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Stuart Wood
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Tom Quirk and Tim Duncan
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Terry Lane
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Charles Richardson
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Conservation

Dear Editor,

Every quarter I read IPA Review with great interest. I find the range of material and ideas presented fascinating. These ideas seem to vary from the eminently sensible to the downright loopy. Into the latter category fall many of the articles concerning conservation and the environment. A couple of examples from Vol. 45 No. 1, should illustrate what I mean.

In 'Strange Times', reference is made to the US Army's combat exercises at Fort Bragg, North Carolina, being disrupted by measures designed to protect the red-cockaded woodpecker. Just what point is being made by this? Is it designed to demonstrate just how ridiculous conservation measures can be? If so, I don't think it is a very good example. If people were given a choice between preserving nesting sites for endangered species, and soldiers practising blowing up trees, the results may surprise Ken Baker.

On a more serious level were Mike Nahan's suggestions for saving Australia's native birds. Des Moore, in his article on economic rationalism, says that "with few exceptions, economic rationalists do not envisage leaving everything to be determined in the market place." I assume Mike Nahan is one of the 'few exceptions'.

While Nahan's conservation proposals based on private property and the market process have a certain novel appeal, and in fact may work, it strikes me as a very risky strategy. Taking risks is fundamental to business, and that is fine when dealing with cans of soup or pairs of pants. However, I don't think it is acceptable when dealing with birds and animals.

Nahan's article is a classic example of the issue at which the IPA directs so much of its attention: have we failed because the government has done too much, or done too little? While Nahan clearly believes conservation of native bird species would improve if government did less, I find his arguments unconvincing. His suggestion that "people are very unlikely to abuse an animal worth many thousands of dollars", is probably true, but native birds, once farmed commercially, will not be worth much money. Maybe a few hundred native birds living in poorly managed national parks is better than thousands of the same species living in a privately-owned farm, kept like battery hens.

Rod Wise, Glen Iris, Vic.

The Flag

Dear Editor,

A few comments on the flag (IPA Review, Vol. 44, No. 4) with emphasis on objectivity rather than emotionalism.

I have an open mind on republicanism and the sovereign on the coinage. It follows that the former would eliminate the latter, but both are silent symbols compared to the flag. One might say the flag is the calling card of a nation; it is up front and immediately identifies it.

Those who are against a new ensign pose some puzzling questions and contradictions. The strongest opposition comes from a certain quarter, for sentimental rather than logical reasons. They would do well to remember (but prefer not to) that it was another banner that delivered us 50 years ago in a certain naval engagement called the "Battle of the Coral Sea".

If there is so much regard for the present flag, why is it so miserably flown? Overseas experience has taught me there is no other country that flies its emblem less. To question this immediately incurs the jingoistic label as does the questioning of the lack of en masse singing of the national anthem. The behaviourists would have a field day with this one.

One experiences embarrassment at the Olympics when the Australian flag is raised in victory and the patch in the left-hand corner conjures up pseudo credit to you know who. This is furthered in cultural and scientific circles at an international level. Some people call for a referendum on the subject, but everyone knows the history in this country of the referendum where the no vote is almost mandatory.

Then there is the oft quoted dictum that the economy is more important than a new flag. The economy waxes and wanes like the moon; the flag is constant and external. Also the argument is put that changing the flag would cause division and, would you believe, blood in the streets. The Australian psyche has a history of sensible adjustment; if the irritating introduction of the metric system did not divide the populace nothing would.

Finally, we are always being reminded that we are not ready for change. This is, of course, putting it off forever. How is it that a nation of 200 years' experience is not yet ready?

D.A. Ryan, Traralgon, Vic.

Goods and Services Tax

Dear Editor,

Congratulations to Mr Moore on the recent excellent comparison of the Government and Coalition policy packages.

I do, however, question the categorization of a Goods and Services Tax (GST) as a tax on business. Before the final sale is made to a consumer the net GST paid by each business in the production and distribution chain will be zero. The final GST tax collection is from consumers, and businesses pass on the tax to the Government.

I agree that with a GST business is the tax collector, but it is also the tax collector of PAYE tax.

The nature of a GST is very different from taxes on business inputs, such as Payroll Tax and Wholesale Sales Tax. Business incurs these taxes irrespective of whether final sales are made.


Des Moore's comparison of Fightback! and One Nation was published as IPA Back grounder Vol. 4, No. 1 — Editor.
Coronation Hill

Dear Editor,

As one associated more or less closely with the Coronation Hill project in the Northern Territory for the past 20 years, I must correct H.C. Griffin (Letters, Vol. 45, No.1). His main complaint is that "even in the light of the highly praised impact assessment the extent of the mining was apparently not able to be forecast."

This is quite a common circumstance with mines where the controls governing the distribution of the ore are not evident. The situation is not like that of a mesa whose top 20 metres is mineable iron ore, or a coal scam whose thickness and extent can be measured confidently in advance. Particularly for mines of precious metals, there is a diffuse boundary between ore and waste which can shift in response to changed metal prices or mining costs and which is customarily defined more closely from the proceeds of mining rather than in the exploration phase. Exploration seeks to define whether the makings of an economic project are present.

The case can be illustrated by the famous Mt Morgan gold/copper mine near Rockhampton. Although it produced for nearly a hundred years, there was probably never a time when its forecast future life exceeded 10 years. More ore continued to be found from development funds gained by mining what was known to be enough for the time being.

To deduce that lack of knowledge about further resources at Coronation Hill justified the political decision to stop mining is wrong. All that it shows is a lack of mining knowledge by Griffin. But that is not unusual in these modern days of public participation, when every man and his dog claim expertise on Coronation Hill. Much of this alleged expertise is simply silly. Why don't the inquisitors write a learned letter or two about brain surgery and how they showed the experts were wrong? It would have as much relevance.

G. H. Sherrington
St Kilda, Vic.

Dear Editor,

H.C. Griffin (Letters, Vol. 45 No.1) unfortunately shows his lack of knowledge of geology, mining and economics by his amazement that "the best example of a study yet produced in Australia" was unable to predict the future extent of a possible mining operation at Coronation Hill.

Only in the rarest of cases is an orebody a regular, discrete entity with sharply defined geological and economic boundaries such that the exact volume can be determined from drilling samples prior to mining. More commonly, more (or less) ore is found once an open pit is excavated or underground openings made. Economic factors often change during the course of an operation, which may be shut down prematurely or extended as lower grade ores become profitable, or when the initial capital investment is recouped. In practice, ore deposits often occur in clusters or regions, so that otherwise uneconomic bodies can be explored for and mined once a treatment plan is established. This in turn means more efficient mining and disturbance in fewer areas.

In addition, an operation may stand or fail (political considerations aside) on a calculated reserve, and expensive work to quantify additional resources may not be justified at an early stage.

If only it were simple!

W.J.L. Brooke,
Nedlands, WA.

New Men

Dear Editor,

I was fascinated to read Jan Smith's excellent review of Robert Bly's Iron John - A Book About Men (Vol. 45 No. 1). It was a welcome relief from the ubiquitous articles, films and radio shows extolling, often cajoling, us to embrace all that is the 'Sensitive New Age Guy' (SNAG).

The obverse of this is feminism which holds that society's essential problem is male patriarchy and anything viewed as contributing to it. Statistical discrepancies demonstrating gender imbalance are invariably quoted as evidence of discrimination, regardless of the fact that such 'discrepancies' can actually reflect differences between men and women in what are called 'life choices'.

Our politicians have sided with the feminists. Examples abound in public policy. There's the bipartisan, multi-million dollar Office of the Status of Women which invariably embraces feminism regardless of the majority of women's preferences and interests. It is now official policy that girls play boys' sports regardless of interest or aptitude. Affirmative action is routinely practised, including in TAFE (where, for instance, it has been proposed that housework should count as relevant experience for engineering courses!). Even that Victorian retail bulwark, Myer, in bowing to feminist pressure, refuses to stock 'war toys' such as water pistols.

Indeed, contrary to the fantasies of male oppression, feminism is a reaction against ineffectual, unreliable men. When the going gets tough, SNAGs are nowhere to be seen. Women feel the loss and have resorted to blaming men for their unhappiness and feelings of insecurity and emptiness. The increase in single mothers (surely a critical failure of modern men to accept their responsibilities) is but one example.

The rite of passage that modern society seems to deny men has its vestiges, however. It was with a wry smile, but a sense of optimism, that, while on holidays in Melbourne, I watched little boys playing war games in Labor Premier Kirner's lavish 'Women's Peace Garden'. Boys will be boys. As well, traditional institutions like football, which enables boys to become disciplined and rule-abiding in controlling their aggression on the field, have not lost their popularity.

The destructive effect of the absent father, referred to by Bly, has been elaborated by others, including Herbert Hendin in his in-depth study of American youth, The Age of Sensation. I agree that, football and war games notwithstanding, until this vacuum is filled, we will continue to be lumbered with SNAGs and feminists.

Bravo to IPA Review for airing what is one of the most serious problems of our time. More to come I hope.

E. Bennett,
West Beach, S.A.
The Problem of Productivity

In April came the news that Australia had slipped four places in the OECD ranking of Western nations by their standard of living. Five years ago Australia was at tenth position; by 1990 it had slid to 14th position — equal with Italy and Norway. The USA topped the list. An estimate by the Australian Bureau of Statistics of a 2.6 per cent fall in real GDP per head in 1991 suggests that our relative economic standing may already have declined even further.

This should concentrate the minds of Australians. At the heart of our declining international position (although not the only cause) is the relatively low productivity of the Australian work-force. International comparisons based on aggregate figures (such as the GDP per head on which the OECD's ranking is based) can provide the overall picture of Australia's comparative position, but not the underlying causes. A study released this year by the Bureau of Industry Economics (BIE) is illuminating at the microeconomic level. It focuses on four manufacturing plants, located in Melbourne, Sydney, Auckland (New Zealand) and Middleville (USA). The Australian cases, particularly the Sydney plant, emerge from the BIE's Report, *International Comparisons of Plant Productivity*, as a microcosm of our national problem.

The similarity of cultures and labour costs between the three countries involved in the study is sufficient to allow meaningful lessons to be drawn from the comparison. The usefulness of the study is enhanced also by its having selected four plants owned by the same parent company (South Australian Brewing Holdings Ltd) and manufacturing the same product (storage tanks for the domestic heating of water). Holding these factors (ownership and product) constant means that the effect of other variables on productivity can be more clearly discerned.

What the Comparison Shows

The study found that the cost of producing water heaters at the Australian plants exceeded costs at the US plant by 55 per cent in Melbourne and a lamentable 88 per cent in Sydney. Why did the Australian plants lag so far behind their American counterpart?

Government regulations played a part. According to the study, the string of government requirements to which the Australian water heater industry is subject added between $10 and $20 to the cost of each unit (up to nine per cent of the retail price). The Federal Government's 'progressive' timetable for eliminating chlorofluorocarbons (CFCs) in manufacturing by mid 1994 will add, it is estimated, another $5 to the cost of each water heater. CFCs are used in the production of insulating foam in the manufacture of water heaters. The fact that the Australian Government's timetable is ahead of the London revision to the Montreal Protocol and thus ahead of the timetable applying to overseas manufacturers impedes the achievement of a competitive advantage by Australian companies.

High material costs were also found to be a major disadvantage faced by the Australian water heater manufacturers. Compared to the Australian plants, cost advantage to the US plant resulting from access to low cost and high quality materials ranged from five per cent for gas thermostats to 38 per cent for cylinder parts and 98 per cent for pilot lights. The BIE Report attributes blame to the "lack of effective competition in input markets and the unavailability of imports at world prices due to tariff protection, anti-dumping actions and low productivity on and reliability of supply through the waterfront."

Interestingly, given the emphasis on vocational training in recent Australian reports (e.g. the Finn, Carmichael and Deveson Reports) and in Government policy (e.g. the compulsory training levy), the US plant spent half as much as the Australian plants (measured as a proportion of the wage bill) on formal training. Workers at the American plant spent on average half as much time as their Australian counterparts in formal training. However, the level of educational attainment of the US employees was generally higher than that of the Australians. The main complaint of management at the Sydney plant was not that employees lacked specialized training, but that they were insufficiently literate and numerate, despite a proficiency in spoken English. This suggests a deficiency of general education at school level, rather than of formal training.
Industrial Relations

Economic theory suggests that the higher the capital intensity (the ratio of plant equipment to labour) the higher will be labour productivity. But the Australian plants had higher capital intensity than the American plant, but lower labour productivity. In the end there is no escaping the human factor.

Not surprisingly, work attitudes and industrial relations are central features in differentiating the American and Australian plants, and in particular the Sydney plant. Unionism plays less of a role in America than in Australia: in the US only 13 per cent of private sector employees belong to a union, whereas in Australia the comparable figure is 31 per cent. Contrary to Australia, the US industrial relations system is largely decentralized, with government and the judiciary playing a minor role. Thus, although the US plant in the BIE study was fully unionized, wages and conditions there were determined by collective bargaining. Moreover, as the study notes, there was "a recognition by the union that the welfare of its members was intimately connected to the financial viability of the company." Between 1986 and 1990 workers had taken no pay increase (effectively a cut) to allow the company to re-establish its financial viability. Management had, as a consequence, eschewed retrenchments. There were no strikes at the US plant in the year of the BIE study.

The contrast with the industrial relations climate at the Sydney plant could not have been more stark. During 1989-90 the company attempted to introduce an incentive payment of $300 per worker linked to productivity. The package was opposed by members of the Australian Metal Workers' Union, who demanded a pay rise irrespective of performance. Eleven strikes occurred at the Sydney plant in the year under study, and, as the Report notes, "several workers commented on the trivial nature of many of these disputes." One example was a series of strikes aimed at getting telephones installed near the production line, because on one occasion a telephone message received at the front office had not reached the worker concerned.

Employees at the Australian plants had more holidays than their American counterparts. On top of this, unproductive time at the Sydney plant -- that is, the hours which employees are supposed to work but do not -- was an extraordinary 30 per cent of paid hours. Overly long meal and refreshment breaks, late arrival at work and finishing early all contributed. Absenteeism was also high. Indeed, the Report concludes that the high rate of absenteeism in Australia, linked closely to the relatively generous provision of paid sick leave without evidence of illness, is a more serious impediment to productivity than strike action.

Unproductive time at the Sydney plant — that is, the hours which employees are supposed to work but do not — was an extraordinary 30 per cent of paid hours.

Work practices at the Sydney plant had apparently built up in the past during periods when management, under threat of industrial action, had acquiesced to union demands in order to maintain the firm's reputation as a reliable supplier. Sydney management argued also that the introduction of the two-tier wage process adopted by the Industrial Relations Commission in 1987 had undermined the process of workplace reform. It encouraged an expectation that reforms to work practices be accompanied by wage increases, and it actually provided an incentive to introduce work practices which could then be traded for higher wages.

Ironically, the Australian plants had safer, and thus more expensive, equipment than the American plant, but a higher rate of injuries. The Report suggests a reason: operators at the Australian plants "tend either to ignore or not notice problems because of the assumption that the machinery will operate in a foolproof fashion. In such cases, they could suffer accidents. The rationale at the US plant is to train operators in all aspects of their machinery, so that they both respect and understand the potential for accidents." The more heavily the Australian machines were equipped with protective guards, the less care production workers exercised over their own behaviour. This could serve as a metaphor for those sections of Australian industry, such as the waterfront, which, insulated from competitive pressures, allowed irresponsible work and management practices to flourish.

The industrial relations record at the Sydney plant, while poor, is hardly unique in Australia. An adversarial relationship between management and production workers characterizes too many Australian workplaces. Above all, the feature which contrasts the American and the Australian situations described in the BIE study is the absence of recognition among employees at the Australian plant that their economic well-being is dependent on the prosperity of the firm. This attitude unfortunately is encouraged by an industrial relations system which divorces responsibility for the determination of wages and conditions from the parties at the workplace who must live with the consequences.

The BIE says that since its research on the Australian plants was completed, the company has begun to tackle its industrial relations problems. It admits, however, in a statement which could be applied more broadly, that "further substantial reforms are possible and desirable."
Queensland Proves that Small Government Pays

While the States in the ‘deep south’ and the west continue to wallow in an economic and political quagmire, Queensland flourishes. Despite the drought and floods which ravaged its rural sector in 1991, Queensland has clearly weathered the recession better than any other State and is now leading the nation into recovery. It currently has the lowest unemployment rate in the nation (9.7 per cent). Indeed Queensland was the only State to create jobs during the current recession. This has been achieved despite the significant migration of people from the south in search of jobs. Queensland also has the highest rate of growth in:

- investment expenditure (3.9 per cent in the March quarter 1992, in contrast to a decline of 11.6 per cent for the nation);
- commercial lending (13 per cent growth in 1991-92 against a fall of 10 per cent in the nation as a whole); and
- building commencements (29.5 per cent growth in the March quarter compared to 9.9 per cent for the nation).

Economists universally predict that Queensland will continue to grow faster than all other States for the foreseeable future.1

Queensland’s success is in large part a consequence of superior management by successive Queensland Governments, which have pursued a policy of small government and balanced budgets. It has achieved a balanced budget in eight of the last 10 years. It has also adopted a practice of fully funding superannuation, worker’s compensation and third party liabilities. As a result, by 1990 its budget sector had accumulated financial reserves, net of all liabilities, of $2.4 billion.

In contrast, all other State Governments, but particularly those in the deep south and the west, adopted policies of high spending, large deficits and not setting aside funds to meet liabilities. As a result, these States entered the recession in 1990 having accumulated and being forced to service $67 billion in loan, superannuation, worker’s compensation, and third party insurance liabilities. This is equivalent to a debt of $23,000 for each family outside Queensland, while each Queensland family remains government debt-free with $3,300 in the bank.

Tight Controls on Spending

Queensland balanced its budget by a tight rein on spending, not by high taxes. Indeed Queensland’s success in containing recurrent spending, whilst achieving a quality of service comparable to that in other States, is one of the most important achievements in public sector management in Australia in modern times. This achievement, however, aside from work undertaken by the IPA, has gone largely unmentioned and received virtually no analysis.

This is disappointing because, thanks to the Grants Commission, Australia has some of the world’s best data on public sector activity.2 These data show that in 1990-91 Queensland spent 22 per cent, or $1 billion, less on recurrent services than it would have done if it had adopted the spending levels of other States. Tight control over spending allowed the Queensland Government to maintain taxes at 26 per cent below the level of other States, and at the same time to achieve a budget surplus and to continue fully funding all accruing liabilities.

The Grants Commission data also expose the cause of Victoria’s budget woes — high spending and taxes. Victoria, the erstwhile ‘leading State’, spent 11 per cent or $1 billion above the all-State average in 1990-91. More importantly, Victoria would have spent $1.8 billion less on recurrent services in 1990-91, and in so doing achieved a small budget surplus, had it adopted Queensland’s spending pattern. Victoria also had the second highest level of taxes, after Tasmania, at 11 per cent above the level of other States.

Queensland’s spending restraint is

Dr Mike Nahan is Director of the IPA States’ Policy Unit, based in Perth.
particularly impressive in the big-ticket areas of health, education and public transport — the areas where Victoria and the other States have been unable to control expenditure. For example, in 1990-91 Queensland spent 28 per cent per head of population less on health than the standard of all States and 30 per cent less than Victoria. By adopting Queensland’s management standard, the nation’s public hospital system could save a massive $3.5 billion per year.

Crucially, there is no evidence that Queensland achieved low expenditure levels by providing a lower quality of service. Contrary to the claims made by Victoria and New South Wales, Queensland’s sound financial position does not arise largely from preferential treatment in the allocation of financial assistance grants by the Commonwealth. Because it has a lower potential tax base and greater expenditure disabilities, Queensland does receive about $100 per person or $280 million more in Commonwealth grants than Victoria. The higher grant receipts, however, only account for half the surplus achieved by the Queensland budget sector in 1990-91. In an effort to get more money for themselves, and to hobble Queensland, the Governments of New South Wales and Victoria are vigorously lobbying for a change in the way financial assistance grants are allocated. They want grants to be allocated on an equal per head basis rather than, as under the current system, according to differences in revenue raising ability and spending disabilities. Their lobbying appears to be working, as the Prime Minister has lent his support to the campaign.

Because of its sound financial position, Queensland is well-placed to withstand any short-term loss in revenue resulting from such changes to the grants system. In the longer term the loss in revenue would be recovered by the northward migration of firms — particularly from Victoria and New South Wales — to the lowest-cost and most dynamic State. Because they consumed rather than saved all their grants, Tasmania and South Australia, and to a lesser extent Western Australia, would likely have a very difficult time coping with the change being advocated by New South Wales and Victoria.

Queensland’s superior performance is not restricted to the budget sector. It extends to having the most efficient set of public trading enterprises (PTEs) among the States. Queensland was the only State during the 1980s to achieve an operating profit in its PTE sector, and it achieved this feat without large increases in charges. Also, unlike the southern States, the Queensland Government did not strip its PTEs of earnings to fund recurrent spending. Instead it followed a responsible policy of retaining earnings in PTEs sufficient to fund their accruing liabilities, including replacement of capital. As a result, the Queensland PTE sector entered the recession in surplus and with little debt.

The Queensland Government and its economy also avoided the havoc imposed on the southern States by the implosion of State financial institutions. Wisely, the Queensland Government never set up a State bank; it was the only State not to do so. It therefore avoided exposing taxpayers to unnecessary and inappropriate risks. It also placed its considerable financial assets ($6 billion in 1990) in safe hands and well away from the ‘entrepreneurial politicos’, who managed the disasters in the south and west.

Saying ‘No’ to Vested Interests

Queensland Governments do not have an unblemished record — the Fitzgerald Royal Commission proved this. But the undue political influence of particular businessmen in Queensland has had a far less deleterious effect on public finances than the systematic influence of powerful institutional interests, such as trade unions, in other States. While all other States were duped into determining the level of public services according to the wishes of service providers, Queensland has been far more likely to allocate funds according to the needs of the community and its ability to pay.

As a result of over a decade of sound fiscal management, the present Queensland Government has been able to institute policies to mitigate the effects of the recession. The southern States were so financially strapped that they were forced to implement policies which actually augmented the recession, such as maintenance of high levels of taxes and charges.

More importantly, Queensland has come through the recession in a sound financial position, requiring minimal structural adjustment to the public sector, and in command of its destiny. The southern States, however, can only look forward to years of drastic and painful reform of the public sector, a reform process which will make the necessary adjustments in other parts of the economy all the more painful. More than ever, the southern States will be open to domination by the Commonwealth.

Queensland shows that good fiscal management is possible, that it pays, and if voting with one’s feet is an indicator, that it’s popular too. Northward ho!

3. 'Efficiency of States Spending', in Background Papers on the Public Sector, Background Paper No. 7, EPAC, December 1990.
Number of democracies in the world in 1972: 44. In 1991: 89.

Freedom House.

Public inquiries appointed by Federal Governments.

Whitlam Govt (1972-75) 120
Fraser Govt (1975-83) 80
Hawke Govt (1983-1991) 122


Visits by medical doctors per person per year (1987).

Australia 7.8
Canada 6.4
Finland 3.6
Netherlands 3.5
UK 4.5
USA 5.3

Number of coronary artery bypass operations which could be performed for the cost of one heart transplant (including one year's post-operative treatment): 7.5.

New South Wales Health Department.

