or one of the first indica-
tions of a desert coming into bloom, the good news from
the front is that there is still some life left. This being so,
wherefore should we not then continue to hope? ■
Of Mistakes and Markets

The Competitive Advantage of Nations
by Michael E. Porter
Macmillan, London and Basingstoke, $49.95

Reviewed by Michael G. Porter

Australia can learn a lot from any book which correctly analyzes the reasons why some countries and industries have gained a competitive edge over others. Unfortunately, Michael E. Porter’s 855 page book is long on case studies and short on theorizing, so the reader learns from it by example rather than by development of principles. But the messages on the virtue of competitive strategies are loud and clear.

One particular message is that the domestic market environment in product areas must be competitive, entrepreneurial, and conducive to change. Another lesson, which is also far from surprising, is that we must foster more local competition in skills and training, and avoid the centralist regimes so popular with Dawkins and Kirner. Government fix-it schemes, subsidies to exporters and the bureaucratic or “expert” picking of winners are precisely the wrong directions to go. Yet this sort of snake oil is now promoted by the Australian Manufacturing Council and its friendly consultants — who would, no doubt, cite examples in Michael Porter’s book in their favour.

Not surprisingly, words which dominate this book include “productivity”, “skills”, “enhancement of human resources” and “innovation”. The quality of the services industry, and the quality of the resources above our shoulders, are seen as more important than the resources under our ground. Indeed, an abundance of physical resources is seen as almost a nuisance, because it allows us to avoid facing more critical decisions regarding our human resources.

Before reflecting on Porter’s particular methodology, which is to infer “principles” by way of describing the detail of business success, it may be useful to re-evaluate that more important book written by Adam Smith in 1776, called An Inquiry into the Nature and Causes of the Wealth of Nations.

Smith saw advantages in specialization, and from allowing competition and self-interest. He recognized that it was not through the generosity or benevolence of the baker, or because of government regulation, that we can rely on the supply of bread each day. While bakers may be perfectly obnoxious or delightful people, the reliability of our bread supply hinges on a simple principle, the baker’s desire to live well by selling us bread, and our desire to get the best value in the bread we buy.

Adam Smith recognized that businessmen might be inclined to gather together and conspire to monopolize the market, and thus one lesson which emerges from his book is that we need vigorous competition to prevent contrived monopolization. But in a world of increasingly open trade, and mobile capital, our market place is the world. It no longer makes sense simply to look at one market share within a national boundary to determine whether the industry faces competitive pressures.

Smith also saw human skills and specializations as fundamental.

To summarize, Michael Porter’s book should be reviewed against the background of Adam Smith’s and David Ricardo’s earlier contributions on the virtues of competitive economic order, as well as the dismal failure of Marx’s alternative economic system, socialism. History has proved Smith right — competition and markets with properly defined property rights are the vehicles for economic success. Absence of these legal rights is a crucial factor in explaining the poverty of socialist systems and the poor performance of corporate states when government and business do deals. Government has virtually never managed to secure a competitive advantage in production of goods and services. While he has a lot to say which is consistent with deeper analyses, Porter’s
book omits some of the most fundamental points which explain superior economic performance.

As an example, he takes for granted the legal environments and the structure of property rights that facilitate mutually beneficial trade in products, services and labour. The Austrian/Chicago Schools — including Hayek, Stigler, Coase, Posner, Demsetz, Friedman and many others — have correctly sorted out the fundamental economic and legal principles governing economic success. The Harvard School, by way of contrast, has tended to bury ideas in "facts", and is as likely to get it wrong in the wrong hands. Facts are crucial, and Michael Porter's book will doubtless be useful to firms in specific industries, giving them access to information regarding commercial success in other countries. But for those who wish to explain why the United Kingdom was a failure in economic performance until recent years, or why New Zealand will turn around if it sticks to the privatization path, or why Australia has dropped from the first to the third 11, Michael Porter's book offers no clear answers.

Consider one example of the arbitrary reasoning in the book. Porter talks about the importance of information flow, citing the following factors as helping to provide a competitive advantage:

- personal relationships, due to schooling, military service
- ties through professional associations
- community ties due to geographic proximity
- trade encompassing clusters
- norms of behaviour such as a belief in continuity and long-term relationships

Now all of these factors, which Porter sees as creating trust and the possibility of co-ordination, are also perfectly capable of fostering a cosy little economic disaster based on protection and back room deals. The class structure and school linkages in the United Kingdom are part of the problem, not the solution. Close ties within trade associations can enable them to bludgeon government into providing business subsidies. Professional associations can be, and typically are, sources of anti-competitive behaviour, and they can also succeed in lobbying governments for privilege.