<table>
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<tr>
<th>Country of Origin</th>
<th>Number Arriving</th>
<th>1989/90</th>
<th>1990/91</th>
</tr>
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<tbody>
<tr>
<td>Vietnam</td>
<td>5,031</td>
<td>4,431</td>
<td>55.8</td>
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<tr>
<td>Philippines</td>
<td>1,879</td>
<td>2,486</td>
<td>17.8</td>
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<tr>
<td>Hong Kong</td>
<td>3,672</td>
<td>8,113</td>
<td>2.6</td>
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<tr>
<td>Malaysia</td>
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<td>3,105</td>
<td>5.6</td>
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<tr>
<td>India</td>
<td>1,531</td>
<td>2,887</td>
<td>11.1</td>
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<tr>
<td>Lebanon</td>
<td>1,005</td>
<td>1,355</td>
<td></td>
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<tr>
<td>United Kingdom</td>
<td>11,840</td>
<td>11,110</td>
<td>17.5</td>
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<tr>
<td>TOTAL OF ARRIVALS</td>
<td>157,530</td>
<td>63,106</td>
<td>29.7</td>
</tr>
</tbody>
</table>

Source: Department of the Parliamentary Library, Migration Selection During the Recession, March 1992.
Minimum proportion of appointments to Government boards, councils and committees who should be women, as resolved by the ALP Caucus in August 1988: 25 per cent. Actual proportion of boards/committee members who are women (three years later) in the portfolio of the Minister of Industrial Relations and the Minister assisting the PM for Public Service Matters: 3.1 per cent.


NSW Government.

Australia’s share of global trade.

<table>
<thead>
<tr>
<th>Year</th>
<th>Share</th>
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<tbody>
<tr>
<td>In 1953</td>
<td>2.6%</td>
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<tr>
<td>Today</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

The Economist, 4 April 1992.

Estimated increase in export income which would result from the opening of three new uranium mines (Jabiluka, Koongarra, Kintyre): $235 million per year. (At present the Federal Government’s ‘three mines’ policy prevents the opening of any new uranium mines.)

Australian Bureau of Agricultural and Research Economics.

Price paid for 1kg of butter and steak

<table>
<thead>
<tr>
<th>Country</th>
<th>Butter</th>
<th>Steak</th>
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<tbody>
<tr>
<td>Australia</td>
<td>$3.87</td>
<td>$10.28</td>
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<tr>
<td>Germany</td>
<td>$5.50</td>
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<td>France</td>
<td>$7.87</td>
<td>$18.46</td>
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<td>Italy</td>
<td>$8.87</td>
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<tr>
<td>Spain</td>
<td>$14.22</td>
<td>$18.52</td>
</tr>
</tbody>
</table>

Federal by-elections in which a seat held by the opposition has been won by the government: 1 (Kalgoorlie, 1920).

Elections for the House of Representatives since 1901: 36. Number which have been held in November or December: 18.

Independent Contractors Under Threat

In early June, the Federal Government was forced to modify proposed legislation targeted at the most valuable asset of sub-contractors — their independence. But the legislation remains controversial.

STUART WOOD

"[Industrial disputes involving independent contractors] should be addressed on their merits by an expert industrial tribunal; not left as a source of industrial friction and injustice, without remedy."

Senator Peter Cook,
Federal Minister for Industrial Relations
Hansard (Senate), 7 May 1992.

Industrial friction and injustice are precisely what Senator Cook's new Bill are likely to create. If enacted, his Bill will give the Industrial Relations Commission power to alter the conditions under which independent contractors work.

Senator Cook argues that the aim of the Bill is to ensure that "workers, particularly those whose employment status is ambiguous, are not exploited." He claims that "legal technicalities" have prevented "workers' positions being protected by an industrial tribunal."

The difference between an employee and an independent contractor is not a mere legal technicality, but a distinction between two quite different economic relationships. It is not a mere legal technicality to differentiate between a chauffeur and a taxi driver.

The legislation has its political genesis in the labour movement's reaction to the Troubleshooters Available case, in which an agency which supplied sub-contractors to builders brought a successful action against the BWIU for preventing Troubleshooters' workers from entering building sites. In fact, as Justice Woodward found in that case, the independent contractors with Troubleshooters Available were paid at least as much as, and often more than, employees on award wages. They hardly qualified as exploited.

Clearly, independent contractors are seen as a challenge to the centralized industrial relations system. The notion that in a free society responsible adults should have the right to enter into work contracts acceptable to both parties is alien to the philosophy underlying Senator Cook's Bill.

The section of the Bill which Senator Cook has now deleted would have given the Industrial Relations Commission jurisdiction in relation to industrial disputes involving the use or proposed use of independent contractors. There are no prizes for guessing who would have created the disputes. Unions would not have been slow in arguing that independent contractors should be employed on award terms or not employed at all. So much for reducing 'industrial friction'.

Even in its modified form, the Bill still gives the Industrial Relations Commission broad powers to vary, set aside or make any order, even in respect of a contract between an employer and an independent contractor that it deems to be "unfair" or "harsh" or "against the public interest." This provides scope for the Commission to impose conditions upon independent contractors on the ground that this is in the 'public interest'.

This section of the Cook Bill purports to be based on the corporations power (s.51 of the Constitution): that is, the Industrial Relations Commission will only have jurisdiction to vary contracts involving a corporation. There is some doubt that the corporations power can be applied in this way. The Bill is thus open to a constitutional challenge. An adverse High Court decision regarding the scope of the corporations power would sink this aspect of the Cook Bill.

There is irony in this, however, for John Howard, the Opposition spokesman on industrial relations, has stated that he intends to use the corporations power in a similar way in order to pursue his reforms when the Coalition gains office. Using the corporations power would allow federal legislation to override State industrial laws and tribunals. Thus, the failure of a constitutional challenge to the Cook Bill may in fact pave the way for a nation-wide deregulation of the labour market under a new government.

The Cook Bill also contains provisions designed to facilitate 'enterprise bargaining'. Unfortunately, owing to its misuse by the ACTU, the concept of 'enterprise bargaining' has become almost drained of meaning. Under the banner of 'enterprise bargaining', the Federal Labor Government and the ACTU have argued for industry-wide standards, a National Wage Case, a national focus on training, the retention of the Industrial Relations Commission, the creation of mega-unions and the de-registration of smaller enterprise unions. It seems that the ACTU is to enterprise bargaining as King Herod was to child-care.

Enterprise agreements processed under the Cook Bill must have a union as a party — even at non-unionized workplaces! This differs from the situation in, say, NSW, where 65 per cent of individuals at a workplace can enter an agreement without the support of registered unions. Moreover, the 'public interest' test in the Cook Bill means that enterprise agreements will be subject to Commission approval, whereas true 'enterprise bargaining' surely requires the abolition of the public interest test.

In its modified form, the Cook Bill could well become law. Its more lasting effect may be to precipitate an expansion of federal constitutional power. Paradoxically, this expansion may allow an incoming government to institute a new industrial relations environment in which 'enterprise bargaining' is truly enterprise bargaining and independent contractors are truly independent. ■

Stuart Wood is a Victorian lawyer.
Between scientific research and commercial success lies a convoluted, potentially treacherous path, a fact which advocates of the latest technology transfer proposal fail to appreciate.

The science bureaucrats in Canberra are direct descendants of Lewis Carroll's White Knight. They really do want to help; they really do want to invent things; they really do want the country to progress. But they don’t know how to be of service and they cannot tell whether they will ever be useful.

The latest invention of the ‘science club’ is the Australian Technology Group (ATG). It was given life in Paul Keating’s One Nation statement. Those who follow the trail of the ‘science club’ will be aware of the long list of antecedents: VIC Limited, Amrad Limited, Anutech, Sirotech, Montech, and so on. Further back there was the British Technology Group (see box), which, along with the Swedish model, influenced Australian thinking about industry.

Why the fixation on research and technology within parts of the bureaucracy? Perhaps it is the enticing difficulty of the challenge. After all, the mutual interaction between academia, research institutions and business is one of the most complicated and least penetrable processes contributing to wealth creation in modern society. Teaching, training and research all contribute to industrial improvement, scientific literacy and economic development. But each influential area of the science thinking world is shaped by its neighbours, and in turn all are shaped by the societies and economies of which they are part.

Sheer complexity often elicits simplistic road maps. It is very human to pretend that things are easy when they are not. Otherwise, the task of intervention would be too daunting for the social improver to embark upon. Perhaps this is why the White Knights from the national capital have adopted the attractively simple ‘linear’ model of innovation: research directed by remote bureaucrats who believe that research results will be automatically taken up by industry when properly packaged and presented, with the added incentive of serving ‘national needs’. How different this is from the actual experience of the industrial and commercial world where research follows business which in turn follows markets. Who would deny that Canberra is a looking-glass world?

Australia possesses very few businesses where research and development are the key to providing new products or processes. Yet the ‘science club’ continues to believe that it can see further than others. Unhappily, it is encouraged to do so by those who should know better.

The creation of the ATG follows from recommendations in two reports commissioned by the Federal Government: Bringing the Market to Bear on Research and Report of the Working Group on the Commercial Development of Medical

The British Technology Group is a long-lived “technology transfer and licensing” organization which is finally being privatized after some 20 years of existence. As a measure of the difficulty of picking and supporting winners, BTG has only an average of three in 100 patents generating more than $25,000 revenue. It is not regarded in Britain as an unalloyed success. It has had a major win with the discovery of Cephalosporins, a most potent group of anti-biotics, but BTG’s critics claim that this is the only substantial success it has had.

Dr Tom Quirk has worked as a venture capitalist since 1983 in Australia and the US. Formerly an Oxford don, he is also a graduate of the Harvard Business School. Dr Tim Duncan is National Business Writer for The Australian.
Research, referred to respectively as the Block and Coghlan Reports after the Committees' chairmen.

Both Reports focused on the idea of a "technology transfer mechanism." The Coghlan Committee thought that a clearing house for patent information was required in Australia, together with a small amount of official funding of commercial demonstrations and a technology transfer company funded by the private sector. The Committee mentioned Amrad, a medical development company funded by the Victorian Government (see the box on this page), but had unspecified reservations about using it as a model organization.

On the other hand, the Block Committee strongly recommended the creation of something like Amrad, and in the body of the Report it expanded the Amrad model as the basis for an ATG. Underlying its ATG idea was the belief that, since the market is imperfect, the mechanism to put it right is the institutional bureaucracy, with little experience of research or of arranging commercial development. In fairness to the Block Committee, a technology transfer company was only one of 11 recommendations.

The Search for Bureaucratic Solutions

The ruminations of these Committees are part of a very Australian assumption now embedded in domestic science and technology discussion: the belief that systematic and therefore bureaucratic solutions to research and development problems actually exist. But guiding research through to a commercial conclusion is in most cases a time-consuming exercise with uncertain success. Research without market direction is a notoriously risky investment.

In general, large research institutions should not be regarded as good sources for technology transfer. They possess a great deal of knowledge or 'know-why', but relatively little technology or 'know-how'. Most technology transfer companies have been able to survive with the help of consistent patronage. But few of them have been able to do so by focusing exclusively on their intended function.

The reason is that they are no better than anybody else at picking research projects in a way that lowers the commercial risk associated with them. Risk is as central to technology transfer as it is to venture capital, but there is an important difference. Technology transfer is directed at a process or a product whereas venture capital is about founding businesses. A business addresses all aspects of risk — that is, markets, manufacture and development — whereas technology transfer is at the earlier stage of still trying to find the idea or the product and the supporters to make a business. The rewards must be large if the high risks associated with starting a business are to be seen as worth taking. Whether the even higher risks of technology transfer will have sufficient rewards is difficult to see, particularly if the technology transfer organization has to pass many of the royalties it gathers to its clients.

Beyond these basic reservations there are a number of particular weaknesses which will have to be sorted out if the ATG is even to get to the point where it can sustain itself. First, the Amrad model from which it has grown is too narrow. It rests on a high quality but limited scientific base, whereas the ATG may be required to span the complete range of scientific and technical activities found in universities and research institutions.

Second, the royalty revenues have been overestimated. For instance, the last published accounts of the CSIRO, for the year ended June 1991, show royalties of $2 million on revenues of $588 million. This royalty stream is no doubt based on work completed some years ago. CSIRO's technology transfer company, Sirotech, has operated for seven years. If the technology transfer company of the country's largest research and technical institution can only generate this level of royalties after seven years operation then the ATG will need a great deal of non-commercial patience to generate an adequate return on an initial capitalization of $60 million.

The ATG idea merely aims to erect yet another institutional mechanism, when business is interested in individual researchers, not in joint or generic research or in technology transfer institutions. It is hard to conclude anything but that the ATG will be a national version of Amrad, given birth not from the efforts of industry, but rather imposed by those with a misconceived view of how commercial success is achieved.

Amrad Corporation was set up by the Victorian Government in 1986 after the lack of Australian commercial interest in developing Colony Stimulating Factors (CSF), a major medical discovery at the Walter and Eliza Hall Institute. This discovery has been described as one of the same importance as the discovery of antibiotics and, following its exploitation in the United States, has given rise to at least one multi-billion dollar corporation, Amgen.

Amrad has access to a number of medical research institutions in Melbourne, and aims to finance and arrange research collaborations with interested companies. Amrad's direct government venture-capital sponsor, VIC Limited, managed to lose some $74 million before being put out of its misery, having invested some $100 million in various ventures. If Amrad is to succeed, and the State is to achieve a return which is commensurate with the risks associated with venture capital, then Amrad will need to achieve a market capitalization of some $800 million in the next five to 10 years. This would give the State, which owns some 60 per cent of Amrad, a return of $500 million — five times the return on its original venture capital investment. This would be an annualized return of around 15 per cent on the total fund and an annualized return of about 25 per cent for Amrad.

It is too early to judge whether Amrad is a success or a failure. However, Amrad is probably overcapitalized and is therefore unlikely to generate adequate returns to cover the risks involved in pharmaceutical development. If it is to act as a technology transfer company then it will be even less likely to generate worthwhile returns.
Any proposed restriction on freedom of speech is a cause for concern, particularly in a society like ours where there are already many such restrictions imposed by the laws of libel, blasphemy, contempt, sedition and obscenity. In the absence of any constitutional guarantee of freedom of speech there is little or no defence against the misuse of laws written with the best intention.

It is taken for granted that in times of crisis a state may act to limit freedom of speech to protect its security or its calm and good order. So, it may be argued, any speech which inflames hatred between sub-groups in the community and thereby threatens the peace of the community may be prohibited. But only if the first condition is met — that there is a crisis in existence. It would need to be demonstrated in an empirical way that the Australian community is indeed in such a critical state, with its calm and good order in peril, before the draconian restrictions applying in New South Wales, for instance, could be tolerated. I see no evidence that inter-group hatred is so intense or our social fabric so fragile that such measures should be tolerated.

Indeed, it is doubtful if — in the cases where animosities may spill over into violence — the State would prohibit inflammatory statements. The application of any anti-vilification law would almost certainly be selective and would benefit some groups at the expense of others. For instance, in the case of relations between Serbs and Croats, or between Irish of Protestant and of Catholic persuasion, or between Macedonians and Greeks, I do not believe that the publication of statements would be prohibited; nor would even the most extreme vilification of Anglo-Celtic persons by Aboriginal persons.

It may be desirable for a law to be written which gives New South Wales and Western Australia both have legislation against racial vilification. Since 1989, it has been unlawful in New South Wales to incite hatred (including serious contempt or ridicule) against a person or group on the grounds of that person's or group's race. The Western Australian legislation (1990) prohibits the publication or display (or possession with the intention of publication) of threatening or abusive material with the intention of inciting racial hatred. The Victorian Government is now considering introducing legislation along similar lines.

A Committee to advise the Victorian Attorney-General on the question recommended in a Report published in March that Parliament should legislate that "it is a criminal offence to speak or behave towards another person in a manner that threatens or abuses that person on the ground of his or her race or religion." The Committee also recommends outlawing the display (or possession with the intention of display) of printed matter that is intended to intimidate on the grounds of race or religion. The Committee proposes that the legislation cover private as well as public communication.

Terry Lane, who hosts a regular discussion program on ABC Radio in Melbourne, made a submission to the Committee of which this is a slightly shortened version.
Compulsory conciliation: In this process the aggrieved person and the person giving offence should be brought together to find some common ground. This may lead to the retraction or modification of the offending statement. This is unlikely, of course. The more probable outcome would be mutual obduracy.

Compulsory argument: In this case the contending parties would be compelled to argue out their case in public. The citizenry would be invited to attend such arguments and a permanent record would be kept of them for reference by any other person subsequently canvassing the same opinions. For instance, the argument may be about the truth of the accepted version of the Holocaust, as in the case at present before the Anti-Discrimination Board in NSW. It is pointless and philosophically repulsive in a democracy simply to prohibit the publication of one point of view, no matter how outrageous or offensive. Let the record contain the argument and its refutation. In this way a body of material of immense value to the community would be generated. One hopes that in such a process the truth will prevail over falsehood. Democracy is built on that confidence.

Compulsory co-publication: Take the current New South Wales case again. It would not be unreasonable to impose on the publisher of certain types of material which may be deemed to excite prejudice the obligation to attach to his publication an answering document, the costs to be born by both parties. This would cut both ways. There is at present in circulation a document called The Christian Press in Contemporary Australia, by W. D. Rubenstein and M. Cohen, and published by the Australian Institute of Jewish Affairs. In this publication, the journal of the Australian Council of Churches, In Unity, is described as "Obsessively anti-Israel — had crossed border to anti-Semitism. One of major sources of anti-Jewish hostility in Australia." There is no doubt that this publication would excite Jewish antipathy to individual Christians and to churches and church councils. A complaint of racial vilification would never be sustained before any tribunal, but there is no reason why offended Christians should not seek the right of co-publication, within the same covers, to reply to their detractors. Indeed, there is a good argument that this right of prominent reply should be the customary rule governing libel cases, rather than the immediate resort to punitive litigation.

I am deeply prejudiced in favour of the absolutist position on freedom of speech. I accept the limitation that says I may not shout "Fire!" in a crowded theatre. I do not believe that contemporary Australia fits the analogy of the crowded theatre. The evidence is that we are a tolerant community in which racial hatred, while no doubt existing, is exceptional rather than normal.

Suppression of public debate

To extend the concept of libel to cover groups will have a chilling effect on public discussion. There is already a widespread unwillingness amongst writers and broadcasters to broach the subject of the Middle East. I have publicly declared that I will never again discuss anything to do with Israel or Palestine on my program because the resulting harassment and intimidation are unbearable. To add to the informal censorship which already applies to discussion of certain issues the threat of formal litigation would see whole areas of enquiry closed off.

I see no evidence that inter-group hatred is so intense or our social fabric so fragile that such measures should be tolerated.

Professor Geoffrey Blainey was accused by his colleagues at Melbourne University of inflaming racial hatred. If that were proven to be true, then under the NSW Act he could be fined up to $40,000 or sentenced to a term in prison. It is nonsense, of course, but it is an indication of the dangerous territory into which anti-vilification legislation will take us. At the very least Professor Blainey could be put to the expense, anxiety and inconvenience of having to defend himself before a tribunal. That is an intolerable restriction on freedom of speech. On the other hand, it would not be an unreasonable imposition to compel him to face his detractors and to deal with their arguments.

In the 1970s Professor Hans Eysenck was prevented from putting his controversial views on race and IQ in Melbourne by a censorious audience. It would be a terrible travesty to accord to the howling mob the protection of law. Eysenck's case either will or will not stand up to scrutiny and argument. What he says about race and IQ cannot be settled by simply prohibiting the publication of his point of view. Indeed, it will most likely have the contrary effect of making people think that there may be some truth in his thesis.

Who should judge?

It is difficult to see how a truly disinterested adjudicator could be found to pass judgment in these cases. If the adjudicator is from a minority group, sensitive about its security in the community, then that person has a vested interest in interpreting the law in the most severe and literal
way. On the other hand if the adjudicator is appointed from the dominant Anglo-Celtic community then this person is as likely to be indifferent as to be disinterested.

Permit me an analogy. Take the case of a baby born deformed. Who should decide if the baby should live or be let to die? It could be argued with equal vigour that the parents should or should not make the decision. If the baby lives the parents will have their whole lives distorted. Therefore, it could be argued, the decision should be theirs alone, because they are the ones affected. On the other, it could be said that this is precisely the reason why they should not have the prerogative to choose between life and death for their infant.

So, in the case of a calumny perpetrated by an Anglo-Celt against an Aborigine, who should judge? A person from the affected group who after all must live with the effect of the calumny? Or one from the offending group who may be so detached and objective as to be unable to empathize with the plaintiff? Where on earth will we find the truly disinterested judge?

Existing Laws

One more thing must be kept in mind: there are already laws prohibiting incitement to commit a crime. If there is a serious case to be made that a publication will in all likelihood lead to the commission of a crime, then it can be dealt with under existing laws. Similarly there are laws against the destruction of property and trespass which can be invoked against racist vandals who commit acts of desecration. There is certainly no reason to believe that if the present laws have failed to curb secret acts of vandalism, any new laws will be more successful. Disturbed people will paint swastikas on synagogue walls or anti-Asian slogans on station platforms regardless of the laws in force.

It is impossible to see how racial harmony would be encouraged, improved or guaranteed by the imposition of penalties on those who express outrageous views. These desirable traits of the good society come from within. They cannot be legislated into existence. Racism is in the mind. I have no doubt that preventing people from speaking what is in their minds will produce festering resentment and violence. Minority groups will be less rather than more secure in such circumstances.

In conclusion, I do not believe that there are any tensions, threats or menaces which exist in the Victorian community at the moment which would justify the suspension of a fundamental liberty which underpins every liberal democracy — the right of every citizen to speak what is on his or her mind, no matter how offensive or even untrue it may be. The principle of freedom of speech is indivisible and absolute. As soon as it is qualified with the words: “As long as it is true and it does not give offense” then the principle is destroyed.
Economic Outlook:

The headlines have been an unreliable guide to the course of the recession.

THE AGE 2/1/91 Economists Predict a Long, Deep Recession
Australia's leading economists have made their most pessimistic forecasts since the 1982-83 recession in the latest Business Age twice-yearly economic survey predicting the recession will last for most of 1991.

FINANCIAL REVIEW 12/3/91 Figures Suggest Economy is Ready to Begin Growing Again
Confidence is growing that the economy may have re-entered a growth phase, spurred by new figures yesterday showing that businesses are ready to begin replacing depleted stocks.

THE AUSTRALIAN 22/3/91 The Worst is Behind Us, Says Keating
Gambling that the return to economic growth — as measured by yesterday's December quarter national accounts — would continue, the Treasurer, Mr Keating declared that "the worst is now behind us."

THE AGE 19/4/91 Survey Finds Tentative Signs of Recovery
The nation's recession has hit its lowest point and the economy is set to turn upwards, according to the latest...survey of Australian business expectations.

SYDNEY MORNING HERALD (SMH) 6/5/91 Recession Threat Worse Than '82
Outlook bleak, with no signs of recovery anywhere.

FINANCIAL REVIEW 31/5/91 Keating Hails 'Year of Recovery'
In a clear prelude to his bid for the Prime Ministership, the Treasurer, Mr Keating, yesterday expressed his confidence that the economy had entered the growth cycle.

SMH 28/6/91 Hopes of Fast Economic Upturn Dashed
There is little hope of economic recovery before the end of 1991...a key Government research group believes.

THE AUSTRALIAN 1/7/91 Boost in Demand Improves Outlook
The prospects for the economy have strengthened somewhat, according to the Treasurer, Mr Kerin...

FINANCIAL REVIEW 4/7/91 OECD Cuts Back Aust Forecast
The OECD has sharply revised down its economic growth forecasts for Australia over the next 18 months, but still expects a recovery before the end of this year.

HERALD-SUN 8/7/91 Victoria Tipped for Early Recovery — ANZ
Victoria could be in for an early recovery, according to the latest job advertisement statistics.

THE AGE 9/8/91 Jobless Rate Surges, Worse Likely
Australia's unemployment rate jumped towards 10 per cent and dole numbers surged past 700,000 in July, as more than 83,000 jobs disappeared in the sharpest monthly job slump on record.

THE AGE 18/10/91 Ministers Talk Up a Vigorous Recovery
Australia is starting to see solid signs of a recovery that could become "the strongest recovery in the post-war period", the acting Prime Minister, Mr Howe, claimed yesterday.
The post-war economic situation in Australia has been described variously over the years, with reports indicating different phases of recession and recovery. Here are some key observations:

**SMH 21/10/91** Sure Australia had it Worse...Like Back in 1929
(Max Walsh) ...The simple unavoidable fact is that we are in the worst recession since the Great Depression.

**THE AGE 27/11/91** Lone Voice for Upturn Amid Signs of Gloom
Yesterday the Commonwealth Bank's economics department released an almost bullish assessment of the prospects for recovery of the Australian economy.

**FINANCIAL REVIEW 3/12/91** Kerin Confident of Uptick in Economy
The Treasurer, Mr Kerin, claimed yesterday that the recession was over and that a slow recovery had begun.

**HERALD-SUN 6/12/91** National Accounts—The Gloom Continues
The worst recession in 60 years looks almost a certainty after yesterday's national accounts and new revelations of business gloom.

**SMH 14/12/91** Growth Rate Forecast Likely to be Cut Again
Economic growth for 1991-92 is expected to be revised downwards for the third time when the Government releases updated forecasts next month.

**FINANCIAL REVIEW 20/12/91** Anaemic Recovery Teeters on Lack of Confidence
It's white knuckle time for the economy and those predicting a modest revival of growth in 1992.

**THE AGE 22/1/92** No Sign of Recovery: Keating
The Prime Minister, Mr Keating, yesterday ended four days of talks with business, union and community leaders, admitting there was no evidence that the economy was yet picking up.

**FINANCIAL REVIEW 23/1/92** Steel Caught in Slump
A seven per cent fall in BHP Steel's monthly domestic orders has reinforced views that the economy is failing to demonstrate any strong signs of recovery.

**FINANCIAL REVIEW 29/1/92** Australia to Lead OECD in Growth This Year: CEDA
Australia's economic recovery will be slow, but there are signs it is already under way, the Committee for the Economic Development of Australia said yesterday.

**THE AGE 18/3/92** Little Joy in Weak Upturn
Australia is technically out of recession. But a massive plunge in business investment over the December quarter and growing fears of a recession in Japan left the nation with little to celebrate yesterday.

**THE AGE 10/4/92** Worst Since the War
Victoria's unemployment rate has rocketed to a new post-war record of 11.6 per cent, with the state suffering a relapse which has plunged it into its worst period of unemployment for the recession.

**THE AGE 15/4/92** Businesses Deliver More Gloom
Signs that the economic recovery may be faltering have been backed by a new survey.

**HERALD-SUN 16/4/92** Economy on the Mend — Reports
A gradual recovery in the economy now appears to be underway, following the release yesterday of a string of positive economic reports.
LETTER FROM AMERICA

HARRY GELBER

IT IS an odd time in America. The air— and the television screens—are full of complaints: about unemployment; about "lack of leadership"; about the shortcomings of the health services; about the erosion of social welfare entitlements; about the Japanese commercial and financial challenge; about the shortcomings of American education; about the failure of the Gulf War to remove Saddam Hussein or to settle the Middle East; about the fact that foreign affairs won't go away; about Congress and the corruption of its members; about the candidates for this year's Presidential election, including President Bush; about America's general decline.

When one looks more closely, most of the economic facts are rather different. Unemployment, at some seven per cent, is much less than it was during the last recession of the early 1980s, and a mere fraction of the 25 per cent when Franklin Roosevelt came to the White House. It does, though, affect the middle classes, not merely the relatively voiceless, unskilled and blue collar workers. There is also a strong case for saying that the unemployment, while real and painful, is one facet of a profound restructuring of the US economic system, as old industries die and new ones emerge. It has already begun to produce a distinct economic and technological revival. There are early signs of economic recovery, with private housing starts during the early part of this year 31 per cent higher than a year ago, consumer spending up and employers starting to hire people again.

The general problems of banking, and the Savings and Loan collapse, are being overcome — slowly, but overcome all the same. The banking system may be facing tough times relative to other kinds of financial entities, but that is quite another matter. American companies have cut back sharply on their debt. In the first quarter of this year they went to the stock market for US$21.2 billion of fresh equity compared with a 1991 figure of US$6.8 billion.

Manufacturing productivity is up and productivity in the dominant service sector seems set to follow suit, after a period in the doldrums. US exports have gone up sharply, especially to the Third World and most particularly to Latin America, which is booming. In 1991 exports accounted for an unprecedented one in every nine dollars of domestic product. America's current account deficit, which was some US$160 billion in 1987 and US$92 billion in 1990, was down to US$5 billion last year.

The arguments about technological decline also look distinctly overdone. The Americans have re-established or confirmed their lead in a number of hi-tech fields, including aerospace, super-fast computing and, especially, software. American producers of semi-conductors and microchips are making something of a comeback, too, and now appear to have some 40 per cent of world markets. This seems to be due to a shift in the economics of the business that favours products in which American companies specialize. It also stems from the fact that the quality of US chips has greatly improved and government help has made some contribution. Most important of all, US companies have not only maintained but increased their lead in cleverly designed and highly profitable kinds of chips such as the central calculating chips in personal computers, or chips that specialize in displaying images on computer screens, rather than the memory chips in which the Japanese have invested so heavily and which have narrow profit margins.

Or take education. It is quite true that in some respects the average US high school product is behind his or her Japanese or German counterpart, for instance in Maths and Science. But averages of this kind can disguise the fact that the base on which they are computed includes not only some quite dreadful schools with appalling problems in city ghettos and slums, but also a broad band of excellent schools. American high schools graduate a large number of extremely bright and highly motivated young people, with enormous drive and personal and intellectual entrepreneurship. Nor is it a coincidence that among America's 3,000 or so institutions of higher education are not just a few offering courses and qualifications notable for their absurdity, but also an impressive number of the world's most brilliant universities and research institutes.

Harry Gelber is Visiting Professor of Government at Harvard University.
Political Alienation

Although America's economic and other difficulties are real enough, by no means all the indicators are bad. What seems to be happening is rather a period of general political alienation. This kind of combination of economic and social trauma and political disillusionment has happened before. It occurred, for instance, in the 1840s and 50s and again in the 1890s and the 1930s. In the 1890s British bankers were being blamed for America's economic problems, much as the Japanese are being blamed today. In the 1930s populist radicalism flourished again, with worries (like now) about unjust concentrations of economic power, with renewed attacks on internationalists, and on British bankers (again), and isolationism being advocated.

In 1992, once more, there is a confused mixture of economic difficulty, populist resentment, class rhetoric aimed at the rich and fashionable, exaltation of the ordinary American against affluent and educated elites, contempt for Washington, rising ethnic and religious hatreds, fear of foreigners and a desire to turn away from the world. All of that includes a radicalization of the usually non-ideological mid-section of the population, based on cultural and economic threats. No doubt it is all combined with the confusions of the end of the Cold War and the need for America to define a new role for itself in the world.

All that is accompanied by some breakdown of the usual ideological battle-lines. For what is happening is a combination of an assumed erosion of the middle class and the decline of America as the world's leading economic power. The fact that, for all the torrents of words, neither assumption is accurate does not diminish its power for the time being. Matters are made worse by the disturbing weaknesses of the major parties and their prevailing philosophies. Three Republican administrations have brought neither happiness nor growing prosperity, while American liberalism is too clearly associated with radical chic and contempt for bourgeois values.

But the matter goes further. While the White House is dominated by the Republicans, Congress is dominated by the Democrats. The deadlock causes frustration. Yet it is what voters have repeatedly voted for. The political reforms of the 1970s, including the weakening of the Congressional seniority system and changes in political financing, have seriously eroded the role of the parties and made individual members of Congress or the Senate far too dependent on pressure groups and their money. Dan Rostenkowski, the Democratic Chairman of the House Ways and Means Committee, has gone so far as to say that there are no longer any parties, just individual and quasi-separate members of Congress, scrambling to look after the most immediate, short-term interests of voting groups; no-one can afford to take a long-term view of anything.

Together with that come the often unreasonable suspicions by the public of all politicians and the often equally unreasonable standards of purity demanded by hostile media investigations. A number of Senators and Congressmen are so frustrated, both with the public carping and with their inability in the present paralysed state of Congress to get anything done, that they will not stand for re-election. By the start of April, over 40 members of the House had said they would retire this year, which may therefore see the greatest turnover of House seats for over 40 years.

One must not exaggerate. There is a basic common sense in the American electorate which is likely, in the end, to assert itself and to produce a new centre of gravity for politics. The slow economic revival will no doubt help. But for the time being, at least, the noise and the fury are real enough, and politicians on both sides of the party divide seem to have great difficulties in catering to the underlying needs.
The Challenge of Genetic Engineering

Research and development in genetic engineering in Australia is dogged by opposition, driven often by unfounded anxieties or ideology. There are substantial economic and medical benefits which critics should not ignore.

DAVID TRIBE

"The shock of the new" can be unsettling; never more so than in the field of biotechnology, where the current pace of innovation places heavy demands even on those who devote every spare minute of their lives to the discipline. Although, in my view, the major objectives of this scientific revolution are unimpeachable — knowledge of the biological world and the skill to manipulate it in ways that serve the common good — there are some individuals and organizations who are concerned as to whether this increasingly massive intellectual effort is going in the right direction.

Rational public debate about the hypothetical hazards and complex ethical implications of genetic engineering is healthy. The carefully researched and responsible report of the Victorian Law Reform Society on this topic, and the quietly reasoned comments by human ethics experts such as Nicholas Tonti-Filippini, research officer for the Catholic Bishops' Conference, are worthwhile examples of the type of commentary that deserves close attention. The recent House of Representatives Report, Genetic Manipulation: the Threat or the Glory, deals with this complex issue very responsibly. But the public interest is not well served by the deliberate manufacture of concerns where none is warranted.

The main group involved in exaggerating the hazards of genetic engineering is the Australian Conservation Foundation (ACF) led by Genetic Engineering Campaign officer Bob Phelps (now associate with the Federal Government-funded ACF offshoot, Australian Genetics Network). He has been involved in a highly emotive campaign including demands for a genetic engineering moratorium and for radical changes to patent law (of which most people are unaware) which would adversely affect most biological research in Australia.

Patenting of biological material provides a mechanism to allow those who wish to risk money in developing new technology some assurance that they will reap a reward for their labours. Biological patents certainly do not involve the simple granting of a monopoly on discovered natural objects. They usually hinge on an extremely competitive application of complex technical skills, innovative thinking, years of effort, and not a little luck. Social justice demands that this should be applauded and the incentives for the effort should be retained, not derided.

The ACF and other Greens who protest against the patent system because it can involve human genes and therefore allegedly violates human rights need to recognize that they are attempting to destroy research which saves human lives.

Bob Phelps argues that patenting of plants may result in a monopoly of the food supply. But this is hyperbole. For one thing, patents have a limited life time. With biological inventions long delays in testing and meeting regulatory hurdles reduce the effective patent-life further. Rapid progress in the field also ensures that, in a competitive market, the best product today will soon be superseded. The ability to patent genetically engineered plants promotes research investment and we can all gain from this.

A common claim of the ACF is that we have incomplete knowledge of the consequences of genetic technology. Until our knowledge is complete and the community understands all the complex issues involved, genetic technology should not be used. This is abject nonsense. Intellectual understanding of almost every field of human endeavour, including ecology and management of the environment, is incomplete and yet ecologists and environmentalists make recommendations regarding the management of ecosystems. In physics, we even have a celebrated uncertainty principle which puts a limit on what we can know about the behaviour of fundamental

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particles, and still experimentation continues. Life is full of potentially hazardous occupations, such as driving cars, eating, and playing sport. The point is that we should use good judgment in how we carry out these activities.

The international biological patent system is of special value to Australia. Large amounts of public money have been invested over the years in biological research, yielding discoveries such as relaxin (in Melbourne) for use in childbirth and the well-known Gene-Shears idea by CSIRO in Canberra. Fortunately, because of the protection to intellectual property afforded by patents, it is possible for Australian organizations to enter into business arrangements where we get a real dollar return for our investment. The international Gene-Shears consortium negotiated by CSIRO is a fine example of what can be achieved. What, then, is the logic of using taxpayers' money for direct funding of the ACF activists who are trying to abolish genetic engineering patents? This action by the Commonwealth Department of Administrative Services certainly gives a confusing signal about the support of the Federal Government for the biotechnology industry.

The short-sighted policy of the ACF and other Green groups to oppose patents for all important genetic engineering discoveries would have tragic consequences if implemented: it would destroy the biotechnology industry. There is irony in the ACF claim that it acts in the public interest, for there are so many groups which it does not represent: cancer sufferers who can be helped by genetically engineered medicines, cholera victims, gastroenteritis victims, or possibly AIDS victims who will die if denied genetically engineered vaccines, and people with genetic diseases such as haemophilia, diabetes, cystic fibrosis or asthma who may be denied new treatments or even a cure. Another group the ACF certainly does not represent are the many scientists who devote their lives to biotechnology research for relatively modest rewards; the intellectual property of scientists will be seriously devalued by the ACF proposals to oppose patents for genetic engineering discoveries.

Increasing Agricultural Productivity

ACF even opposes the application of genetic engineering to agriculture, preferring to deny that biotechnology has the potential to reduce the use of hazardous pesticides and to increase farm productivity. Since in a world of limited resources, more efficient use of land for food production will be directly beneficial to environmental management by freeing land for recreational and other uses, it is puzzling that the ACF appears to have a closed mind on agricultural efficiency.

The attitude of the Australian Conservation Foundation to genetic engineering is typified by its counter-productive opposition to the first deliberate release of genetically engineered organisms in Australia, which was for control of bacterial disease in fruit trees. It involved a product developed by Australian researchers at the Waite Agricultural Research Institute in South Australia, and now marketed as No Gall. This first experimental release of No Gall was used by the ACF as a political issue to dramatize a supposed need for special legislation in this area. ACF seems proud to have delayed the introduction of this product in Victoria as compared to more rapid licensing in New South Wales, but the fact remains that genetic engineering made this particular product environmentally safer than the one it replaced. The development of No Gall involved the use of simple genetic surgery which was well understood by the scientists who carried out the experiments. There are no legitimate concerns about its effect on the environment: the ACF opposed its introduction for non-scientific reasons.

In 1991 in Conservation News Phelps expressed blanket criticism of genetic engineering, unsupported by scientific argument, combined with a political snipe at "corporate greed":

"Genetic technology is the latest technology on the scene and is a watershed, because its raw material is the substance of life — the DNA within all living cells. Damage will be done to our environment, reducing biodiversity and our chance for ecologically sustainable systems, but its extent remains unclear...If it is to be used the technology must serve socially and environmentally beneficial ends, not corporate greed and environmental destruction. As yet, no-one has properly addressed the social justice issues associated with patented genes and the possibilities they hold for monopoly control of the food supply. Until all the problems of genetic engineering are clearly defined and resolved, and an open national system of laws is in place, we must learn from past experience and delay its deployment."
Saving Lives

RESEARCH in genetic engineering has moved at breathtaking pace, but it is only recently that genetically engineered products have started to be used on a large scale in medicine, due to the need for lengthy process development, extensive testing, and highly demanding regulatory requirements. In the US, for every major genetically engineered medicine on the market, there are about 10 that have recently completed clinical trials, and so there will certainly continue to be a massive increase in sales in this sector of the US economy. This process of therapeutic product development is enormously expensive (at approximately $150,000,000 per product) and the last year or so has witnessed as massive a raising of US venture capital in biotechnology as in any period of the biotechnology industry. It is an impressive demonstration of the power of the free-market system to enrich our lives.

Any general review of genetic engineering would be incomplete without mention of how the technique has allowed the invention of several safer ways of making natural drugs and vaccines. Regrettably, naturally occurring starting materials for drugs or vaccines are sometimes at risk of contamination with dangerous infectious organisms, obviously introducing complications to the process of making safe medicines from these natural products. Nowadays genetic engineering technology allows the starting materials to be changed to a fresh source that is free of this risk, which is a tremendous boon to human welfare. Three examples of new or emerging genetically engineered vaccines follow as illustrations of this trend.

The idea is simple — it hinges on the concept of deleting dangerous genes by genetic surgery, or transplanting selected genes to a safer host cell — but it is of extreme value in medicine since it allows chances of infection with dangerous organisms to be minimized, and is now being widely applied. Hopefully in the future, because of genetic engineering, we will hear fewer and fewer stories of tragic cases of accidental infection by viruses during medicinal treatment.

Hepatitis B is a widespread virus, being the most common cause world wide of chronic liver disease, and a cause of liver cancer. It is restricted to humans and monkeys. Infection with this virus occurs among millions of people and is common in China and southern Asia. Most hospitals in China are about half-full with hepatic disease patients. Several American companies have used recombinant DNA techniques to make a safe, low cost and effective vaccine for prevention of hepatitis B infection.

Older vaccine processes, which it replaces, had some disadvantages. They used as a starting material serum obtained from hepatitis infected individuals as a source of virus antigen for vaccination. The new genetically engineered vaccine is able to avoid any possibility of hepatitis virus or other human virus contamination. It uses selected hepatitis genes transplanted to a yeast cell as a novel host. This yeast cell system has been extensively studied and is known to be free from contamination with harmful human viruses. Certainly, having been injected with this vaccine myself, I felt happier knowing the vaccine was derived from harmless yeast cells rather than a pool of many human sera. This vaccine is being increasingly used as a public health measure and we can now look forward to it being widely used in Asia to control Hepatitis B disease.

Cholera

A major cholera epidemic has swept through the world in recent years. In Latin America alone, where the epidemic has now reached, 300,000 people have contracted the disease. An existing licensed vaccine, consisting of killed cholera bacteria, is only partially effective and is not recommended by the World Health Organization. A new vaccine, which gives every indication of being a real improvement, has recently become available because of genetic engineering. This new cholera vaccine candidate is a living vaccine, and consists of cholera bacteria that are made safe for vaccination. This is done by specifically stripping them of their ability to make cholera toxin by using gene technology to simply delete their toxin gene. Because the first tests of the living vaccine amounted to an environmental release of a genetically engineered organism, the researchers involved used special techniques and took extra precautions unrelated to the medical effectiveness of the vaccine to meet the demands of the regulatory authorities.

One final vaccine example concerns AIDS vaccine development. The surface coat protein of the AIDS virus (called gp160) is an important component of most AIDS virus vaccine candidates that are being developed by a massive effort by the international research community, including many genetic engineering companies, such as MicroGeneSys of Boston. Certainly growth of large amounts of the AIDS virus is a hazardous occupation, and recovery of gp160 proteins for a vaccine free of any infectious virus is a challenging task but an important part of the long haul to develop an effective AIDS vaccine.

Genetic engineering has offered many alternatives for safer ways of producing this key gp160 protein. For example, genetic engineering has allowed the gene for gp160 to be dissected away from all other AIDS virus genes and used separately for producing gp160. The production of gp160 is carried out in cells that cannot make any other parts of the AIDS virus. This genetic engineering approach has enabled significant progress to be made in vaccine development at the Walter Reed Army Institute of Research in Washington DC.
The extent to which genetic engineering may affect the environment remains to be seen, but I challenge the view that it will necessarily damage the environment to any significant extent. From the public commentary of professional groups (e.g. the Victorian Law Reform Commission Report, Dr John Stocker of CSIRO) I believe there is much support for the Australian Genetic Manipulation Advisory Committee’s (GMAC) approach to ensuring adequate environmental safety of genetic engineering. GMAC regulation is carefully considered, well respected, considers input from different sectors of society, and is efficiently administered.

ACF’s opposition to genetic engineering derives in large part from a suspicion of private sector involvement. In an issue of Farrago in 1990, Bob Phelps, speaking for the ACF, expressed the view in the context of a discussion of genetic engineering, that “Corporate control and community welfare are rarely synonymous...” ACF ignores the positive results of business activity, such as the discovery of numerous new medicines and vaccines, corporate contributions to the economy, and the generally efficient way in which venture capital is marshalled for investment in innovative activities. Instead we hear only of corporate greed, irresponsibility and disreputable secrecy. The most charitable thing one can say about ACF statements on corporate activity is that they display a naïve view of the profit motive as a force in society. They are one-sided, poorly researched, and rabidly anti-business. There is no sector of the Australian economy which suffers from a problem of over-investment in new technology development, driven by greedy corporations listing after monopoly positions. Quite the reverse: the Government has to offer a 150 per cent tax break to encourage any activity of this sort, and actively supports business-public sector research collaboration.

An Opportunity for Australia

Genetic engineering is one technological revolution in which Australia has a real chance of participating, after missing out on the computer microchip revolution. We cannot remain unaffected by it. If we disadvantage any further our industries (including agriculture) involved in this technology — they already have enough problems — they will wither away or move overseas. I am reminded of a private comment made to me by a senior manager in a biotechnology company: “Because of the Greenies we are simply taking our R&D activities to the US.” The United States and Japan are not about to curtail their efforts in this area. These are the economic realities about which the ACF seems unconcerned.

Public interest would indeed be well served by a wide ranging debate on the benefits (or otherwise) of biotechnology. A debate should involve input from a wide range of professional scientists, economists, ethicists, and different sectors of the general public. It should emphasize accurate information and rational analysis of both advantages and disadvantages, and should recognize that in the real world the best decisions may have flaws. The value of proposals should be judged by their likely effect in the real world, and not simply claims of noble motives by the proponents. It would be refreshing to see evidence of such balance in the activities of the Australian Genetics Network.

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**RECENT IPA BACKGROUNDERS**


This paper looks at the industrial relations Bill reluctantly shelved by Senator Cook late last year and at its antecedents.


Analyzes the Government’s *One Nation* statement and the Coalition’s *Fightback!* package which both include policies to increase the exposure of public and private sectors to competitive pressures, reduce the Commonwealth’s share of national resources, and improve international competitiveness. But the Coalition has over-stated the benefits from its wide-ranging tax proposals while the economic scenario used by the Government as the basis for promised tax cuts is implausible.


One of the peculiarities of the Australian Constitution, as at present interpreted by the High Court, is the scope given to the Parliament to enact domestic laws in order to implement international obligations entered into by the government. Dr Colin Howard argues that this characteristic of the Constitution has become of unprecedented importance to Australian domestic politics in light of the worldwide politicization of environmental concerns and the forthcoming UNCED conference in Brazil.


Leading NZ businessman Doug Myers examines how the legislation works in practice. The emphasis is on performance related pay deals and the elimination of inefficient work practices. Union membership has fallen rapidly; strikes are at an all-time low.

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Work Allergy  It looked for a while as if the cause of Australia's relatively low productivity had been found, and that industrial relations had nothing to do with it.

Reporting the proceedings of a seminar at Sydney's Prince Henry Hospital in March, the Canberra Times claimed that nearly 40 per cent of the Australian population suffers from Chronic Fatigue Syndrome. According to Associate Professor Denis Wakefield, early research showed that the syndrome occurred across all socio-economic strata, but much more money was needed to study the syndrome. A major problem (besides lack of money), he said, was the scepticism of employers about the existence of the syndrome. "The same sort of stigma surround it like RSI (repetitive strain injury) as there is no overt or outward sign that you are unwell, like a plaster cast or something like that." According to Professor Wakefield chronic fatigue tends to be accompanied by depression (whether psychological or economic is not entirely clear).

As it turned out the Canberra Times had misreported the incidence of Chronic Fatigue Syndrome. The correct figure is 37.1 cases per 100,000 population, not 37.1 per cent. The search continues for the mystery allergy that has plagued sections of the Australian work-force (e.g. on the waterfront).