Cultural norms and strongly established traditions can be bad traditions in all of these cases. Porter makes a big play for the view that these facilitators of information exchange are a source of dynamic national advantage. I am far from convinced.

Porter also cites what he calls "goal congruence" as a source of dynamic national advantage. What does he mean by goal congruence? Well, he talks about family ties between firms, common ownership within an industrial group, interlocking directors and national patriotism.

All of these factors, which Porter sees as creating trust and the possibility of co-ordination, are also capable of fostering economic disaster based on protection and back room deals.

Each of these factors, as illustrated in national history, can prove to be a source of privilege, poor economic performance and industrial protection. Yet Porter, when talking about inter-relationships in Japan, makes a powerful case; the problem is that the same sort of analysis in Australia or the United Kingdom would lead to the opposite conclusion.

One apparently powerful argument in the book is for competition in the form of intense domestic rivalry between a few firms in the same industry. It seems that Porter would favour fostering this form of domestic rivalry. But for small open economies, economies of scale may rarely be achieved in numbers of firms.

Should the Australian Government have fostered more than one motor vehicle manufacturer? Why should we have any motor vehicle manufacturers, given that aluminium components may be the thing that we can produce most effectively and on a world scale? What does the Porter book tell us about the aluminium components industry in Australia versus motor vehicle assembly?

Nowhere in this book does Porter adequately analyze the role of different labour market structures and
legal environments in explaining economic performance. Nor is there any analysis of the role of welfare systems and tax systems in generating different savings propensities and so forth.

To take the labour case, Porter notes that “the Korean workforce is unusually disciplined and hard working.” But why is this? Is it because until recently unionism was weak or not allowed to be strong? Is it because the welfare system in Korea has been almost non-existent, which has encouraged workers to work (and save) rather than seek other benefits? Is it that the threat from North Korea focused the mind of the South Korean on economic success, rather than on dividing up the pie British or Australian style? Porter addresses none of these issues, but is content simply to rest his case on an actual description of the Korean labour market. For what was Maggie Thatcher fighting? What is the debate on enterprise-level unions all about? In Porter’s sizeable book, these issues are barely mentioned.

The book is, however, sensible in its general thrust, and helpful in the detail it provides. Porter is emphatic that government meddling is a problem. I am at one with my namesake in his general attitude to government — the less the better. I simply note that his prescription as to what constitutes a preferred order raises the question of how this is to be achieved. He never really resolves this question. He asserts that Korea’s success in upgrading its economy stems largely from its basic factor market conditions and its human resources. Yet other scholars have argued that the capital market reforms implemented in the 1960s — creating very high positive real rates of return to savings — opened the country to foreign competition, and focused on foreign investment in export-based firms.

Nevertheless, one can agree with Porter that human resources are fundamental. But Porter is short on plausible strategies for enhancing human resources. Should education be competitive and privatized? Should the contractual bases for employment relate more to enterprises and specific tasks and challenges? Presumably yes, but the related issues of unions, contracts and labour incentives scarcely rate a mention in this giant survey.

To conclude, this book is full of fascinating information on economic performance at the industry and enterprise level. But reading it is a bit like watching 30 good movies, or attempting to digest a compendium of business pages from high-class newspapers in 10 nations. It is exhausting, and no substitute for careful thought about the fundamentals governing economic performance. The issues at the heart of the turnaround in countries as diverse as New Zealand and the USSR are barely covered in this book, although it provides some useful examples of why competition-cum-private ownership is king.

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IPA to merge with AIPP

The Institute of Public Affairs is set in March to amalgamate with another of Australia's free enterprise think-tanks, the Perth-based Australian Institute for Public Policy. AIPP's Executive Director, Mr. John Hyde, will become Executive Director of the IPA, taking over from Des Moore, who has been Acting Director since the untimely death of Peter Kerr in mid-1990. Des Moore will continue to head the IPA's Economics Unit.

John Hyde established AIPP in 1983. In the late 70s and early 80s he held the Federal Parliamentary seat of Moore, and was a prominent member of the group of Liberal MPs known as the "Dries." He had previously been a farmer.

Four members of the current AIPP board will be invited to join the IPA board. The Perth offices of the two organizations will be amalgamated, leaving the enlarged IPA with offices in Melbourne, Sydney, Canberra and Perth.