Whose Dictionary?  He may be a former professor of Politics, but Dr David Kemp, MP, writing in the Canberra Times, was clearly caught off balance by Frances Daly of the International Socialist Organization (ISO). Kemp had claimed that the Leninist group ISO were "impervious to both reason and experience" because they refused to acknowledge the failure of socialism in Eastern Europe. Daly, however, pulled the mat from under Kemp by revealing that "the dictatorships of Eastern Europe were not an impure form of socialism but a pure form of capitalism." If only Ayn Rand had known this she would never have fled Russia.

Re-education  A Window in the Dark, the recently published account by Dymphna Cusack of her time as a teacher in NSW schools between the Wars, was sympathetically reviewed in The Age by Laurie Clancy, a freelance writer and critic who teaches literature at La Trobe University. At one stage, Clancy tells us, Cusack was "condemned for possessing a copy of 'The Communist Manifesto' and for teaching Communist ideas in class —

though ... she also gave equal time to the case for Fascism, confident that her class could make up its own mind." This says a lot about Cusack's view of the world: the only choice she allowed her pupils was between communism and fascism; democracy didn't enter into it.

Clancy admits that Cusack "has her blind spots, such as her naive admiration for the former Soviet Union, which survived even the Nazi Pact..." But most of her book, he believes, "is sensible and today would even be considered by most educators to be self-evident. She despises examinations, rejects utterly the notion of corporal punishment, points out the impossibility of properly teaching students in large classes and is very strongly against private school models of education." This may be self-evident to some of the teachers' unions; it is not at all self-evident to the rest of us.

Misanthropes  Given the hatred of their own society that seems to motivate many members of the Left it seems only logical that an organization of radical environmentalists should be founded in the USA with the title Voluntary Human Extinction Movement. Based in Portland, Oregon, the Movement promotes the phasing out of the human race, through voluntary sterilization and other forms of contraception. This, the Movement claims, is "the hopeful alternative to the extinction of billions of species of plants and animals" which are threatened by human activity.

Tuning the Psyche  In May a leaflet arrived advertising a workshop designed to equip participants with "tools for living life," for about the price it costs to tune and service a car. The general overhaul, which the circular promised, included "hemispheric balancing of the right and left, front and back hemispheres of the brain", "sonating — the use of the human voice to heal and align the body"; "techniques to develop heart-based listening skills"; and "high touch — a way of touching into the energy field of another." Thus equipped, participants would be ready for "a playful profound journey into sacred space of self." The workshop was to be conducted by Kamala Hope-Campbell, who derives her knowledge, apparently, from dolphins. The workshop was called Dolphin Dreaming and one of its aims was to cast light on the importance of dolphins and whales in human evolution (past or future?).

This is the sort of seminar which would appeal to the public service. The Herald-Sun has listed some of the courses, seminars and workshops taken by public servants in Victoria since 1990. They include the Zen of Facilitating, New Age Thinking, the Psychology of Great Achievers, the Ozone Awareness Course, Body Language, F-type Women, the Human Body, Fear-Free Prospecting, a workshop on managing anger and another on 'Power Talk'.

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KGB Follies  The musical, Petrov, inspired by the events surrounding the defection of the Petrovs to Australia in the 1950s, premiered in Melbourne earlier this year. The music is by Michael Easton and the lyrics by Alan Hopgood. Historical truth, it seems, is the first casualty of entertainment. Hopgood described his approach to Peter Craven for the Sunday Age: “We’ve taken every kind of licence and if people want to they will be able to find every kind of historical inaccuracy. It’s been very much a broad thing. Evdokia [Petrov] is turned into a kind of tragic heroine, which she very probably was not. Menzies and Eeatt become a sort of Punch and Judy show who sing patter songs together. As for ASIO, you’d need a cast the size of the one in Aida if you were to fit all the real ASIO operatives on to the stage, so we’ve squeezed them into three characters who do a very nice softshoe number.” It recalls Marx’s comment that history repeats itself as farce.

Sweden Reconstructed  While Australian socialists would like to see their country reconstructed along Swedish lines, the Swedes themselves would like to see their economy reconstructed along more rational principles. Sweden’s Government has announced drastic cuts in public expenditure of A$1.92 billion. Its long-term plan is to reduce government spending as a proportion of GDP from its current level at 55 per cent to 40 per cent.

Fringe Tastes  As cable TV has shown, there is a media market for almost anything in America. Over the last decade, aided by the availability of desktop publishing, thousands of small magazines and newsletters have sprung up. You name it, there’s a ‘zine (as they are called) to cater for it. Enchanted and Harvest are both devoted to urban witchcraft; Girlfriend is for transvestites; punk gender issues are covered in Girl Germs; Weekly World Noose satirizes suicide; Girl Jock caters “for the athletic lesbian with a political consciousness.” Some ‘zines have a wider appeal, but others, reported in a survey in the American journal, Utne Reader, seem determined to keep their readership small: Three Twenty-Seven is written by and for people born on March 27 and Yoko Only is devoted exclusively to news about Yoko Ono.

Never too young  Greg Crafter, South Australia’s Minister for Education, is no reactionary. But even he considered the call to introduce condom vending machines into secondary schools beyond the pale. The ACT’s Minister for Education, Bill Wood, was a little more equivocal, but considered introducing the machines “unlikely.” Only the ACT Liberal Party, it seems, is prepared to embrace the proposal. According to the Canberra Times, Kate Carnell, the ACT Liberal spokesman on health, argued that the cause of preventive health would be improved if condoms were made available to youth (including, presumably, those below the legal age of consent) in a way that protected the anonymity of the purchaser.

The ACT Liberals are determined to sweep aside the old (pre-1990) Victorian morality, except of course if ‘Victorian’ refers to Victoria the State. There the Government has issued an AIDS education kit for primary school students.

‘A’ for Audacity, not Accounting  In April, the Victorian Premier, Mrs Kirner, told her Treasurer, Mr Sheehan, that he would have to defer a trip to London because of the forthcoming Premiers’ Conference. The purpose of Mr Sheehan’s trip, reported The Age, was “to promote Victoria as a centre of financial excellence.” According to Mr Sheehan, several leading investment houses were “very anxious to get me to explain investment opportunities” — “anxious” being the operative word, one supposes. In May, the Victorian Auditor-General announced that the Victorian Government’s consolidated fund was in deficit by $2 billion, $768 million higher than the figure stated by the Government.

Old Left  A recent issue of Communiqué, the newsletter of the Macarthur campus of the University of Western Sydney, heralds the preparation of a “book on right-wing politics in Australia, believed to be the first of its kind” (really?). The book by lecturer Dr Andrew Moore will begin in the 1930s with an exploration of the ideas of the New Guard and end with the emergence of the New Right and the economic rationalists 50 years later. Proto-fascist nationalism and radical economic liberalism apparently amount to the same thing. “One of the aims of the book,” Moore says, “will be to define whether the ‘right wing’ has been a purely oppositional tendency against the convicts, the working class and the labour movement; or, in fact, it expresses its own positive value system.” Why is he writing the book? “People who have sympathies with labour ought to know more about the enemy, so to speak,” he says.
DEBATE

Should Euthanasia be Legal?

"Thou shalt not kill, but need'st not strive officiously to keep alive."

Thus wrote the 19th-century English poet Arthur Hugh Clough. But today the debate on 'mercy killing' has gone far beyond the merely passive euthanasia of which Clough speaks. It now concerns active euthanasia.

Active euthanasia is prohibited by the Hippocratic Oath, which doctors are obliged to take before they practise. Yet official medical rules against active euthanasia are meeting opposition from a growing number of medical staff. And not only them: in 1991, a Michigan pathologist, Jack Kevorkian, went on television to publicize a machine which he invented to enable believers in voluntary euthanasia to carry it out. Last November a pro-euthanasia referendum in Washington State was only narrowly defeated. The electorates of California, Florida, Oregon and Washington DC are scheduled to vote soon on referenda almost identical to Washington State's. In Holland, voluntary euthanasia is already legal.

Throughout Australia, active euthanasia is against the law. In March of this year, Derek Humphry's manual, Final Exit, was banned on the grounds that it encouraged and explained the procedures for illegal activity. Victoria's Medical Treatment Act of 1990 — though it stops short of permitting active euthanasia — gives rules for certifying cessation of a patient's treatment, if either the patient or his guardians so wish. Even before this Act was passed, South Australia and the Northern Territory had 'living will' laws: by which an adult of sound mind may direct that he be spared "extraordinary measures" to prolong life.

NO

Sanctity of Life The long-established basis of medical ethics is this: "first, to do no harm". Active euthanasia violates this principle. Furthermore, the entire Judaeo-Christian culture upon which our society is based has built into it a belief in the sanctity of — and the need to preserve — innocent human life.

Difficulty of Diagnosis Exactly how does one know when a person is 'terminally ill'? Plenty of patients regarded as terminally ill have partially recovered; some have recovered in full. A case in point is the novelist Anthony Burgess, who was told over 30 years ago that he was dying. Burgess is still very much alive, and in excellent health physically and mentally.

YES

Religion Irrelevant Religious prejudices against euthanasia derive from a time when the Western world consisted almost entirely of practising church-goers. In the post-Christian era, these prejudices should not be the determinants of how people behave.

Guarantees Liberty The liberty to live one's life is meaningless unless it entails the liberty to end one's life. Legalizing euthanasia would guarantee the right to quit an existence which has become unsupportable.

Ageing Population In every Western country, the population is ageing, to an extent unknown in all previous history. Opposition to euthanasia fails to take sufficient account of this fact. Alzheimer's
Ambiguity of Consent
Euthanasia-supporters make great play with the notion of 'patient consent.' But how is this consent to be communicated clearly? Moreover, what value has it even when the patient clearly gives it? Most diseases cause depression, which in itself is enough to cloud the patient's judgment, even where pain fails to do so. Are a patient's transient feelings of misery a valid justification for killing him?

Lessons of History
There is no mass-murder organization which cannot put a compassionate gloss on its activities. Nazism was always praising 'voluntary euthanasia,' and even churned out propaganda films extolling it. In fact, the Nazis exterminated the 'unfit' as callously as they did the Jews, though the former type of extermination has been much less publicized than the latter. The Nazis were in a position to call 'unfit,' and therefore to murder, anyone they wished. "Those who forget the lessons of history," George Santayana said, "are condemned to repeat them."

Legal Temptation
Legalizing euthanasia will present a constant temptation (especially where hospital beds are scarce, and especially in a society like Australia's, where respect towards the aged is scant) to make euthanasia an enticing option. This will mean putting pressure on patients, regardless of their true condition.

Over-values Carers' Feelings
The patient's allegedly hideous mental suffering could be no more than a projection upon the patient of the mental suffering experienced by those who care for him. In that case, we would have the intolerable situation whereby patients are killed merely because their carers happen to be tired of them.

Disease exacts a frightful toll on sufferers' loved ones, even more than on the sufferers themselves. The same with massive injuries. Try telling the family of a quadriplegia victim, try telling a son or daughter who has been spending years changing the underwear of a demented and incontinent parent, that life should be preserved at any cost. In such circumstances, the word 'life' is a misnomer. The quadriplegia victim and the senile parent may still exist; they cannot be said to live.

Relieves the Emotional Burden
People should not imagine that the victims of a terminal disease don't know the suffering which their prolonged agony causes their relatives. Frequently they know it better than anyone, and the knowledge makes their condition more painful. Euthanasia provides a way out: a means of ending intolerable anguish, both for terminally ill patients and for those who care about them.

Doctors' Feelings
Conscientious doctors are human. They hate seeing patients suffer needlessly. But they know that under the present system, they stand a good chance of being disbarred and jailed if they relieve patients of their burden. If legalized euthanasia was available, they would be spared the torment of this ethical dilemma.

Facing the Fact of Mortality
Much opposition to euthanasia is primarily nothing more intellectually respectable than an opposition to death — in Orwell's words, "a form of spiritual face-lifting." Modern medical technology is geared to extending life for extension's sake, without any concern for the quality of the lives extended. The theory is that if life is longer, it is automatically better. Five minutes in a geriatric or cancer ward should dispose of that illusion.

Further Reading
Michael Burleigh, 'Euthanasia and the Third Reich,' History Today, February 1990.
Victorians in Mental Hospitals
Victims of Union Power

The Federal Government has launched a national mental health policy, part of which is a grant of $52 million to revamp Victoria's psychiatric services. But the problems in mental hospitals will not be solved until the problem of union power is confronted.

SIMON HASKELL

In October 1944 this headline appeared in Truth, a Melbourne newspaper:

Disgusting Conditions at Mental Hospitals: Harassed Staff Seek Sweeping Reforms
"...Some of the conditions disclosed by Kew attendants are so revolting as to make their detailed publication impossible. Sufficient can be revealed, however, to constitute an indictment of authorities who permitted such a state of affairs to exist for so long."

Two-thirds of a lifetime later, national and Melbourne newspapers still scream headlines reporting cases of gross neglect, physical and sexual assault, cruelty, theft and corruption in many of these same institutions. Yet, there is a significant difference. Fifty years ago, it was the staff of the institutions who were in the forefront of the reform campaign. At the time of writing, a number of members of the former Hospital Employees Federation 2, now the Health and Community Services Union (HACSU), are being charged with some of the most heinous crimes committed against defenceless, vulnerable and dispossessed individuals in our community.

Throughout history, all over the world, disabled people have widely been regarded as some of nature's mistakes and relegated to institutions or placed in the care of hospitals or charitable organizations. Australia's treatment of its disabled and, in particular, Victoria's early record is, in the opinion of many, easily among the worst in the world. Some of the most harrowing accounts of the treatment of disabled people can be found in our State annals, recorded so poignantly by C.R.D. Brothers in his book, Early Victorian Psychiatry 1835-1905.

Promises, Promises...

However, a decade ago, and with much fanfare, Victoria's Labor Government made extravagant promises to remove finally the shame of our institutions. These promises, accompanied by the powerful rhetoric of social justice and equity for the disabled, were naively accepted by many people in the community. Why then, in 1992, have the circumstances of psychiatric patients and intellectually-disabled people perhaps become more wretched and hopeless than they have ever been? The question the community is entitled to ask is: how and why has this scandalous state of affairs arisen — and been permitted to continue? For there appears at this time to be hardly any State institution for people with intellectual disabilities within Victoria, which is free from damaging findings of maltreatment and abuse. The corruption is so widespread and endemic that disciplinary charges have been laid against staff at Caloolla, Kew, Turana, Sandhurst, Pleasant Creek, Malmsbury, Janefield, Aradale, Lakeside and the complex of Bunyeroo Psychiatric Hospitals.

Mounting community anger stems from the fact that the chances...
of wrong-doers being disciplined or punished has appeared at times to be extremely slim. The protection of the Public Service Union and the Health Union accorded to those charged rendered any action by the senior administration almost impossible. For example, in the Director-General’s Annual Report to the Government (1990/91), it was pointed out that “the Tribunal has been prepared to tolerate behaviour which, in the department’s view, is in serious breach of the duty of care to clients.”

Of what does this “behaviour” consist? If one can believe the newspapers, charges include theft by direct care staff of clients’ food, and institutional supplies. This has led to severe protein and calcium deficiency in residents and their loss of weight has prompted investigations of the purchasing and distribution of foodstuffs at Aradale itself (Aradale Report, November 1991, Sunday Age, 24 March 1991). In the Sunday Age report of 24 March 1991, the following astonishing saga of wrong-doing by staff was listed:

- Up to 50 per cent of some food items never reached the patients;
- Personal monies of patients and residents pilfered by staff;
- Physical assault against clients;
- Failure of staff to perform duties or attend work;
- Theft;
- Fraud;
- Drinking alcohol on duty;
- Use and traffic in drugs;
- Sexual abuse and harassment.

These heinous activities appear to have increased at a disturbing level, rising from 10 staff members having been charged in 1989/90 to 77 in 1990/91 (Community Services Victoria (CSV) Annual Report, 1990/91). The Minister for Community Services in September 1990 commissioned an independent inquiry into accusations of sexual abuse and management performance at Pleasant Creek Training Centre, Stawell, between 1975 and 1990. This was assisted by the Stawell Criminal Investigation Bureau, the Homicide Squad and fraud experts seconded by Community Services Victoria. In May 1991, Ms Jude Wallace, Deputy Chairperson of the Law Reform Commission, handed down a landmark report which described long-standing criminal activities by staff employed there by CSV and the Department of Health Victoria (DHV). She described a chilling milieu of abuse and corruption in the system and a climate which ensured that the offending staff protected themselves by intimidating the many honest workers.

The Stawell Times News (12 September 1990), and Sunday Herald (23 September 1990), reported that in September 1990 police had laid 51 charges of rape, indecent assault and false imprisonment (over a period of 12 years) against a long-standing member of staff at the Pleasant Creek Training Centre at Stawell. In the J Ward at Aradale, an informant reported to the Public Advocate that women patients were repeatedly forced into sexual activity in an area known as the ‘hay shed’.

It is claimed that even women staff were not immune from sexual assault and rape by male staff. Apparently, their complaints were rarely investigated and senior management actively discouraged women from complaining. According to the Wallace Report, the culture of harassment was deeply embedded and sustained by the anti-reporting pressure of middle management.

In April 1991 the Diamond Valley News and Post Times showed that there was a lack of security arrangements at three Bundroora psychiatric hospitals. At one facility, police reported that there was a most remarkable arrangement whereby strangers could gain unrestricted access to hospital grounds and exchange taxi rides and cigarettes for sex with female patients. Once again, these incriminating reports criticized senior management and the Government for failing to uphold patients’ basic rights and safety (Post Times, 22 April 1991). Is this not ironic, since Australia has long adopted the United Nations Declaration of the Rights of the Disabled to ensure that, “if a stay in any specialized establishment is indispensable, the environment and living conditions (for disabled people) shall be as normal as possible”? The promise of the present Socialist Left Government in Victoria to uphold “the right to services to develop the skills and capabilities (of disabled people) [sic] to the maximum and hasten their social integration or reintegration” would appear to many to be a cruel hoax.

Far-reaching investigations at Aradale Psychiatric Hospital and Residential Institution have
indicated that the prevailing culture there is one of complacency towards wrong-doing by 'criminal staff'. At Aradale, senior management were either unaware of, or unable to enforce, standards of professional conduct among staff. They found "strong unofficial affiliations and alliances among similarly minded management and staff...and information tended to be sanitized...to minimize their significance." In the CSV Director-General's 1990/91 Annual Report it was pointed out that when disciplinary charges were brought against errant staff in institutions, industrial muscle appeared to have been used by the Union to resist dismissal of staff, even to the extent of protecting repeated offenders. In one celebrated case a worker who was incapable of discharging his duty because of alcohol and/or drugs was discharged by CSV but reinstated by the Public Service Board's Office of Merit Protection.

The State Public Services Federation in a directive (26 February 1992) to Community Services Victoria staff advised them not to "co-operate with CSV internal discipline procedures." When members are investigated, the instruction was for them to respond to each question with the phrase, "I have done nothing wrong, and I have nothing to say." It reassured members that "on most occasions in the last year when CSV discipline decisions have been appealed to the Public Service Board Appeals Tribunal, the decision has been overturned." No wonder Mr Brian Burdekin, our Human Rights Commissioner, has asked the rhetorical question of whether union rights and individual rights take precedence over human rights!

Power and Patronage Corrupts

In order to understand the structure and network of power and patronage which the Unions enjoy, it might be helpful to look briefly at the demography of the health scene as described in the most recent CSV Director-General's Annual Report 1990/91.

In Victoria, approximately 17 per cent, or around 700,000 people, have some form of significant disability. Of these, two per cent, or 80,000 people, have intellectual or psychiatric disorders. About half are intellectually disabled and the other half have psychiatric disorders. Of the 40,000 eligible for intellectual disability services, nearly 2,000 people are in institutional care.

The current CSV budget is approximately $300 million per year, which subsidizes a range of services, including accommodation, care in institutions, various community residential options, support and relief for families and relatives who care for intellectually-disabled people, including respite care, early intervention services and shared family care, day programs for adults, and specialist services for clients who have additional areas of need.

To meet the needs of some 2,300 intellectually disabled clients, there are currently nearly 2,600 staff. The salary range for staff at December 1989 figures is from $22,329 to $52,950, with a median of $42,359. However, when one examines the system (to take the Aradale Psychiatric Hospital and Residential Institution as an example) one finds that the institution there employs 455 staff for its 245 clients, and that over 40 per cent of the work-force has, in fact, no direct care duties. A little over a decade ago, the staff:client ratio was 1:5, compared with approximately 2:1 today. In 1992, Aradale houses approximately 188 intellectually disabled residents and 57 psychiatric patients. The taxpayer funds this to the tune of $18 million annually. It costs, therefore, an average of $70,000 a year for a single person to be 'minded', double the cost of total nursing care for a dependent aged person at a nursing home and over four times' the cost of fees at the most exclusive private boarding school in the State. This must constitute the most expensive and extravagant service in Australia if one considers that 75 per cent of the Aradale direct care staff are untrained. Dr John Paterson, Director of Community Services, and Dr Peter Elsen, Director of Psychiatric Services, admitted to a Sunday Insight reporter that the culture in the institution "had led to services which focused more on the needs of the staff than the patients."

Both the Health Department and the CSV have attempted to battle with the partisan and selfish interests of the Health and Community Services Union. For example, the Director of Psychological Services (HDV) accused the Union of "holding patients hostage just to keep conditions and employment which are outmoded, outrageous and quite contrary to the needs of patients." The tragedy then, in the view of some, is that a particular union has, over the years, disregarded the basic human rights of disabled people by thwarting any attempts to change the system. Some ask if this has in part been possible because the Minister for Community Services has seemed to wish to avoid industrial confrontation at any cost?

The community is perhaps unaware that the former HEF2 Union was the power base of the Centre Unity Faction of the Labor Party. The leadership of the Union was recently 'rolled' by the Socialist Left Faction and is in an even more dominant position with the present Socialist Left Government.

Is it not strange that, while the Cain Government faced with such courage the daunting task of reforming the Builders Labourers Federation, the Kirner Government is unable (or unwilling) to reform this relatively small, arrogant, health union?

A Royal Commission is Needed — Now

What the community seems not to have appreciated is the fact that, whilst greatly increased sums of money and resources have been poured into the Health and CSV sector, precious little appears to have gone into actually benefiting the clients. A Royal Commission into the conduct of the Union must surely be undertaken urgently.

Under current circumstances a thorough investigation into the activities of the Union, its incestuous links with the Government, and its various operations, seems a minimum requirement before the fate of disabled Victorians is likely to improve. Until this happens, the protection and welfare of institutionalized disabled people under a Victorian Socialist Left-dominated Government appear to be nil.
Is there a doctor in the house?

The common perception of public health services is that they are starved of funds, under pressure and constantly forced to scrimp and save. The existence of waiting lists for elective surgery in public hospitals reinforces that perception. (In fact, such lists are an inevitable result of the requirement under Medicare that no charge be made for treatment in public wards of public hospitals or in outpatient clinics of such hospitals. Any service that is provided free will create excess demand that can only be limited by some form of rationing.)

The spending realities belie the impression of money-starved health services. In Victoria, for example, there has been a staggering growth in spending on public health services under the Labor Government. Between 1981-82 and 1990-91 such spending increased at an average annual rate of no less than seven per cent in real terms for each Victorian. Taxpayers may well ask what benefit has been received from such an enormous increase, especially in the light of a recent analysis by the Australian Institute of Health (AIH) which suggested that "there appears to be little correlation between total health expenditure per person and measures such as life expectancy and infant mortality."  

Incidentally, the AIH analysis of life expectancy raises the question of whether French cooking might not in fact be the elixir of life: after Japanese females, French femmes have the greatest life expectancy (82 years) of those living in OECD countries! (Australian women average 80 years while we poor lads don't live much past 73.)

Of course, the availability of good health services is one important indicator of a country's living standards, whether or not they actually increase life expectancy. And there is no doubt that Victorians, and Australians more generally, do have high quality services. We have also developed a niche in the medical research and technology areas and this has spin-off benefits in terms of the quality of our services as well as export potential.

But the question is whether we are getting value for the money that is being spent on public health services. The quality of health care is not simply and directly related to the level of government spending on health and increasing resources does not inevitably lead to improvements in quality.

This simple, but nonetheless important, point became very evident from the research IPA has recently undertaken, with assistance from international management consultants Cresap, on Victoria's public health system. The further we delved into the figures the more apparent it became that the Victorian taxpayer needs to call in a surgeon with a very large scalpel.

The IPA report, prepared for leading Victorian business associations as part of Project Victoria, reviews the role of government in that State. It suggests that there is potential for reducing Victoria's current spending on public health services by about 20 per cent without reducing the quality of services. In terms of expenditure this would result in savings of around $700 million a year.

Conveniently, our conclusions were reinforced just prior to publication by the reaction of Federal Health Minister, Brian Howe, when, in the lead up to the Premiers' Conference, he came under pressure from the States to increase funding assistance...
by the Commonwealth for the operation of public hospitals. Mr Howe referred to the high cost structure in the nation's public hospitals and claimed that increased efficiencies in the public hospital system could lead to savings of "tens of millions if not hundreds of millions of dollars."²

How is it, then, that a high quality health service could be so cost inefficient? For those who are familiar with public choice theory, the answer is predictable. Victoria's public health system has been 'captured' by both the unions and the health bureaucracy. The greater proportion of the estimated $700 million savings would come simply from reducing staffing levels in public health institutions to the average for other States. Much more could be saved if Victoria adopted best State practices. This does not necessarily mean reducing medical staff: the excess staffing levels are primarily in the non-medical area where union pressure and a compliant industrial relations system have combined to allow high staffing ratios and inefficient work practices. The worst examples occur in Victoria's psychiatric institutions, which is the subject of Simon Haskell's article in this IPA Review. Here again we received welcome support from the acknowledgment by the Victorian Minister for Health, Mrs Lyster, in a radio interview that care standards in such institutions are "Dickensian."³ A similar problem exists, however, in public hospitals and State-run nursing homes.

But the unions are not the only pressure group that are costing the Victorian taxpayer dearly. It is also apparent that health administrators are pursuing policies which encourage or at least allow excessive utilization of services, such as public hospital outpatient services, State-run nursing homes and even public psychiatric services. Public health administrators naturally tend to want to see an expansion and/or improvement of the services that come within their domain. Professional medical staff have similar inclinations and also tend to be more concerned with the quality and technological sophistication of services than with their cost.

It is particularly noteworthy that Victoria is the only State that has been penalized under the Medicare Agreement for having too few public patients in public hospitals. The eagerness of public hospital administrators to attract fee-paying private patients has led to a situation in which Victoria's private hospitals have only an average 58 per cent occupancy rate while public hospitals have waiting lists for elective surgery!

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Establish management autonomy

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What is to be done about this truly appalling situation? A difficulty in achieving the necessary improvements in efficiency is the deep entrenchment of the unions and the health administrators. Working within the existing system to achieve the potential savings is therefore likely in practice to be a difficult, time-consuming and frustrating task.⁴ This suggests the need to make fundamental changes to the way in which public health services are provided.

Changing the System

One approach would be to view the problem as basically one of industrial relations and to rely primarily on changes to the industrial relations system, both at the State and Federal levels, and a further development of enterprise bargaining. There is much to be said for such changes on a number of grounds. But the problem goes deeper than the industrial relations issue. There is a lack of management autonomy, of which the inability to manage staff is only a part, albeit an important part. There is also a lack of competitive pressures on managers to reduce costs in order to maintain or increase an institution's share of the market for health services.

What the IPA report, entitled Towards a Healthier State, proposes is a two-stage reform process. First, establish as much management autonomy as is consistent with the maintenance of the State Government's powers to determine general health policy and the range of public health services, powers consonant with the Government's responsibility to account for the expenditure of public money. Of particular importance would be legislation to empower each public health institution to employ staff on such terms as it decided. The legislation would be framed in such a way as to preclude the issuing of policy directions on industrial relations by the Minister or the Department. This would, at one stroke, have the potential to improve efficiency greatly.

Second, once management autonomy had been established, create a market in which contractors would compete for the supply of public health services at a standard determined by the Government. Tenders would be invited for the supply of a stipulated level and range of services at each public health institution. In this second stage the Government would continue to decide the general level and range of services, but the final budgetary amounts allocated to such services would be determined by the outcome of the contractual process.

A reform along these lines would involve a path-breaking change in the role of Government from being both an operator and funder of public health services to being primarily a provider of funds: in effect the supply of such services would be contracted out. This would likely increase the quality of health services as a result of an improved workplace culture and through improved work-force flexibility. It would also contribute to restoring the financial health of the State. It only requires now to find the 'doctor' who is prepared to wield the scalpel.
Investing in Families

Child welfare has often been synonymous with the removal of children from their families. That is now changing. Two innovative child welfare programs, based on a philosophy which values the family, promise to save taxpayers' money and improve the lives of 'at risk' children. Representatives of the non-government agencies which have pioneered the programs in Australia describe their successes in the two articles which follow.

JOHN McDOUGALL & NEVILLE GRIEVE

Too often success in children's welfare has been measured by the number of children removed from their families and kept in residential care. The more children a welfare agency has in such care, the more government funding it attracts. This was especially true in the past, but even now some residential services for children and young people pride themselves on high numbers and high occupancy rates. Biggest is best.

This has things around the wrong way. Success ought to be measured by the number of children kept out of care. Child welfare agencies ought to be rewarded for enabling children to stay safely with their families.

A Victorian experiment is showing very promising early results in reducing the number of children in costly out-of-home care. If it succeeds, the beneficiaries will be not only the many children involved, but the taxpayers who provide the funding for child welfare.

All State and Territory Governments in Australia have legislation covering the welfare of children. In spite of recent initiatives by a number of States, child welfare legislation must mainly be reactive in nature: that is, legislation empowers agents of the government to take certain actions when children are identified as 'abused'. The legislation also extends to cover how such children will be cared for, who will look after them, and who will hold guardianship over them.

Much of the funding by State child welfare departments goes towards keeping children in accommodation separated from their natural families. Some of this funding goes to the non-government sector, some to government institutions.

In the 1970s the Victorian Government started to fund programs which were aimed at preventing children being removed from their families. This began with family support, financial counselling and family counselling programs. These programs worked with families who had been identified by the community (infant welfare centres, schools, etc), or by child protection authorities, as being "at risk".

These programs have had some success, but unfortunately, exactly how successful they have been is not known, as no common standards of measurement were established. With no standards it is difficult to decide which programs should be funded. In difficult financial times successful as well as not so successful programs are in danger of having funding cut or reduced.

The programs described above are called "family preservation" programs in America. Recently a new type of family preservation program has been introduced into Victoria. Programs such as the new Victorian program have been operating in some American States for a number of years with

John McDougall is Manager of Client Services, and Neville Grieve is Team Leader of Family Services, at the Ballarat Children's Homes and Family Services Inc.
a high rate of success. These new programs are called ‘Intensive Family Services’ (IFS).

The first IFS program to be established in Victoria began operating at Ballarat Children’s Home and Family Services Inc. in 1990. This agency began in 1865 as the “Ballarat Orphan Asylum”, a residential care facility with up to 230 children living within its grounds. Over the last 15 years this agency has changed to running programs to keep children out of its care. The maximum number of children in care now ranges from 20 to 25.

The agency has a philosophy that the best place for children to grow up is with their families, except in the most extenuating circumstances. To this end, the agency has a family-centred focus of operation, compared with the child-out-of-family focus which predominated in Victorian child welfare practice for many years.

Ballarat Children’s Homes and Family Services Inc. applied to the Ian Potter Foundation for funding to establish an Intensive Family Service (IFS) late in 1989. The Foundation made a grant to run the program for three years as a pilot. It was run as a pilot program to see if the methods used in America could be applied to the Victorian situation. This allowed the IFS to experiment and modify techniques as it progressed. The essence of the IFS is:

- it works with families where child protection workers have stated that children will be removed from home (because of abuse or neglect) if the IFS does not become involved;
- IFS involvement is limited to six weeks;
- the service is intensive — it has the capacity to work with families every day of the week;
- the service is accessible to families — IFS is on call to families (and the State Protective Service) 24 hours a day, seven days a week, unlike most other welfare services;
- the focus of work is for families to change their behaviour, so that it is safe for their children to remain at home;
- the IFS empowers families through building on family strengths. Professional workers are directed by the family which ensures that change is not imposed.

Before the IFS began operating, objectives were set and methods of measuring success or failure established. For statistical purposes the IFS commenced measurements on 1 September 1990. The program is being evaluated by an independent person.

The State welfare department, Community Services Victoria (CSV), followed, setting up an IFS program in 1991. It is too early to gain results from this program. CSV is in the process of establishing another five programs. (A common evaluation base has not been established.)

High Success Rate and Cost Savings

Early indications are that in the first year of operation of our IFS, well over 90 per cent of children referred to us have been able to remain living at home with their families. At this stage, we cannot be more precise than that, as success rates are measured at six weeks, three months and 12 months and enough time has not yet elapsed to make the results more definitive.

It is interesting to contemplate the effects of the change in focus for this agency, and by extrapolation, probably for the general child welfare field.

The cost of keeping one child “in care” depends on the type of care provided. If a child is removed from a family, he or she would most likely be placed in foster care with a substitute family. If two or more siblings are removed, they would probably be placed in a Family Group Home, a home created specifically for caring for children in the care of the state.

In Victoria the cost of keeping one child in foster care is about $10,000 per annum. For one child in family group home care the cost is about $25,000 per annum. As 30 June 1991, the ‘Brown’ family was referred to the Intensive Family Service (IFS) by the State Welfare Department on New Year’s Eve. Physical abuse of ‘Samantha’, aged two years, had been substantiated. The perpetrator of the abuse, ‘Bill’, the de facto husband, admitted to beating ‘Samantha’ and legal action was being initiated. The first visit by the IFS team of two occurred immediately the referral was received, shortly after abuse was substantiated by medical staff at the Ballarat Base Hospital. It lasted over three hours. All members of the family participated in the drawing up of the goals to be attained during the six weeks of IFS involvement. Goals were selected in the areas of anger management, parenting and relationship enrichment.

Over the six-week period the family participated in therapy sessions which explored relationship difficulties and the effect the abused backgrounds of both adults were having on their behaviour. ‘Bill’ and his wife, ‘Kirsty’, participated separately in individual counselling sessions related to anger management and parenting skills. In summary, the family received a combination of therapy and educational activity. Some concrete practical support was also provided. The family measured the changes that were occurring each week in relation to their goals. Such self-measurement is therapeutic in itself. The IFS team spent 80 hours with the family over the six week period. All contact occurred in the family home with ‘Bill’ involved either in the mornings or at weekends, so that his employment was not affected. He was supported through his court case by the IFS team.

At the end of the six week period, the family was introduced to a family support worker who would provide much less intensive support over the next few months. The IFS withdrew following discussion with family members of a ‘therapeutic letter’ sent to them outlining changes that had occurred, work still to be done and congratulating them on their achievements. The State Welfare Department’s Child Protection workers and the IFS staff were satisfied that ‘Samantha’ now had a safe and far more stable home environment.
Victoria had 1,602 children in foster care placements and 541 children in family group home placements. A further 467 children were in other forms of residential care. As an indication of cost savings, look at the following figures. Protection Applications are made to the courts for the removal of children. The period chosen for the Ballarat area gives an indication of the impact of the IFS when fully operational over this last (July-December 1991) period.

<table>
<thead>
<tr>
<th>Month</th>
<th>1990</th>
<th>1991</th>
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<tbody>
<tr>
<td>July</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>August</td>
<td>7</td>
<td>1</td>
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<td>September</td>
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<td>October</td>
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<tr>
<td>November</td>
<td>13</td>
<td>3</td>
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<tr>
<td>December</td>
<td>12</td>
<td>1</td>
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Of course, there are other factors which may have influenced these results — our current research is investigating the effect of other variables.

A further indication of the impact our IFS is having is in the changes that have occurred in the percentage of notifications of suspected child abuse to the local State Child Protection Service which eventuate in a Protection Application.

<table>
<thead>
<tr>
<th>Month</th>
<th>1990 %</th>
<th>1991 %</th>
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<tbody>
<tr>
<td>July</td>
<td>27.2</td>
<td>7.3</td>
</tr>
<tr>
<td>August</td>
<td>24.1</td>
<td>3.0</td>
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<tr>
<td>September</td>
<td>11.1</td>
<td>8.7</td>
</tr>
<tr>
<td>October</td>
<td>14.2</td>
<td>9.4</td>
</tr>
<tr>
<td>November</td>
<td>81.2</td>
<td>13.6</td>
</tr>
<tr>
<td>December</td>
<td>25.0</td>
<td>5.2</td>
</tr>
</tbody>
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In summary, there has been quite a dramatic reduction in the number of Protection Applications taken out in the Ballarat area. This has not been because of a corresponding reduction in notifications to CSV of suspected child abuse. There has also been a dramatic reduction in the proportion of notifications which go on to become Protection Applications. It is at this 'post notification' stage that the IFS has been quite deliberately targeted.

Our own Intensive Family Service costs $100,000 per annum to operate. Up until February 1992, 58 children had been prevented from being placed out of home. If each of these children had spent an average of two months in foster care the cost of their accommodation and support would have been $100,000. An average of two months in family group home care would have been $240,000. The average time spent in such out-of-home care is well in excess of this two month period. Our current research is determining what this local average is, but such an example highlights the cost savings that can be made. Many more children have been worked with since we attempt to involve all family members in the service. Our success rate in having well over 90 per cent of children worked with remain at home, is well above the 40 per cent figure needed to pay for the operating cost of our service.

We believe that there should be guaranteed future funding for programs which are proven to be effective in keeping children with their families. In America this is incorporated into legislation.

Australian State and Territory Governments may do well to look at the American example, look at those programs which can show that they keep children safely with their families and invest in those programs. The return on their investments would be lower welfare costs and fewer 'disturbed' children.

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**Rebuilding Families**

**DIANA O’NEIL**

A recent Department of Employment, Education and Training report, *Australia's Work-force in the Year 2001*, predicts an 83 per cent growth in social worker employment in the next decade. The human services industries are being called upon more and more to take the overload from — even replace — family, neighbourhood, school, church and doctor. Social problems are worsening and many traditional social institutions are not coping. But as with an old house it is often more economical and produces more satisfactory results to renovate, repairing the existing structure, reinforcing the foundations, than to demolish the house altogether. Most families, even those in a state of disrepair, are worth trying to save.

St Luke's Family Care is the principal child placement agency in the Loddon-Campaspe region in Victoria, providing accommodation for children who temporarily have to live away from their families. Established in 1979, St Luke's works largely with families whose children have come to the notice of Community Services Victoria (CSV) because of concerns about the children's well-being. With a staff equivalent in

*Diana O’Neil is the Bendigo Team Leader at St Luke’s Family Care.*
number to 50 full-time positions and approximately 50 volunteer care-givers, the agency is involved with about 250 families at any one time.

St Luke's philosophy is that mostly the interests of the child and of the society are best served by keeping families intact — although we recognize that it will probably always be necessary for a small number of children who cannot be safely raised within their own families to be placed in care outside the family. Agencies such as St Luke's Family Care aim to strengthen families so that they can safely raise their own children with minimal public support. If a child has to be removed from the family we try to ensure that he is returned as soon as it is safe to do so. It is well-established that there is a direct inverse relationship between the length of time a child stays in institutional care and the family's ability to resume care.

St Luke's approach is distinctive in that it focuses not on a family's failings — the reasons for its referral — but on its strengths. Rather than seeing families merely in terms of their deficits or problems, they are viewed as sets of skills and resources. Once a family's strengths are identified, we seek to build on them. St Luke's personnel are resource workers rather than therapists. This is not a new idea in counselling services, but people have been reluctant to apply it where child abuse is involved.

St Luke’s approach depends on seeing human beings as basically intelligent and resourceful, with temporary, limited needs for a variety of human services. It recognizes that people are problem-solvers — they overcome difficulties every day of their lives. It is based on an optimistic expectation that things can change and on the belief that the community is best served by developing the independence, strength and self-reliance of families.

A St Luke’s worker's task is to help the client:

- develop and apply the family's existing resources, for example, bonding between family members, organizational skills, ability to identify areas of concern, ability to smile, ability to deal with Social Security. Often families allow a 'problem', which may only exist for a small part of any day, to take on exaggerated proportions and overshadow the family's capacity to solve the problem.
- develop new resources; and

Self-Respect and Developing Independence

The 'Jones' family consisted of seven children, five of whom were on protection orders from the Children's Court. Two children were in 'foster care' with Community Services Victoria when St Luke's became involved. The father figure in the family had recently been released from prison after an eight-year sentence for a violent crime. All children had been abused while in their mother's care, although not directly by her. They were known to many welfare and health services. Schools had difficulties with most of the children.

After four weeks of St Luke's workers visiting the family at home on at least three occasions each week, and meeting with the parents on occasions in the office, it became obvious that the family was functioning well in some aspects: among other things the children always got off to school on time, family members showed genuine interest in each other's well-being, the parents appreciated the respect shown by St Luke's workers and sought new ideas from them, and everybody wanted less fighting and arguing. The two children in foster care were returned home. At this point St Luke's was investing 10 hours of skilled staff time per week in the family home. (This concentration of time is not unusual but can be offered to a very limited number of families at any one time.) Some financial support for activities for the children was provided, for example, money for a family season's ticket for the local swimming pool.

Eight weeks later, the time spent with the family had reduced to two hours per week and the financial subsidy ceased. Protective concerns were minimal, schools were happier, the household was quieter, neighbours were more supportive, and rent was up to date.

Eight weeks later again, St Luke's was spending only one hour a fortnight with the family. The parents felt it was their responsibility to raise their children safely. The father figure had now been out of custody for the longest time ever since he entered a youth training facility at the age of 15. The children were copying some of the skills their parents had learnt, rather than copying negative behaviour. They went for a walk outside rather than yelled at each other, they stopped looking for hand-outs from workers, they joined in household chores, they gave compliments to each other, they thought through decisions more thoroughly.
• overcome blocks to bringing about solutions to specific problems, for example, fear of authority figures, illiteracy, poor housing, perception of self as a failure.

In the early stages of working with the family, we focus on the first two of these. We help raise the self-esteem of family members (they realize that they can do some things well) and introduce a greater sense of hope; both necessary components for any lasting change.

Measuring Success

Human services, like other organizations and enterprises, need constantly to review their methods of operation to ensure their efficiency. To be efficient requires a clear mission and a set of expected outcomes. Here lies a dilemma for publicly funded 'welfare programs'. Governments have a short life, so outcomes are often measured only in the short term. The savings made by St Luke's are not necessarily in the short term because costs are concentrated in the early stages of intervention. The immediate benefits are not so much monetary but rather in an increased sense of forward direction and confidence in the families we serve. Moreover, although assistance is provided intensively over a short period, it is provided in a manner that discourages long-term dependency.

The St Luke's worker is not presented to the family as the professional with all the answers; the family is encouraged to look to its own resources as a basis for solving its problems. In the longer term, there are substantial benefits and savings as people learn to value and identify their competencies in a process that can be used in any situation, not just within their family life.

In economic and in human terms, the measure of St Luke's success is the substantial reduction in the number of children who have had to be removed from their families. St Luke's has reduced both the number of placements, and the average length of stay of children in foster care. Over the six-year period January 1986-December 1991, St Luke's reduced the number of children in foster care on an average night by 51 per cent. There has been no corresponding increase in the number of children cared for in staffed residential units (ordinary houses in suburban streets) in the region. Nor have other forms of placement of children with non-related people increased significantly. Requests for placement by CSV have varied very little over these years. State-wide figures indicate an increase of 85 per cent in foster care for the corresponding period. In residential care there was a slight decrease in total numbers.

Children most likely to stay longest in residential care are wards of the state. These children usually enter through what is known as reception care, a safe placement away from family members while the Children's Court considers protective concerns. In 1986 St Luke's had 29 reception placements and averaged 33 wards in foster care each night of the year. In 1991, there were 26 reception placements with an average of 18 wards per night. (There is not a corresponding figure available to allow comparison with State averages.)

A foster care program the size of St Luke's is expected to provide a certain number of 'bed nights' per year for children removed from their families. When you divide the total cost of the program by the expected number of 'bed nights' it costs approximately $5,500 per bed night per year. Providing such care is expensive. Keeping children safely within their own families obviously has the potential to free up the welfare dollar.

The family resource-oriented approach employed by St Luke's can be applied to any aspect of human services. It encourages clients to take responsibility for their own lives where they are able. It assists planners to develop schemes that use public resources to complement existing individual or group resources, rather than take over from them.
Is Party Discipline Harming Democracy?

Would our democratic system function better if politicians were less bound by the party line? Two long-time observers with experience of party and parliament disagree.

JOHN HYDE — YES

Except in those upper chambers where a government does not command a majority, modern parliaments are government ciphers. It cannot reasonably be denied that parliaments in Great Britain, New Zealand, Australia and other Westminster democracies have lost much of the authority they once commanded. Nor should it be doubted that this loss has coincided with the development of political parties that discipline the votes of their MPs. But there remain the questions: did party discipline cause the diminution of parliamentary authority and does it matter? I will contend that excessive party discipline has greatly reduced parliaments' abilities to keep governments permanently on trial and that this does matter.

Another, less serious, consequence of party discipline is loss of what Walter Bagehot called parliament's educative function — for instance, Hansard is a much poorer source of facts than it ought to be. Members of Parliament — even those who in other forums would use only carefully reasoned argument — are often predictable, extravagant and partisan in support of their parties' positions. Or they make "speeches to Bunkum", that is to their electorates. Why wouldn't they, when they cannot influence the votes of other MPs who will follow their Whips? Amusingly, the rare exceptions to this tendency are debates about matters related to sex. Then the Whips grant free votes, and the chambers fill to hear thoughtful speeches.

Party discipline does not, as it is sometimes claimed, prevent the diverse opinions and interests of a pluralist society from being reflected in policy: on the contrary, the effect of party discipline is to drive self-interested lobbying behind closed doors where the Whips' mandates do not matter, but special pleading and the more objectionable features of political horse-trading are less likely to be challenged than they would be in parliament.

To return to the serious problem: effective democracy depends upon the electorate's ability to throw out governments and upon the electorate being sufficiently well informed to do so wisely. At least once every parliamentary term, parliaments give the electorate the opportunity to change the government. But parliaments no longer provide the public with a good running brief on what the government is up to.

Before looking at why this is the case and what might be done about it, it might be as well to note what parliaments do not do and need not do for democracy to be effective. Their legislative function is, in fact, relatively unimportant. It is true that at the height of British parliamentary authority, majority votes in the Commons did force some important reforms upon reluctant governments, but even then such action was the exception.

The task of devising an integrated legal framework is government responsibility and, whatever may legitimately be said about governments' misuse of that responsibility, only governments have the necessary expertise. When parliaments try to govern, for want of expertise and because of the blandishments of vested interests, they seldom do so well. Certainly, I can think of occasions when upper houses have blocked and amended in ways of which I thoroughly approved; but I know of no evidence that, on average, they have directly improved the quality of the statutes. Remember that they can

John Hyde, formerly a leader of the 'Parliamentary Dries', is Executive Director of the IPA.
as readily block repeal bills as block new inroads upon personal liberty.