The President of the IPA, Mr. Charles Goode, said that the IPA Board was delighted with both the appointment and proposed amalgamation. "The moves provide an exceptional opportunity to further develop and publicize the policies that are needed to arrest the relative decline in Australian living standards," Mr Goode said.

From Greenhouse to the Gulf

The greenhouse theory of global warming is contradicted by the evidence, a prominent US scientist has told the IPA. Fred Singer, on leave from his Professoriat of Environmental Sciences at the University of Virginia, is Director of the Science and Environmental Policy Project at the Washington Institute for Values in Public Policy. During a whirlwind visit to Australia in late November-early December, Professor Singer spoke to IPA functions in Melbourne, Sydney, Hobart and Canberra, as well as giving numerous addresses to the media. Copies of Professor Singer's lecture are available from the IPA at $10.00 each.

On 12 November the IPA jointly sponsored a lecture with the Australian Defence Association on "Industry's Role in Pacific Defence Co-operation." The keynote speaker on this occasion was Dr. Peter Beckstead of the National Defence University in Washington, DC.

On 21 November 1990, the IPA was pleased to co-host with Australia/Israel Publications a dinner with the distinguished British author and journalist, David Pryce-Jones.

Pryce-Jones, whose recent book, The Closed Circle: An Interpretation of the Arabs, has met with widespread acclaim, spoke about Iraqi aggression in the context of Arab culture. The dinner was attended by approximately 300 people.

IPA Forum

The IPA Forum has continued its series of topical debates with leading academics and intellectuals. In September the Forum discussed the issue of "Islamic Australia and the Middle East: Testing Time for Multiculturalism." The guest speaker at this meeting was Dr. Philip Ayres, Senior Lecturer in English at Monash University (Clayton). His paper is published elsewhere in this edition of the Review.

In October, Dr. John Carroll, Reader in Sociology at La Trobe University, addressed the topic: "Feminism: On Rising Conflict Between the Sexes, the Decline of Men, the Rancour of Women and the Politicization of the Intimate."

The Forum is intended to raise the level of debate among young people concerning philosophical, cultural, religious and historical matters touching upon politics. Young people interested in attending meetings of the Forum in 1991 should contact Alan Cocks, or Ken Baker on (03) 614 2029.
Young Professionals

Senior economics writer for the Herald-Sun newspaper, Terry McCrann, was the guest speaker at the last meeting of the IPA Young Professionals, held at Malleson Stephen Jacques during November 1990. Mr McCrann's address on the economic lessons of the last decade was well received by his 40-strong audience.

Trainee Teachers’ Literacy Low

A research paper published in November by the IPA Education Policy Unit found that literacy among trainee teachers has fallen so low that many are required to undertake remedial coaching programs at university. As many as 220 marks—almost half the total that school-leavers can achieve (using the NSW system)—can separate trainee teachers from medical students. The author of the paper, IPA Research Fellow Dr Susan Moore, recommended that HSC cut-off scores for education courses be raised to a minimum of 325 points. The research paper received prominent media coverage.

Teacher education is a key focus of the work of the Education Policy Unit and is the subject of a major conference planned for later this year.

The Education Policy Unit has been asked by the New South Wales Government to submit comments on drafts of two of its key education policy documents, Teacher Education: Directions and Strategies and the new Primary School Curriculum.

Sad Loss of Three Councillors

The death of three members of the IPA Council since publication of the last IPA Review has been a sad loss for the IPA.

Emeritus Councillor, Wesley Ince, who died only a few days short of his 97th birthday, was a member of the original committee of nine people which took the first steps in September 1942 toward launching the IPA. During his career, Mr Ince was a Director and legal advisor to many leading Australian companies. Notwithstanding these responsibilities, he maintained a close, almost intense interest in the affairs of the Institute. Unless compelled to by circumstances, he never missed meetings of the Council which, in the early formative years of the IPA, were held fairly frequently.

Mr Denis Cordner, who died suddenly in October, had been an active member of the IPA’s Executive Committee since 1984. His energy, cheerfulness and sense of civic service were apparent to all who knew him. Often, after the publication of IPA Review, he phoned the Editor with an encouraging comment. He was Chairman of John Holland Industries, had been a great sportsman, and was active in service to the community, including as Chairman of the Queen Elizabeth II Trust for Young Australians.

Mr Dean Bunney was a member of the Executive Committee from 1987 to 1989 but remained a member of the Council until his untimely death in November 1990. He was well-regarded as a source of good advice and was an energetic supporter of the IPA during its period of great growth in the 1980s. He took a special interest in the work of the Institute. Before his retirement he was Managing Director, Group Administrative Services, CRA Limited.
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