Informing the Public

There should, however, be no doubt that, except when publicity might prejudice national security, the public has a right and a need to know what the government is doing with the authority and taxes entrusted to it. It is here that party discipline has become the bane of democracy.

Governments do many things that, if widely known, would cost them electoral support and governments often do their level best to hide these things from public attention. This is not to contend that governments are inherently malign. The more common sequence of events, even when they lead on to serious scandals such as WA and Victoria Inc, is that of a well-intentioned if misguided policy resulting in a mess, followed only then by a conspiracy to cover up the error. But the fact that a government did not set out to cheat the public in no way diminishes the public’s need to know what was done.

Having, on behalf of voters, legitimated a government, it is then parliament’s job, not to ensure that it governs in a certain way, but to ensure that the public understands how it is being governed. To this end, parliaments have the assistance of Auditors General and Ombudsmen, but only a parliament has the necessary society-wide brief to question all of a government’s activity and inactivity, the political skills to publicize shortcomings and the authority to exact discipline.

Recent events have demonstrated that, even in the rare cases of suspected criminal activity on the part of ministers, only pressure from parliament is likely to bring about appropriate forms of enquiry. Of course, nearly all of the circumstances that require disclosure, although culpable, are not criminal.

To undertake this role effectively, parliamentarians must be able to discover and place on record things that governments are very good at hiding. They must be able to provide the electorate with convincing evidence of mismanagement. That they have often lacked the ability, when it was most needed, is all too apparent. The 1974 Federal election, when Billy Snedden’s Opposition forced the Whitlam Government to the people, and the most recent Western Australian and Victorian elections were each examples of occasions when the MPs had the damning evidence but were unable to convince the electorate of it. Parliaments need on-the-record information.

However, when party discipline dominates parliamentary procedures, parliament’s powers of enquiry and disclosure are emasculated: the controversial issues are never debated, censure of ministers who fail to answer questions frankly is not possible, and committees are unable to call the right witnesses. Further, extra-parliamentary commissions of enquiry into specific allegations are not established.

The WA Inc affair provides a particularly egregious case of the use of a political party’s ability to dominate parliament to prevent public knowledge. Yet, the Western Australian Legislative Council, which was not dominated by the government party, did eventually force the government to set up the Royal Commission that few in Labor or Liberal ranks would today deny we had to have. Had the Council not been able to force the disclosure of some of the matters pertaining to WA Inc, had it not threatened further disclosures and had it not threatened to block supply, then there would have been no Royal Commission, even yet.

The Western Australian Government frustrated the parliament at every turn. Ministers, we now know, lied to parliament. They did not answer several pertinent questions. The notice paper was controlled to prevent WA Inc from being debated. Parliament hardly met: in 1989 the Assembly sat for only 40 days. Many MPs believe that the Speaker gave partisan rulings whenever Opposition questioning came too close to uncovering unpleasant truths. Committees of enquiry, where they had Labor majorities, brought down nonsensical majority findings. Upper House committees were boycotted by Labor Legislative Councillors and were given quite inadequate resources for their huge task. Civil servants who had been appointed by the government and who had close party connections misled the committees or did not give evidence. Premier Lawrence, by her own admission, prorogued parliament to silence two upper-house committees.

Clearly they had placed their loyalty to their party ahead of that to the institution of parliament and to the State of Western Australia.

With scant regard for the traditions of parliament, government MPs, including the Speaker, allowed all this to happen. Clearly they had placed their loyalty to their party ahead of that to the institution of parliament and to the State of Western Australia. Moreover, I do not believe that, had the boot been on the other foot, that is, had a Coalition government got itself into the sort of mess where it had particularly ugly events to hide, party discipline would have been any less effective in preventing early disclosure.

Finally, a word about parliament’s power to bring about early elections: parliaments can bring down governments by blocking supply in either house or by passing no-confidence motions in the lower house. Tight party loyalties have meant, however, that realignment among MPs is rare. Therefore, no confidence motions are never passed and supply is blocked only when a government does not control the upper chamber.

Either action is likely to result in an appeal to the electorate. This is a highly democratic procedure. Moreover, since the electorate will punish an opposition which abuses its authority, measures such as those described above are likely to be employed sparingly. The drawback is that forcing an election is far too drastic for minor offences. Nevertheless, it must be asked how much better placed would the citizens of Western Australia and Victoria be today if, first, their governments’ mismanagement of State finances had been well
IS PARTY DISCIPLINE HARMING DEMOCRACY?

Publicized early in the piece; and, second, the governments had been forced to early polls at which the electorate could have chosen more circumspect managers. Indeed, would not the Labor Party in both cases today have a brighter future, if its bad managers had been excluded from office before as much damage had been done to the party's reputation?

Governments, unlike accused criminals, should not be assumed innocent until proven guilty, and parliaments, unlike courts, should not be bound by rules of evidence. The ultimate sanction — loss of office — does not require the assumption of innocence and the stakes are too high to afford it. It is true that ministers may face some risk of undeserved loss of reputation — that is a hazard associated with their chosen calling. Besides, parliaments afford them considerable opportunity to defend themselves. A bigger problem has been that some have kept their reputations for far too long.

Democracy will not approach its potential until adequate procedures and fear of massive punishment at the polls stop governments from misusing their numbers in parliament to hide their mistakes. In the meantime, let us not undervalue parliaments for what they do well: they change governments without bloodshed.

WAL FIFE — NO

The public face of politics has been taking a battering lately as many voters have deserted the major parties for single-issue candidates and in some parliaments, the election of independents. This means that in the 1990s, politicians and their parties have to put real effort into eliminating the causes of alienation and in enhancing the role of parliament.

In the context of the recent disenchantment, there has been some questioning of the party system and the discipline it imposes, with suggestions that this should be relaxed so that politicians can be more responsive to the issues of the day and the interests of their electorates. The fact that these concerns can be brought into the open, examined and dealt with, makes for a healthy democracy. That, after all, is what we want in this country along with a parliament that is relevant and respected.

Despite its imperfections it is my view that the party system can deliver this, though we must always be open to any changes that can improve it. From a practical point of view, it is generally accepted that the workings of parliament is greatly facilitated by the existence of political parties because of the degree of certainty and stability they provide.

Graham Maddox in his study, Australian Democracy: In Theory and Practice, emphasizes the centrality of parties to our system of government:

"The party system is the key to constitutional development this century, since the workings of parliamentary government as it is known today would be scarcely possible without parties ... They supply government policies, constitute parliamentary leadership, establish the loyal opposition and organize parliamentary business."

It is not surprising then that the party system in one form or another has been a feature of parliamentary practice, almost since the inception of the Westminster system. Shortly after the signing of the Bill of Rights proclaiming the sovereignty of the Westminster Parliament over the Executive — at that time the King — the factions of the day, realizing that they could persuade each other on the floor of the House, formed into parties. The Tory and Whig parties had developed by 1707. Party discipline followed along with Cabinet Government from the time of George I (1714). The party system was greatly strengthened in Britain during the 19th century, particularly so far as the Tory party was concerned, by the efforts of Benjamin Disraeli, who once observed: "I believe that without party parliamentary government is impossible."

However, in Australia, it was not until 1910 that a two-party contest emerged in Federal politics. Between 1907 and 1910, allegiances to party remained fluid with governments being made and unmade on the floor of the House as the protectionists and free traders battled for dominance. But with the defeat of the Deakin 'Fusion' Ministry at the general election 1910, two parties — Labor and Liberal — emerged. A third party did not appear until 1919 with the formation of the Country Party. In the

The Hon. Wal Fife is the Member for Hume. Until late May he was Shadow Minister without Portfolio and Manager of Opposition Business in the House of Representatives.
House of Representatives, representation has been confined almost entirely to these three parties and their successors (under various names).

These political groupings federally, as well as in the States and Territories, have been responsible for a sustained period of stable government throughout the country. But in parliaments where single-issue groups or independents hold the balance of power, we have seen significant instability. This was evident in Tasmania under the alliance between Mr Field’s minority Labor Government and the Greens led by Dr Bob Brown. Similar instability is currently evident in New South Wales, where Mr Greiner has been forced to rely on several independents. The opportunistic path followed by the Australian Democrats in the Senate is troublesome and makes for a certain degree of instability for a Government with a mandate to enact its election policies.

History points to parties with substantial following and able to command strong electoral support usually having been able to provide stable and constructive government. In the main, that has been the pattern in Australia. The Australian electorate has been noted for the support it has given to parties that are united and have a clear purpose expressed in their election platform. Despite the success of some single-issue candidates and independents, the major parties still offer the best prospects in government today. There is, however, room to boost effectiveness and for more care and discernment in the selection of candidates.

The nature of parliamentary democracy really requires a tightly-knit team approach to make Parliament and its processes work most effectively and that is what the party system can provide. A political party is much the same as a company in this sense and companies must work as a team or fail. Discipline, of course, is the key to holding the team together and within the Liberal Party this is largely achieved by way of example, with the Leader setting the standard which others are expected to follow.

The duties and freedoms of MPs

In some quarters today, the view is being propounded that unless some fundamental party principle is involved, Members should be free to vote as they see fit. But Members are elected to implement the policy platform of the parties they represent. Accordingly, to be true to their political allegiance and their electors, it behoves them to support the majority view of their parties.

Both the Liberal and Labor Parties afford their members the opportunity to air and debate issues in their respective party rooms, as well as to consider legislation coming before Parliament. They can discuss any aspects of the legislation, seek amendments if they object to any aspects of it and overthrow the recommendations of the Executive if they can muster majority support. So far as the Labor Party is concerned, once a Caucus position has been adopted, a Labor Member who opposes it can face expulsion.

The Liberal Party does not have the same strict factional and caucus discipline as the ALP. Within the Liberal Party, individual views and individual action (such as voting against the party in parliament) are tolerated. There is no question of Liberal Members having to toe the party line in a mindless fashion. Statistics are not available on the number of members who have defied their parties and crossed the floor. But it is not something that arises very often.

Apart from the party room, both the Government and the Opposition parties have backbench committees to assist them in consideration of legislative proposals and other issues of political significance related to each committee’s function. As House of Representative Practice points out, “these committees, which consist of Members having a special interest in the subject matter of the committee, are particularly useful in that they provide a forum in which a Member is able to discuss

Members are allowed considerable scope to pursue and represent the interests of their electorates and to exercise their individual consciences.

on a party basis matters of importance to his or her party and electoral division. In respect of both sides of the House, these committees have been shown to influence (and in some cases directly or indirectly overturn) government policy or decisions.”

There are also many other opportunities for Members to raise issues they consider important. They can ask questions, take part in Adjournment and Grievance debates and discussion of Matters of Public Importance, and make Members’ statements. Private Members’ business affords Members the opportunity to initiate legislation and have it debated and voted upon. So for anyone seeking to make maximum use of the forms of the House, there is a range of opportunities available to bring issues forward, and conscience or free votes are still a feature of the system.

Overall, the party system and party discipline are not unduly oppressive. Members are allowed considerable scope to pursue and represent the interests of their electorates and to exercise their individual consciences.

I want to see a more effective parliament, but I do not believe that throwing out the party system and discipline is going to achieve it. These days, we are apt to rush to cast things aside on the grounds of ‘freedom’ or ‘right’, without taking time to review their effectiveness and see if some amendment or adjustment here and there might not achieve the necessary reform. The principles of Cabinet government as they have evolved down the years are necessary to ensure effective decision-making. A government simply cannot provide national leadership if its executive is divided and does not command the support of its party membership. As Cicero said, “We are in bondage to the law in order that we may be free.” Through following the letter of the parliamentary law, private members can still make their mark and fulfil their responsibilities to their electorates.
Improving Parliament
The Essential Reforms

A great deal of the corruption and misgovernment of the last decade could have been prevented if Australia's parliaments had functioned more effectively.

TONY RUTHERFORD

Australia's parliaments, the parliaments of the States in particular, have reached a critical point in their evolution. The dominance of the executive, reinforced by rigid party discipline, has reached new heights. It is worth pointing out, however, that this does differ only in degree from the situation prevailing, say, 20 or 30 years ago. Much else has changed, making that dominance a frightening factor in Australian politics.

Our economy and social behaviour have become immeasurably more complex, making government intervention more prone to serious error; at the same time the willingness of government to intervene has increased, while the capacity of government — bureaucratic, technological and constitutional — to intervene has also grown. As if this were not enough, we have, further, seen — vividly in some States — a marked shift in the ethical values of politicians, many of whom no longer much bother with any nice distinctions between the public interest and their party or personal interest.

Many commentators, particularly in Queensland and Western Australia, have seen the issues of corruption and misgovernment as arising out of problems in our systems of government, and a small but convincing consensus is emerging that one obvious and necessary path for reform is to assert the power of parliament over the executive. This is perhaps most clearly approached in terms of accountability: it now seems clear that what is needed is an executive which holds itself accountable to the parliament, a parliament which can hold the executive accountable, and a parliamentary process which can be made genuinely accountable to the electorate.

The agenda offered here will concentrate on three major goals: autonomy, time and information. It should be said that they are for the most part interdependent goals.

There is a difficulty, when drawing up a broad agenda for reform, in that the practices of the seven parliaments differ greatly. Some absolutely fundamental principles are omitted, because they are relevant to only one or two parliaments. As a matter of principle, for instance, we should state that parliament must be bicameral; but that principle relates only to Queensland. So the statements of principle are very broad; their relevance can be assessed by the reader for each individual jurisdiction.

Parliaments should stay in session for as long as they need to complete their business properly

This has two principal practical consequences. The first is that the executive should not be able to dissolve or prorogue parliament (or prevent either one chamber or a chamber’s committees from meeting) for other than good reason. Indeed, prorogation should be abolished, and parliament dissolved only for the purposes of a general election. The second is that the sitting patterns of the parliaments should be determined by the amount of business to be transacted and not by party numbers. In a civilized world this would be easily achievable by agreement between government and opposition that the parliament should not rise until it had

Tony Rutherford made a submission to the Royal Commission into WA Inc. on behalf of the IPA.
finished its business. Otherwise, one might suggest simply a generous minimum number of sitting days; or perhaps a formula might be adopted whereby every new Bill on the notice paper automatically lengthened the sitting by, say, one day (a move which might limit the flow of unnecessary legislation somewhat).

Parliaments should control their own budgets
Parliaments need to be beyond threat and blackmail, however subtle, by the executive. They need assurance that the resources reasonably necessary for the proper functioning of the legislature — committee secretariats, for instance — will be available. All parliaments should have a management executive (starting with speaker and president) which should have the prime responsibility for originating a one-line budget item covering the expenditure of the parliament and its associated activities. (Given the inevitable propensity of politicians to maximize the provision of perquisites, the committee should include a restraining influence from say, Treasury.)

Officers of accountability should be responsible to the Parliament
There needs to be a clear distinction observed between departments of state, which properly are responsible to ministers of state, and departments which are properly responsible to the parliament because their functions involve the scrutiny of executive acts. Officers such as auditors-general, ombudsmen, and parliamentary counsel and their staffs, should be appointed and paid by the parliament to whom they properly report. (This strengthens the need for the second point, above.)

All points of view represented in the parliament should have the opportunity to be heard
This means the allocation of ample time for all backbenchers, from both sides, but particularly for opposition and independent members, by way of grievances, questions, membership of committees, introduction of private members’ bills and debates on matters of public importance. It is difficult to specify precise allocations, but in a four-day parliamentary week, for instance, a minimum of one whole day should be allocated to non-government business.

An impartial presiding officer is essential to the functioning of every chamber
For the office to work well, it must have authority; that comes only from even-handedness. This is now acknowledged to be a problem, not least in the Commonwealth parliament. The orthodox solution, preferred many times over the last decade or so, is to adopt the Westminster convention, whereby the Speaker, on taking office, effectively severs party ties, and is then not opposed at succeeding elections. This is certainly a sensible option; but it suffers, in several parliaments, from the fatal political objection that no-one wants to entrench an incompetent and partial presiding officer. (That in itself may be an incentive to future appointees to reach a standard such that they might be the first beneficiaries of such a change.) Some observers have suggested the appointment of an outsider, such as a retired and respected judge. That is not likely to succeed: it is a significant departure from Westminster traditions; it runs into constitutional difficulties where those traditions are enshrined in law; and, practically speaking, it would be difficult to find an outsider sufficiently well-equipped with the necessary knowledge of the laws, standing orders and conventions surrounding the office — not to mention familiarity with the eccentric temper of our legislatures. A more practicable option might be the institution of a rotating office. In some parliaments, where the speakership is not governed by constitutional law, it may even be possible to elect two speakers, from different parties, to function in regular alternation. Less violence would be done to convention if it could be agreed that the deputy speaker (or president),
elected from a different party, could alternate regularly with the speaker proper. Even this may be seen as a counsel of despair.

No aspect of government activity should be immune from parliamentary scrutiny

This is important, and intended literally. In the case of the Federal parliament, there is some tenderness in the matter of national security. Even here, the Leader of the Opposition has a right to know — and a right to speak if in his or her sober judgment the public has a right to be concerned. In State parliaments, that issue does not arise. All government activity, including most particularly all statutory authorities, must be 'on-budget' and subject to the scrutiny of the budget process. The often-used excuse of 'commercial confidentiality' is specious. The ordinary activities of government departments should be presented in departmental program statement format broken down to the smallest viable units. All departmental officers should be available for questioning by the parliament.

Question Time should be meaningful and constructive

Standing orders should specify a maximum duration for ministerial answers — two or three minutes is ample — and require relevance, to prevent grandstanding and the abuse of 'Dorothy Dixers'. Supplementary questions are a necessity; as are questions on notice, which should be encouraged as a means of securing large quantities of factual or statistical information.

All parliaments need an effective committee system

Chambers sitting as a whole are not very effective at some things. As well, upper and lower houses have quite different roles and capabilities: as governments are made in the lower house, and as their members are more closely tied to electorates, they will be both more gladiatorial and less inclined to take an independent point of view. Three tasks are best undertaken by committees: the close scrutiny respectively of legislation, of regulation and of the budget (or estimates). In the end, practical considerations will usually dictate that all three are best done in upper houses, although there is no reason why lower houses should not undertake at least some of these duties. It is open to both chambers to operate committees which look at policy issues; both the Senate and the House of Representatives work reasonably well in this respect, but it may be that except on an ad hoc basis this is beyond the capabilities of the smaller parliaments. And, of course, the Federal parliament provides examples of successful joint committees. As implied in the second point, above, parliaments need adequate resources for this sort of activity: here again, the effective (and amazingly self-effacing) secretariats of the Federal parliament are an object lesson. Lastly, it needs to be said that all committees will work better if their chairs are not automatically filled by the majority party of the relevant chamber. At the very least, the chairmanship should rotate, failing some more civilized method of appointment by merit.

The imbalance of resources available to executive and parliament must be redressed

Ministers have at their command large personal staffs, the services of consultants, and, most of all, their departments. Private members, comparatively, have virtually nothing. (Private members, moreover, are under considerable pressure from their parties and front benches to put re-election ahead of all other considerations; so that attending the local soccer club AGM, say, assumes more importance than membership of a committee.) Members, particularly State members, therefore need more and better staff. They need, too, better library facilities. Such facilities are costly; it may well be that the cheapest method of provision would be to purchase basic, computer-based services from the Commonwealth Parliamentary Library, whose facilities are world-class. Both members and the public need (perhaps most importantly) better sources of independent and authoritative policy advice. Each parliament should have an independent policy secretariat (like EPAC but without EPAC's political constraints) to provide a stream of impartial expert advice, especially economic, on major issues before the house.

Those nine points, diligently implemented, would go a long way indeed toward strengthening the parliament and restraining what is now appropriately called “executive tyranny”. Some may think there are curious omissions. Nothing has been said, for instance, about improving standards of parliamentary civility; or raising the calibre of our parliamentary representatives. Those sorts of issues have, however, to be considered secondary: if we think about it, we can see that parliaments will not, for instance, attract better candidates until they cease being the merest of rubber stamps for an unbridled executive. There is one primary issue that has been excluded. While these reforms will undoubtedly make for better government, they still do not guarantee good government. They still leave parliaments exposed to the dangers of party discipline, of greed for office, of vested interest — admittedly in lesser degree than presently. In the longer term, we need to add to our reform agenda one more item: the need to engage in an active search for constitutional guarantees for good government.
Independence for East Timor?

Many Australians felt outrage at the recent slaughter in Dili. Some have suggested that with the end of the Cold War there is now no reason why Australia should not advocate Indonesian withdrawal from East Timor.

DAVID ANDERSON

The televised images of grieving faces at the funeral service in Dili on 12 November were deeply moving. The spectacle of the shootings at the cemetery afterwards aroused feelings of natural revulsion, and sent a wave of sympathy for the East Timorese people around Australia. It was right and proper that our government, in a legitimate concern for the observance of human rights, should call for an inquiry into the incident and the punishment of those responsible. At the time, our then-Prime Minister may have gone rather close to the kind of “strident and aggressive condemnation” which, in a wider context, our Foreign Minister has warned against; but Mr Hawke was not alone in this.

Now that an inquiry into the killings has been set up, with disciplinary action taken and a public statement of deep regret by the Indonesian President, attention is turning to present conditions in East Timor and demands for self-determination for its people.

In December 1975, both the United Nations General Assembly and the Security Council called for the withdrawal of Indonesian forces from East Timor and affirmed the right of its people to self-determination. A similar resolution was passed by the Security Council in April 1976. These resolutions, however, have remained a dead letter. By 1982, support in the General Assembly for a Portuguese resolution in similar terms had declined to 54, with 46 negative votes (including Australia’s) and 55 abstentions. Indonesian sovereignty over the province has not been widely recognized, but it has come to be tacitly accepted by the international community. After 16 years of Indonesian occupation, the so-called process of “historical consolidation” has gone a long way, and Senator Evans has described the situation as “irreversible”.

Fretlin leaders have now, it seems, proposed a period of limited autonomy for East Timor within the Republic of Indonesia, to be followed after 12 years by a referendum on self-determination. What can be said of the case for self-determination, which of course carries the option of independence, for East Timor?

It certainly can be argued that, as the inhabitants of a former Portuguese colony, the East Timorese had a claim to self-government under Chapter XI of the UN Charter, and by extension, in the light of UN practice and precedent, to self-determination. The right was, of course, denied to Goa, also a former Portuguese colony and with nearly twice the population of East Timor, when India annexed it in 1961 without benefit of referendum or plebiscite. It will also be denied to the six million-odd people of Hong Kong, some 10 times’ the number of the East Timorese. But there is very little consistency in UN practice, and the case for East Timor does require examination.

For more than 300 years its people were governed, and badly governed, by Portugal. The main benefits accruing from

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the colonial period — which can most generously be described as one of sometimes benign neglect — were the introduction of the Roman Catholic faith, now professed by perhaps one-third of the population, and a climate of racial tolerance which, incidentally, produced a small urban élite of mixed blood. It is this particular historical experience which forms the basis of Fretilin claims to a distinctive identity for the East Timorese, who are otherwise ethnically identical with the people of West Timor and some other parts of the Indonesian archipelago. The cultural veneer left by Portuguese colonialism does not, however, run deep among the people of the countryside, who live for the most part at subsistence level, speak a variety of languages and dialects, and have deep-rooted animistic beliefs and customs.

The Catholic faith of some 200,000 East Timorese is not a decisive argument for independence from Indonesia, a secular, multicultural state which counts several millions of Christians in its population and accords freedom of worship to its diverse religions. This leaves us essentially with the.

ambitions of Fretilin and a degree of popular disaffection with Indonesia’s heavy-handed and sometimes repressive rule, which Fretilin has been able to exploit.

How much popular support can Fretilin command? It emerged victorious from the Civil War of 1975 (after which the political parties opposing it called on Jakarta to intervene) and claimed to be “the sole authentic representative of the East Timorese people”, a slogan with familiar Marxist overtones. But at that time Fretilin had rejected proposals for a referendum, plebiscite or election, arguing that “the existence of political parties only favours disunity which weakens the people.” Fretilin’s authority in East Timor during the brief period between the abandonment of the territory by the Portuguese and the Indonesian invasion was in fact sanctioned neither by an expression of popular consent nor by international recognition.

While its continued resistance to Indonesian rule has probably given Fretilin a temporary ascendancy in public sympathy in East Timor, this could prove short-lived in independence. The movement’s basic support may not extend much beyond the several hundreds of townspeople and students who hope for government jobs in an independent State, and the surviving guerrilla bands in the countryside. Given its past record and authoritarian tendencies, it is also questionable whether Fretilin would be prepared to tolerate political pluralism and respect democratic processes if self-determination were granted to East Timor.

Would an independent East Timor be economically viable? It is poor in natural resources and barely self-sufficient in food. The Portuguese left the province at an appallingly low level of development, with primitive communications, rudimentary health and educational services, and heavy dependence on imports. Relatively generous Indonesian programs of economic and social development have lifted income levels, health and educational standards well above those of 1975, but per capita income in 1987 was still only A$180, or 35 per cent of the Indonesian average. The prospect for an ‘independent’ East Timor would be one of heavy and probably indefinite dependence on large-scale foreign aid.

Indonesian Intransigence

There could, however, be a solution short of independence. It is conceivable that Indonesia, in response to the pressure of international opinion, will eventually consider granting to the province, in recognition of its particular cultural and historical development, an increased measure of autonomy within the constitutional framework of the republic. Such an outcome, as well as benefiting the East Timorese people, would be calculated to help Indonesia in securing broader international recognition of its sovereignty. It is most unlikely, on the other hand, that Indonesia would agree to the Fretilin proposal for an eventual act of self-determination.
Australian Interests

Australia's interests in this affair require sober consideration. The help given to Australian soldiers by the East Timorese people during the Second World War has touched a spring of sympathy and a sense of obligation in Australian opinion which survives after 50 years. The murders of Australian journalists during the Indonesian invasion in 1975 have also left a strong prejudice against Indonesia in certain quarters, including sections of the media. Emotions have been stirred by the November killings and subsequent events. Inevitably, there have been some Australian voices urging the Government to support independence for East Timor.

Having recognized Indonesian sovereignty in the province, Australia could not reverse its position without great cost to its long-term relationship with Indonesia, by far our most important neighbour. No Australian interest would be served, on the other hand, by support for the Fretilin cause or the establishment of an independent state in the eastern half of the island of Timor. It would be the height of folly to sacrifice the significant improvement in our relations with Jakarta which has been built up in recent years, the prospects of expanded trade and investment now opening up with a booming Indonesian economy, and the important co-operation now developing in the security field, to the chimera of Timorese independence.

The Australian Government has sensibly resisted pressures to reconsider its position on self-determination for East Timor. It has also put some check on the aggressive demonstrations organized in Australian cities by Fretilin supporters with the obvious aim, not of mourning the dead, but of provoking a breach in our relations with Jakarta and enlist Australian support for the Fretilin cause.

This is not to say that Australia should not stand up for the observance of human rights in East Timor. It has done so, and it should continue to do so when necessary, although quiet diplomacy will be more effective than noisy public condemnation. Quiet diplomacy should also be used in continuing to advocate increased development aid to the province, in offering an Australian contribution to development programs, and in counselling political reforms which would give the Timorese a greater voice in the management of provincial affairs. Thus far, but no further.

Low Inflation is not Good Enough

Mr Keating's *One Nation* statement accepts that inflation is an utterly corrupting influence on the social fabric yet fails to propose policies to eliminate it.

JOHN STONE

Almost two years ago I wrote an article in *IPA Review* in which, commenting upon a then recent speech by the Governor of the Reserve Bank, Mr Bernie Fraser, I noted that "just as people cannot build a sound personal relationship with others by cheating, so governments cannot build a sound democracy by issuing money which is worth less next year than it is today."

There is an old joke that for every two economists, you can rely on three (at least) opinions. It is therefore striking that, to the best of my knowledge, one proposition on which all economists would agree is that, in the end, inflation (i.e. an increase in the general level of prices) cannot occur on any sustainable basis unless the monetary authorities of the country concerned condone that outcome by permitting a rise in the money supply (however defined).

Last December the IPA held a small conference under the title 'Can Monetary Policy be Made to Work?' at which a number of speakers were invited, first, to review the sorry record of Australia's monetary history over recent years and, secondly, to canvass various possible means of improving that record for the future. Although, regrettably, the Reserve Bank of Australia declined to present a paper — although it did agree to be represented in the audience — we had the benefit of a most thoughtful paper by the Governor of its sister institution across the Tasman, Dr Donald Brash of the Reserve Bank of New Zealand.

I shall return to that paper, and the New Zealand experience more generally, below; but first I should say that my renewed interest in this topic springs from the following passage in Mr Keating's *One Nation* speech to the Parliament on February 26 this year:

"Mr Speaker, just now our inflation rate is the second lowest in the world...Inflation puts up interest rates, it erodes the value of savings. It is a totally corrupting influence on the fabric of society" (emphasis added).

Just so, indeed. Verily, you might say, a Daniel come — if somewhat belatedly — to judgment. It was therefore a shade disappointing that, against that background of not merely economic, but also (and very properly) moral condemnation, Mr Keating should appear to 'fade' a little when coming to the action, namely:

"We must keep it [i.e. inflation] low...Last week I sought and received an assurance from the ACTU that wage claims will enable us to maintain an inflation rate comparable to that of our trading partners" (again, emphasis added).

It is wrong of me, I know, to quibble because, after having had a rhetorical loaf held out to me, I am then only actually promised half a loaf. (There is also the very big question of whether even that half-loaf would be likely to be delivered, but here I leave that aside.)

After all, if "inflation puts up interest rates" — and it does — then doesn't even 'low' inflation put them up also? Not as much as 'high' inflation would do, of course, but still higher than they would be if inflation were not merely 'low', but eliminated.

Consider too the statement that inflation "encourages speculation rather than production." The serried ranks of speculatively built office blocks which today litter the Central Business Districts of almost every capital city in Australia bear continuing mute testimony to the truth of that. But in that case, doesn't even 'low' inflation do likewise, albeit to a lesser extent than 'high' inflation has done during the 1980s in particular?

Again, if inflation "erodes the value of savings," and hence discourages people from saving, won't even 'low'

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inflation also produce that outcome? Yet if there is one proposition on which most Australians would agree today, it is that we urgently need to lift our national saving level, in order to staunch our continuing balance of payments deficit and slow down or stop the seemingly inexorable rise in our (net) foreign liabilities. So how can we complacently contemplate even a 'low' rate of inflation, defined as one "comparable to that of our trading partners"?

Such phrases aside, what does Mr Keating mean in practice? For that, I refer to the more detailed spelling-out of his One Nation 'scenario' in the paper of that title tabled in the Parliament with his speech. Specifically, Table 6 (p.122) of that document shows figures for increases in the Consumer Price Index over the four years 1992-93 to 1995-96 inclusive of 3.5 per cent, 3.75 per cent, 3.5 per cent and 3.5 per cent, respectively. By the standards (sic) of the 1970s (10 per cent average) and the 1980s (eight per cent average), such CPI outcomes would indeed be 'low'. Yet even a steady rate of inflation compounding at 3.5 per cent per annum has the effect of doubling the price level in only 20 years. Such a process remains, in Mr Keating's words, "a totally corrupting influence on the fabric of society."

Although therefore I must express disappointment with this outcome, some of the argument which precedes it in One Nation deserves to be more widely publicized. In particular, after having noted (p. 116) that, for its "medium-term scenario for the Australian economy" to come to pass, a number of conditions will need to be fulfilled, the paper notes that: "In particular, it is crucial that inflation remains low..." And it continues (p. 117):

"Keeping inflation low, and convincing people that the Government is determined to keep it low, is the most effective way of providing the stable and vigorous economic climate that will improve the competitiveness of Australian industry, allow sustainable reductions in interest rates and encourage investment. Locking in low inflation is an essential pre-condition if growth is to be sustained over an extended period" (emphasis added).

This latter comment, in particular, has a familiar ring to it. More than a decade ago, the Commonwealth Treasury was seeking to persuade any who would listen that the control of inflation was "an essential pre-condition" of any return to full employment. Consider, for example, the following passage from Statement No. 2 in the 1979-80 Budget Papers:

"Economic policy in recent years has been based on the premise that sustained economic growth can be achieved only through a revival in the private sector...policy instruments have therefore been set so as to achieve the pre-conditions for a sustained recovery in private sector activity. Central to this has been the endeavour to control and reduce inflation."

Again, consider the following passage from Statement No. 2 in the 1980-81 Budget Papers:

"...in the years since 1975-76, the Government's strategy has achieved considerable success in reducing distortions, and thus in restoring the pre-conditions needed to allow stronger growth in private sector activity on a sustained basis. Foremost has been the progress against inflation..."

In recalling these Treasury statements, it is not my purpose to suggest that the then Government was successful in controlling inflation, or indeed to make any comparisons between the relative performances of that Government and its present-day successor. It is rather to draw attention to the fact that the views now stated by Mr Keating about the central importance of inflation are not new, and that even the mode of their expression repeats, almost word for word, similar such expressions of view of 12-13 years ago under a Government of the other political persuasion. What is the significance of this?

Although the New Zealand legislation has been in operation for barely two years it has been an outstanding success.

It would be easy to dismiss the point by saying that its significance is chiefly to be found in the fact that Governments come and go, but Treasuries (and the views they draft for adoption by their temporary political masters) continue. Apart from the fact that the words in One Nation were in any case not drafted in the Treasury, but in the present Prime Minister's office, such a view would be as inaccurate as it is facile.

The real significance of One Nation's revival of the need to "Fight inflation first" (remember Labor's anti-Fraser slogan?) lies elsewhere. It lies in a truth of which I often used to remind Treasury officers, namely: "Reality will keep on breaking in."

In short, reality has once again broken in in Canberra, in the shape of recognition that today the chief enemy of economic recovery is the threat of renewed inflation. And not before time.

The problem with most political leaders, however, is that they are reluctant to embrace anything so forbidding as an unvarnished truth. Truth, which after all has a strong relationship to principles, has a habit of evoking controversy, and for most politicians, controversy (of that kind) is to be avoided like the plague. They are much more comfortable when embracing what they like to call 'moderate' or 'middle ground' positions; there, they believe, they will find more people to agree with them. That is why, essentially, One Nation does not speak of the need to 'eliminate' inflation even though, as noted earlier, all the reasons which it gives for reducing it to a 'low' level apply a fortiori to its elimination.

Moreover, and in all fairness to Mr Keating and most of his political fellows, it should be said that much the same is true of many of their advisers. In that aforementioned speech which gave rise to my Review article two years ago, the present Governor of the Reserve Bank was at best ambivalent on this
LOW INFLATION IS NOT GOOD ENOUGH

crucial point about the respective merits of eliminating inflation, on the one hand, or merely reducing it, on the other.

At various points throughout that speech Mr Fraser referred to the need to ‘reduce’ inflation, or to the desirability of “reducing or eliminating” it. True, he concluded his address by describing it as a contribution “to a more rational debate about inflation and to an effective medium term strategy for eliminating it” (emphasis added); but a fair reading of the speech as a whole suggested that, in the Governor’s view, ‘price stability’ in Australia might then be construed in practical terms as an inflation rate of around 2.5-3 per cent per annum.

More recently, the Governor has publicly attacked the idea, advanced by the Federal Opposition in its *Fightback!* policy package, that the Reserve Bank’s charter should be amended so as to make it responsible only for achieving price stability, instead of the more diverse, and hence necessarily more confusing, range of objectives which it is presently enjoined to achieve. Moreover, the Governor has indicated that he does not agree with the Opposition’s proposal that, under its proposed new charter, the Reserve Bank should seek to achieve an inflation rate within the range 0-2 per cent per annum.

As against these views of the Governor, the recently retired Deputy Governor, Mr John Phillips, is on record recently as acknowledging that the one thing which Central Banks can succeed in doing (when they put their minds to it, and are allowed to do so by the governments to which they are responsible) is to bring about price stability. As to the execution of such a policy:

“My first preference would be to have a price stability target in qualitative terms, but if a government decided that... it wanted a quantitative target of some description, then at the very least I would hope it was couched in terms of sufficient flexibility to deal with... external shocks.”

Now that of course is precisely how, in the case of New Zealand, that Government’s quantitative target is couched; so it may now be convenient to turn to the New Zealand experience.

A Strategy to Surmount Inflation

The Reserve Bank of New Zealand Act 1989, which was enacted by the previous (Labour) Government, but with the full support of both sides of the Parliament, enjoins that country’s Reserve Bank to maintain price stability, and lays down a procedure whereby the Minister for Finance (our Treasurer) dictates an inflation ‘target’ to the Governor of the Bank through a formal contract which both the Minister and the Governor sign.

In early 1990, shortly after the passage of the Act, New Zealand’s then Minister for Finance required the Governor to attain an inflation range of 0-2 per cent per annum by the end of 1992. When the Government changed at the election of October 1990 the new Government revised the date of attainment of this target (but not the target itself, which remained at 0-2 per cent) to end-1993.

The nature of the contract between the Minister and the Governor is such as to permit that very “flexibility to deal with external shocks” to which Mr Phillips referred in the interview quoted above. Without going into detail, the contract contains specific provisions to deal with such situations as a major change in the external terms of trade, a significant change in rates of indirect taxes (e.g. the July 1990 increase in New Zealand’s GST rate from 10 to 12.5 per cent), and so on. The key point, however, is that these contingent points of ‘flexibility’ are clearly, and carefully, spelled out in advance; they are not couched in such general terms as would allow the Governor to hide behind them were he, in fact, to have failed to carry out his contract.

Although the New Zealand legislation has been in operation for barely two years, by any objective judgment it has been an outstanding success. Inflation has in fact come down faster than planned; in the year to the March quarter 1992 it ran at only 0.8 per cent. As in our own case, it is forecast to rise somewhat over the next 12 months to peak in the year ended March quarter 1993; after that, however, it is forecast to decline to 1.2 per cent by end-1993, and to fall further into 1994.

The results of this progressive return to price stability have, in turn, been predictable. Inflationary expectations (which the Reserve Bank of New Zealand regularly surveys) have steadily declined, and the long-term bond rate with them. These developments in turn have allowed short-term interest rates to move down, and the real effective exchange rate to depreciate, with increasingly obvious benefits to New Zealand’s competitive position. Very importantly, wage bargains are now being struck between employers and their employees in the confident expectation that inflation is no longer a factor which need enter into their negotiations.

As a result of our recession, our own annual inflation rate has now fallen below two per cent; there has not been a better opportunity for nearly 30 years to decide to maintain that outcome. May I therefore conclude by enjoining our own Reserve Bank to cease starting at shadows, start taking some notice of what is happening across the Tasman, and be prepared to follow what increasingly seems to be an excellent example?

2. The proceedings of the Conference are now published. Copies may be ordered from the IPA at a cost of $15 including postage.
3. Since traditional measures of inflation generally make insufficient allowance for improvements in the quality of products over time, indexes of inflation are thought to overstate the actual rate of rise in the price level, on a ‘quality adjusted’ basis, by something in the order of one per cent per annum. On this basis, a measured inflation rate range of 0-2 per cent per annum would be equivalent to a true inflation rate ranging between -1.0 and +1.0 per cent.
5. Unlike our own Reserve Bank, the RBNZ has never intervened in that country’s foreign exchange market since the ‘float’ of the NZ dollar, i.e. its ‘float’ is perfectly ‘clean’.
Australia Deconstructed

A new open university program on Australia is likely to close the minds of its viewers.

GREG MELLEUISH

University study should stimulate and encourage the critical faculties. Recently a series of programs began on ABC-TV as part of the new Open Learning experiment. The objective is to make use of television as a means of conducting courses purporting to be of a university standard.

One of the subjects chosen for the Open Learning scheme was Australian Studies and a series entitled 'Images of Australia' has been showing at 7:30 am on a Monday morning. A shrewd observer would be wary of any offering labelled Australian Studies — after the experience of the VCE Australian Studies he would immediately suspect social engineering.

Unfortunately he would not be far from the truth. 'Images of Australia' lives up to its title. It makes excellent use of television's capacity to use images and fleeting impressions to grab the attention of the viewer and lead it down a pre-determined path. 'Images of Australia' does not encourage critical thinking. Images, rather than ideas and arguments, dominate the screen. These images, and the simple messages they contain, tend to overwhelm the viewer. One is left to conclude: there is only one way to study Australia and this is it.

The intellectual content of 'Images of Australia' can be reduced to a few simple messages:

- The world is dominated by myths, images and legends which portray a fictional world but present it as if it were real;
- Consequently myth suppresses reality thereby leading us to believe in falsehoods.
- The great national myth in Australia is that of the supremacy of the patriarchal Anglo-Celtic male. This myth has taken on a number of forms including the Bush Legend of the 1890s and the ANZAC ideal.
- The reality suppressed by this myth includes that of capitalist exploitation and the important roles played by women, blacks and ethnic groups.
- These myths continue to be propagated primarily through advertising.

Oh yes, it is a rather tired old political agenda first formulated in the 1970s. But it is an agenda which has found a home in the curriculum of many universities, including that of Griffith, where 'Images of Australia' was made. It is also the agenda of Donald Horne and his 'Ideas for Australia' circus. Horne also talks about Australian myths and legends.

Significantly there are strong connections between Horne and the Institute for Cultural Policy Studies at Griffith University. For Cultural Policy read cultural control. Cultural policy is very much concerned with the way in which ideas and images about Australia are presented in schools, the media, museums, public monuments and so on. Control the images and it is just possible you might also control the minds.

'Images of Australia' along with Horne's 'Ideas for Australia' has for its objective the debunking of many of the accepted ideas about Australia. And, it should be added, their replacement by a new set carefully vetted and approved by the academic guardians of political correctness.

Such a strategy can only work if the whole problem of Australian images can be reduced to a banal simplicity. Propaganda requires a few stark basic propositions. The complexity of the real world, such as overwhelmed the propaganda machines of Eastern Europe, must be kept safely at arms length.

And, in this, 'Images of Australia' succeeds brilliantly. The messages are kept simple, repeated several times during an episode and presented with considerable skill. It is effective propaganda because it substitutes images for argument.

It is worthwhile elaborating on the technique used in this show. The whole package is held together by a disembodied voice. Otherwise there are three basic elements:

- documentary footage of Australia, largely historical but with some contemporary material;
- advertisements of the last 10 years and the occasional movie excerpt;
- expert comments from individuals who are identified and tend to be academics.

The three elements are woven together skilfully. A discussion about myth will move from historical footage of turn of the century Australia or the ANZAC landings to a modern...
beer advertisement to an authoritative comment by an academic. In a little over a minute the message that traditional Australian ideas are of not much greater value than a beer commercial has been both insinuated into the mind of the viewer and confirmed by a higher authority.

What is missing, of course, is any possibility of independent critical appraisal on the part of the viewer. Brilliant propaganda, very poor education. One of the great ironies of all this is that during the program the complaint was made that Australian bush nationalism is a fiction which has come to be made to appear natural. One could easily make the same comment about 'Images of Australia'.

But, as I state above, it works so well because it never allows the topic to move beyond a discussion of simple images. On the one side there is the dark, oppressive image of the Australian patriarchal male making sinister use of myth to advance his interests. On the other side there are the oppressed ‘minorities’: blacks, women and ethnics. (Will gays perhaps make an entrance later?)

If an educational program entitled 'Images of Australia' was to have educational, as opposed to propaganda, value, one would hope that it could have moved beyond such simplistic dualities to a consideration of complexities. In fact one could list a veritable shopping list of images that such a program could consider. For example:

- the diversity of images that constitute the Australian natural environment;
- regional images of Australia, as seen by a Queenslander, Tasmanian, and South Australian;
- images of economic development and of industrialization;
- images of Australia's place in the world;
- images of the conception of justice in Australia;
- images of the role and place of religion in Australia.

I have no doubt that there are many other possibilities. But the key to any Australian Studies course entitled 'Images of Australia' must surely be both to explore the complexity of those images and to see if there are shared values holding that complexity together.

University education should open minds rather than close them. It does so by encouraging students to appreciate and critically evaluate complex states of affairs. 'Images of Australia' avoids complexity. Instead, it sets up a straw man in the shape of the Australian patriarchal male so that he can be taken apart for political purposes and then be replaced by an image approved as politically correct.

But what, you might ask, of those who are not merely casual watchers of this program, but are watching it in order to undertake serious study of Australia? For $115 it is possible to purchase a two-volume Study Guide, Program Notes and an introductory Reader entitled Images of Australia. A further $200 entitles one to submit work for assessment for the course. Several hundred students have enrolled in this way.

The Study Guide and Program Notes do pay lip-service to the notion of developing critical skills. The Program Notes state that one should collect evidence for and against the main theme of a program and encourage students to discriminate between the approaches of the commentators who appear on them. Equally the Study Guide describes what it calls “active reading.”

Nevertheless, it is clear that these critical skills are to be developed within the framework established by the course designers. Both the Study Guide and the Reader reinforce the dualism of traditional Australia versus women, blacks and ethnics. Moreover the pieces selected for study in both of these works are overwhelmingly left-leaning in character with only rare exceptions (such as some of John Hirst’s work). When a non-left piece is presented it is one which is an easy target for ridicule; for example a Des Keegan piece on multiculturalism.

In particular, the Study Guide admits that it has been heavily influenced by Richard White’s book Inventing Australia. White is notorious for his contention that the national images of Australia are “inventions”, “necessarily false”, conjured up by intellectuals and used by the evil capitalist classes to serve their own interests. It is an antipodean version of what is known elsewhere as the “dominant ideology thesis” — a thesis long discredited in reputable left-wing circles. Not surprisingly no critiques of White’s position are offered in the written material. Indeed there is nothing in this written material which would make any student question seriously or evaluate critically the images presented by the television series.

All of this might make sense to those ‘cultural policy’ makers who now wish to capture the image of the nation and use it for their own purposes. But it does not make for good education. Indeed, it is a travesty of the values which a university education is meant to embody.
FOREIGN RELATIONS

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Chief Seattle: White Man’s Indian

The world views attributed to American Indians were a major inspiration for the founders of contemporary environmentalism, and they continue to be promoted both as a critique of Western culture, and as an appealing vision of how things might be. Professor David Suzuki — said by his publicity brochure to have been adopted by some American Indian tribes — is only one of the prominent environmentalist admirers of the “profoundly different vision of the human place in nature” that they seem to offer.

A section of Suzuki’s book *Inventing the Future* is devoted to their views, including a chapter on what is probably the most famous and widely circulated example: an 1854 speech by Seattle, a chief of the Puget Sound tribes on the Pacific North West Coast. This speech is often said to have been made during negotiations which resulted in large amounts of Indian land being made over for white settlement, although sometimes it is presented as a letter Chief Seattle wrote to President Franklin Pierce. It has been translated into many European languages, and dozens of individuals and groups in North America, Europe and Australia have published either the full version or excerpts.

Suzuki includes nearly two pages of passages from the speech, writing that “nothing is more moving than the authentic record of the testimony of Chief Seattle.” A brief selection of the parts he has presented should reveal why he finds it so appealing.

“How can you buy or sell the sky, the warmth of the land? The idea is strange to us...The earth does not belong to man; man belongs to the earth. This we know. All things are connected like the blood which unites one family...Whatever befalls the earth befalls the sons of the earth. Whatever he does to the web, he does to himself...I have seen a thousand rotting buffaloes on the prairie, left by the white man who shot them from a passing train. I am a savage and I do not understand how the smoking iron horse can be more important than the buffalo that we kill only to stay alive...The whites too shall pass; perhaps sooner than all other tribes. Continue to contaminate your bed, and you will one night suffocate in your own waste.”

Many other notables revere Chief Seattle’s speech. Monsignor Bruce Kent, the English Catholic cleric and general secretary of the Campaign for Nuclear Disarmament, has said that it “is really a fifth Gospel, almost.” The World Council of Churches — some of whose members might have trouble recognizing the first four — seems to agree, for it has printed and distributed the speech. It is a favourite of Sir Crispin Tickell, the former British Ambassador to the United Nations who played a major role in instigating this year’s ‘Earth Summit’ in Brazil, and the man credited with the ‘greening’ of Mrs Thatcher.

So Seattle would seem to be a natural for the book that Suzuki has co-authored with Peter Knudtson, *Wisdom of the Elders*, recently published by Allen & Unwin. This book’s theme is that the ecological wisdom of native elders anticipates and complements the understanding of those Western scientific ‘elders’ like Paul Erlich who recognize the limitations of scientific understanding, and who seek to renumber nature with a vision of the sacred in order to save us from ecotastrophe.
that Seattle's speech was highlighted in the first draft of their book, but that after it was completed Knudtson "chanced upon an obscure article that offered a compelling challenge to [the speech's] validity."

In fact, the article they are referring to, by the German scholar Rudolf Kaiser, seems to be quite well known amongst American writers on Indian issues. It was published in 1987 in a book edited by C.F. Feest, Indians and Europe. Two of the more influential environmental books in recent years, Roderick Nash's The Rights of Nature, and J. Baird Callicott's In Defense of the Land Ethic: Essays in Environmental Philosophy both mention it, the latter presenting a half page summary of its argument. Kaiser has demonstrated, beyond any possible doubt, that the version of Chief Seattle's speech so beloved by environmentalists and churchpersons is completely bogus.

Certainly, Chief Seattle did give a speech — probably in his native language — around 1854, and a physician named Dr Henry Smith heard it and took notes which he published over 30 years later. But the ecological sentiments and the criticisms of Europeans' approach to the environment are missing. The feeling towards whites was positive and friendly; a strong contrast with the resentful attitude present in the spurious environmentalist text. Chief Seattle converted to Catholicism around 1830, and never fought against whites, even staying loyal during an Indian uprising that commenced some months after the occasion at which his speech was given. Smith described Seattle as "ever the unserving and faithful friend of the white man."

Chief Seattle's words of environmental wisdom were actually written in 1970-71 by Ted Perry, a teacher at the University of Texas, as the script for an environmental film called Home. This was produced by the Southern Baptist Radio and Television Commission and shown on one of the major television networks in the United States. Although the Southern Baptists knew it was a work of fiction, they presented it as an authentic speech by Chief Seattle, much to Perry's anger. (A recent report in The Australian indicated that Perry has finally gone to the American media to set the record straight.)

Most of this is noted in Wisdom of the Elders, except for Chief Seattle's Catholicism and positive attitudes towards whites. Perhaps the authors did not want anything to interfere with their claim that indigenous people look upon the history of the New World "as nothing less than Five Centuries of Suffering and Resistance." They also make no reference to Suzuki's earlier assurances that he was presenting an 'authentic record' to his readers. But after all, being green means never having to say you are sorry.

If the bogus speech has been so widely circulated, is it really fair to criticize Suzuki and all the others who have celebrated it? The answer has to be 'yes'. By the very nature of their calling, environmentalists need at least a passing acquaintance with geography, particularly of the region in which they live. The rotting buffaloes on the prairie shot by white men from trains should have given the game away. Suzuki is a North American, and he lives on the Pacific side of the Rocky Mountains. He must have realized that it would be extremely unlikely that an American Indian living on the Pacific coast in 1854 would have seen the prairie, which is about 1,500 kilometres distant. And there were no trains running across the prairie until well over 10 years later. But Suzuki was probably so taken by another opportunity to put the boot into Western culture that he set aside his critical faculties.

Some of the other environmentalists who have been involved in celebrating the bogus speech are clearly aware of its true origin, yet they have not been candid about the extent to which the ecological and anti-European sentiments are a fabrication. In The Rights of Nature, distributed in Australia by The Wilderness Society, Roderick Nash says that the speech is "probably modernized in meaning." He refers to Kaiser's article, but merely states that it tells "the story behind the preservation of Seattle's remarks." "Several historical distortions and anachronisms" are acknowledged in the text included in Thinking Like a Mountain, the deep ecology miscellany co-edited by John Seed (the Director of the Rainforest Information Centre in Lismore). But readers are told that Perry 'recreated' the speech from Dr Smith's notes, and Chief Seattle is identified as the author. Indeed, Seed and his colleagues seem more agitated over whether Seattle would have used "the generic male" in a speech, no doubt fearing that this could jeopardize his appeal to ecofeminists. (Knudtson and Suzuki show a similar concern.)

Western Attitude to Nature

The most interesting lessons to be drawn from this are not so much the creativity, gullibility, or mendacity of greens and their allies — although all these characteristics are certainly worth noting. Rather, there are two other points of considerable importance. The first is that the ideas and emotions expressed in the speech are a product not of some American Indian culture, but of our own culture. They were written by an American author, for a Western audience. The popularity of what he wrote indicates the extent to which its message resonates with an outlook towards nature, tradition and the sacred which is already present in significant strands of our own culture.

The second point is that environmentalists see it as necessary to present this message as coming from outside, from the mouth of an indigenous person who is supposedly criticizing Western ways. They cannot abide the possibility that our culture could produce texts that display a
Deep sensitivity to the environment.

Yet, as the Cambridge historian/anthropologist Alan Macfarlane has pointed out in his book *The Culture of Capitalism*, and as the testimony of our poetry and other arts demonstrates, the love of nature goes back a very long way in our ancestral culture. It is not simply a response to the excesses of the Industrial Revolution, as many people have supposed. Macfarlane notes that since the times of the ancient Greeks, there has been a continual ebb and flow between an anthropocentric attitude towards the world and notions that the natural world has a life and value of its own. The English obsession with animals, and the keeping of pets, can be traced back to medieval times, and concerns about cruelty to animals are already present in early 15th-century texts. The enthusiasm for gardening is evident well before the onset of the Industrial Revolution, as is the love of trees and wide-scale tree planting.

These positive attitudes towards nature seem to have increased as people gained greater control over their environment, both natural and human. In Macfarlane's words, "when there is a battle for survival against the wild, then sympathy and tenderness are difficult; but once mastery is gained, a feeling that care and protection is needed can grow." In England, the countryside was safe, from both animal and human predators. Political and legal developments from Norman times, combined with a favourable geography, brought about a level of internal peace largely unknown in other parts of the world, and in turn this provided the background to an unusually high level of economic security.

In other words, we are heirs to a long tradition of concern with nature and the environment which is inextricably intertwined with the internal peace and prosperity that are the consequences of British culture and institutions. Certainly this concern varies in strength, form and content at different periods, but it predisposes us to take notions of environmental stewardship seriously, and not just on a local level. While it is always possible to find fault with our attitudes and behaviour when considered against absolute standards, but it is possible to find fault with our attitudes and behaviour when considered against absolute standards, but it is possible to find fault with our attitudes and behaviour when considered against absolute standards, but it is always necessary to find fault with our attitudes and behaviour when considered against absolute standards.

Tribal traditions and social organization

There are two more general points about "native ecological wisdom" that also need to be made in the face of the popularity of books like *Wisdom of the Elders*. Firstly, there is little doubt that many tribal people had a very detailed knowledge of the environment in which they live, and that they developed some practices — including property rights over species and their habitats — which helped to conserve resources. Some also had gifted poets and thinkers, who could express universal concerns of human existence and human relations with the natural and spiritual world in powerful images and language which have a broad appeal. But the institutions that would help to make their knowledge durable, systematic, comprehensive, and self-correcting in the light of new evidence were often far inferior to the institutions of a liberal capitalist society. Similarly, the institutions that might translate poetic insights and values into sound environmental action were usually deficient: the environmental vices of our culture — pollution, species extinction, uncontrolled habitat destruction — have plenty of counterparts in the tribal world.

The second point has to do with the malleability of tribal traditions, the ability of their exponents to recast their content to accommodate changing political and social circumstances, and to incorporate new elements without necessarily being aware of the changes they are making. We have seen this clearly with Bula and the Sickness Country in relation to mining at Coronation Hill. Rarely having to face the discipline of accessible documentary or other evidence that might be used against their claims, they can readily convince themselves that their culture was once an exemplar of environmental awareness or human charity.

When dealing with more powerful societies who demand access to their traditional resources or who otherwise infringe on their earlier autonomy, tribal spokesmen and negotiators, like any other people, will try to present the strongest possible case to those whom they hope to convince. Indigenous people have quickly learnt about Westerners' environmental concerns, either directly — they listen to the radio, they watch videos, they read — or through supporters. So it is hardly surprising that when they argue for land rights or sovereignty they often claim to be natural environmentalists who will treat the land with far more care than Westerners have treated it. The fact that such claims are very rarely subject to critical scrutiny suggests that most people assume tribal people to be custom-bound innocents, who do not act politically, or who are incapable of the kind of manoeuvring we take for granted in our own society. And that is a form of racism.
Should Corporations be ‘Socially Responsible’?

Demands, including from legislators, that business exercise more social responsibility are intensifying. But much discussion of business ethics is confused, and calls for corporate responsibility may be an evasion of personal responsibility.

CHARLES RICHARDSON

Three hundred and fifty years ago Lord Chief Justice Coke pointed out that corporations “cannot commit treason, nor be outlawed nor excommunicate, for they have no souls.” Nor, one might add, do they have bodies that can be imprisoned, minds that can form intentions, or hands that can be put to forced labour. In view of these obvious limitations, what sort of social or moral responsibilities can corporations have?

In a famous article, ‘The Social Responsibility of Business is to Increase its Profits’, Milton Friedman gave a clear and controversial answer to this question. Arguing that “only people can have responsibilities,” Friedman claimed that managers and other employees of corporations have a duty to maximize profits for the shareholders, who are their ultimate employers. Their social responsibility, he argued, is limited to respecting the laws and the ethical customs of society, and the attempt to impose additional obligations on them is “pure and unadulterated socialism.”

Nonetheless, calls continue unabated for business to exercise ‘social responsibility’ — over such varied issues as destruction of the environment, tasteless or misleading advertising, factory closings causing unemployment, and investment in military technology. In Business Ethics classes these calls are often brought together in a view that corporate managers have a general responsibility not just to the shareholders but to the ‘stakeholders’ in a corporation, including consumers, suppliers, unions, and the local community.

Many of these ideas, of course, originate with the extreme Left, but even among those sympathetic to capitalism there is often a considerable unease at a position like Friedman’s, which seems to place businesses beyond the reach of moral judgment. Indeed, many companies go to great lengths to stress their ‘social responsibility’, rejecting the suggestion that they are in business only to make profits. Self-serving as some of this talk may be, it would surely be unreasonable to dismiss it all as mere window-dressing.

As long as we set aside the special problems of the corporate identity, and only look at the level of the sole trader, it seems obvious that moral responsibility should apply in business as much as anywhere else. A human being does not suddenly cease to have moral status just by going into business: it would be absurd to say that a shopkeeper is governed by one set of moral rules outside the shop, and by another (or none at all) inside.

If Friedman were denying this rather simple point, then his argument would have to be rejected. But what is really worrying Friedman is the fact that in the modern corporation there is a separation between ownership and control. Managers who try to be socially responsible are not in the same position as sole traders; on the contrary, they are being ‘responsible’ with money belonging to someone else, namely the shareholders. Far from displaying moral virtue, according to Friedman, they are engaging in theft if they apply those funds to anything other than maximizing profits.

Two Models

The real problem, then, is the special status and separate legal identity of the corporation. Broadly speaking, there are

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SHOULD CORPORATIONS BE 'SOCIALLY RESPONSIBLE'?

Two models for understanding this special status: the 'legal recognition' model and the 'legal creation' model. According to the latter, corporations are primarily creatures of the State, created under statute with certain statutory privileges. Under the 'legal recognition' model, however, corporations are first and foremost associations of individuals, formed by them for their own purposes, and the task of the State is simply to recognize and codify the responsibilities which those individuals already have by virtue of their own contractual arrangements.

There may be some truth in the 'legal creation' model if we take it as an historical account of the early corporation, but I believe that we risk conceptual chaos if we use it to ground our understanding of the modern corporate identity. If corporations were really creatures of government, then taxpayers would be entitled to claim the same rights in them as other shareholders. The distinction between a private corporation and a government instrumentality such as Australia Post would become untenable, and both would have the same social responsibilities imposed on them. Such a view would be a death-blow to capitalism as we know it.

It is to the 'legal recognition' model, therefore, that we must turn. To do this is not to deny that corporations have benefited from the grant of some privileges, primarily that of limited liability. But while this may justify some government regulation of companies, it is a mistake to think that limited liability is the source of the problem about the corporation's social responsibility. What makes 'social responsibility' problematic, as we have seen, is the fact that a corporation's functions are typically performed by people other than its owners, and this happens independently of whether the owners have limited liability or not.

Once we focus clearly on the corporation as a creature of its shareholders, it becomes impossible to see how 'it' could have any moral obligations of its own. On this view, directors and workers have obligations to the shareholders, and the shareholders have obligations to one another, but the corporation itself does not have obligations: rather, it just is the pattern of obligations created by agreement between the shareholders.

To go on to ask about the company's own responsibilities is to make what philosophers call a 'category mistake': it is like asking what responsibilities my bank account has to me. The corporation is not a moral agent, but not because it is an amoral agent. It is not any sort of agent at all. Manuel Velasquez puts the point well:

"It makes sense to say that a corporation is morally responsible for a wrongful act only as an elliptical (and sometimes dangerous) way of saying that certain human individuals are morally responsible for that act."  

Some writers, while agreeing that corporations do not have the same sort of moral responsibility as natural persons, have still resisted the conclusion that they lack moral agency altogether. Bob Ewin, for example, in a recent article agrees that corporations cannot display virtues or vices, but he nonetheless believes that they have a limited moral personality and possess rights and duties. He admits that "a corporation cannot act without some particular person acting on its behalf," but he maintains that this is true also of "the insane, the comatose, or babes in arms."

Yet surely this understates just how peculiar it is to attribute agency to the corporation. A corporation cannot do anything at all — think, feel, act or react — except via some human agent. Nor will it ever be able to do these things; it is not like a baby who will grow up, or a comatose person who was once conscious. It has no interests except its owners' interests. Its separate identity is not a locus of rights or duties: it is a legal fiction.

This, as I understand it, is the main point of what Friedman was arguing, and it explains why corporate managers should be limited in their responsibilities to the tasks given to them by the shareholders — generally, maximizing profit (although a corporation may also be formed for some charitable purpose). Attributing a separate moral personality to the corporation just obscures the fact that managers are agents of the shareholders, and must serve the shareholders' interests and obey their directions.

The shareholders' interests, of course, are likely to be broader than just a short-term pursuit of profit. Shareholders are concerned about the long-term value of their investment, and this can be served in many ways which have nothing to do with short-term profitability. Corporate contributions to education are a good example: they may just seem like a drain on profits at first, but in the long-run a well-educated workforce is vital for the corporation's well-being, and good managers will ensure that interests like this are kept in view. If this is what is meant by being 'socially responsible', then it should be positively encouraged by the shareholders.

Writers like Friedman understand this, but their concern is that calls for 'corporate responsibility' aim to transform corporations into agents of society at large, not of the shareholders. It is necessary to keep the 'legal recognition' model firmly in mind in order to resist this trend. If my assets belong to me, to use as I wish for my own purposes, then they cannot suddenly become the property of 'society' as soon as I choose to invest them in a company, because the company is just not the sort of thing that can take on additional moral responsibilities.

Corporate or Individual Responsibility?

But while this view therefore disposes of the more outlandish claims of 'corporate responsibility', it does not establish that 'business' has no obligations beyond those of profit-making (however understood). Friedman's position is positively misleading if it suggests that people involved in business should concern themselves only with making profits and obeying the law. On the contrary, by taking apart the artificial mystique of the corporate identity, we can see that the moral responsibilities of business people are not fundamentally different from those of the rest of us.

This should be obvious in the case of shareholders. Morally, there is no difference between setting up a company...
which engages in some objectionable activity (e.g. environmental pollution) and engaging in that activity myself. I cannot escape responsibility by saying that it is 'just business'. If there are moral constraints (as obviously there are) on how I can use my money, then they must apply equally to companies I have invested in, because they (or rather their employees) are my agents.

Similarly, if I am one shareholder among many, it is foolish to say that I cannot have any moral responsibility for what a corporation is doing with my money. As with any other sphere of life, there are some things which it is just not morally permissible for me to do, and if I am aware that some corporation is doing these things then I have no business investing in it (unless I can reasonably expect to bring about some change in its policies). Furthermore, there are some actions which, while not morally obligatory, are morally better for me to perform than others — some contributions to charity might be among them — and these weaker duties also carry over to my business activities.

This does not mean, however, that I am entitled to try to make the corporation do whatever is necessary to promote my own moral goals. On the contrary, I am limited by the rights of the other shareholders, and the conditions (expressed in the corporation's objectives) under which they have invested their money. If I want to change these objectives, I must work within the democratic processes of the corporation. This is the point of the ultra vires ("beyond power") doctrine, and the weakening of this doctrine by the courts in recent years has done much to promote the mistaken idea of corporations as independent moral agents.

Greater Responsibility, Not Less

Workers in a corporation are in a different position, since they are obliged by their contracts to serve the interests of their ultimate employers, the shareholders. But they do not thereby cease to be moral agents, and they cannot plead the terms of their employment as an excuse for doing what is morally forbidden — just as soldiers cannot evade responsibility for atrocities by relying on superior orders. If corporations are engaging in immoral behaviour, such as systematically defrauding their customers, then of course the primary responsibility rests on the directors or managers who initiate the policy. But it also extends to all those who carry it out: no-one should be able to excuse himself by saying, "I'm just doing my job." And since both managers and workers are ultimately agents of the shareholders, then the shareholders too must be held responsible if those agents have been inadequately supervised.

I am not arguing here for any further government regulation of business activity: it is clear that Australian Governments have already gone much too far in that direction. My point is that they have done so under the influence of a misguided notion of corporate responsibility, and that many people in business have become confused about their own moral obligations as a result.

Once it is seen that business people inhabit the same moral realm as the rest of society, and that the corporation is not some amoral monster for society to tame, much of the rationale for government intervention disappears.

This may help to explain the Left's continued support for the fiction of a separate corporate identity, Friedman argued that the call for 'corporate responsibility' helps to contribute to the idea that the profit motive is evil. I would suggest that treating the corporation itself as an agent is also philosophically useful to some people on the Left, since it helps to chip away at the liberal position that the ultimate constituents of society and bearers of responsibility are individual human beings.

The alternative position of treating the corporation as a mere fiction should, as I have argued, lead to greater moral responsibility in business rather than less. An environment of less regulation and more effective shareholder control of companies would do a great deal to meet the real needs of those who want corporations to be socially responsible. Better to admit that responsibility resides in human beings, rather than see complaints run into the dead end of an artificial creation whose real owners are sheltered and sometimes undiscoverable.6

As Velasquez says, "If we are to deter corporate wrongdoing...our blame and punishment must travel behind the corporate veil." Government policies which have helped to strengthen that veil, and obscure the realities behind it, must take their share of the blame for today's confusion of moral responsibilities in the corporate world.■

6. A prime candidate for reform here is the bizarre regulatory policy which allows companies to own shares in other companies to the extent that human ownership can disappear entirely; meaning in practice that directors cease to be responsible even theoretically to shareholders, and become responsible only to one another.
Markets and Civil Society

ANDREW NORTON

Michael Pusey's Economic Rationalism in Canberra displays a deep hostility to the liberal economic ideas that came into prominence in the 1980s. Pusey doubts the policies of economic rationalism can achieve their stated aims of improved efficiency and greater wealth creation, but this is not his major objection. Rather, his central concern is that economic rationalism threatens what he calls the "reproduction of society.”

On Pusey's account, civil society (non-state groups and organizations) is in danger from the cornerstone of liberal economics—the free market. He claims the last generation saw "extended family, church, and local community neighbourhood ... burnt up as fuel in the engine of economic development” (p.241), with worse to come if economic rationalism is not halted. The market is a "deadly enemy" of society (p. 232), and economic rationalism a greater threat to the well-being of the species than nuclear war (p. 22).

For liberals, Pusey's critique of the market is a challenge to their self-definition. To most of its supporters, liberalism is an ideology of both the market and civil society. They support the market as promoting efficiency and personal choice, and civil society as the institutional forum in which individuals and groups pursue their diverse aims and aspirations. If Pusey's critique is right, it reveals a massive contradiction between liberalism's economic and social objectives. In order to avoid social collapse, the economically 'rational' reform process would not only have to be stopped, but urgent steps taken to reverse changes already made.

Pusey believes economic rationalism is accelerating the economization of society. According to Pusey, economic rationalists do not recognize the “legitimate bounds of economic behaviour” (p.13). Instead, they envision a world in which all decisions are made by "socially denatured individuals", set free of norms, traditions, mutual obligations and social solidarities which stand in the way of the “behavioural orientation of all decisions to perfectly utilitarian criteria of costs and benefits” (p.204). Furthermore, Pusey thinks that the economic rationalists now want to use the state to 'liquefy' those aspects of civil society resisting the "external logic of incentivization" (p.241).

Pusey thinks economic rationalists are unable to conceptualize the kinds of relationships on which most institutions of civil society are based. Understanding human association in terms of cost/benefit calculations, they cannot see that families are supposed to be based on love, churches on faith, charities on altruism, sporting teams on loyalty to each other and the game, voluntary associations on the common pursuit of purpose, neighbourhood groups on social solidarity. If the values Pusey ascribes to market activity were culturally dominant, they would preclude the kind of identification with others and with common purposes on which civil society relies.

The Market Fosters Virtues

Pusey's criticisms echo those made of capitalism from Left and Right for more than a hundred years. Karl Marx and the conservative Thomas Carlyle both complained about relationships between men being reduced to a cash nexus. However, there are a number of reasons to think that this cultural analysis of market society is wide of the mark. On the contrary, we have grounds for believing there to be a mutually fruitful interaction between the market and other parts of civil society.

First, not all the values learnt in the market are inappropriate to the non-economic spheres of civil society. For instance, the market encourages cooperative behaviour. If firms are to do well in the market they must encourage cooperation between their employees. An analogy can be drawn with sporting competitions, in which rival sides must maximize teamwork among their members. Further, while firms compete with each other in the market, they must co-operate with consumers. As opposed to producer-dominated societies...
A central feature of a market economy diminishes the level of 'collective from political control. While this resources are substantially removed is that decisions about the allocation of maintaining the diversity of civil society. Survey evidence strongly suggests prosperous society 4. Expectation of market forces to create a fair and expected to be strongest, only 29 per politics, where market values might be faction.3 Even in economics and important factor in the level of work satisfaction.3 Even in economics and politics, where market values might be expected to be strongest, only 29 per cent of Australians believe we can rely on market forces to create a fair and prosperous society.4

Second, Pusey's argument assumes the values he attributes to the market will squeeze out other values. Why this would be so he does not explain. In reality, I suggest, all of us routinely differentiate between different parts of our lives, and try to find the appropriate values to apply in each. Survey evidence strongly suggests Pusey's fears about market values dominating Australian lives are baseless. Far from being preoccupied with economic matters, for Australians standard of living ranks fourth among their life priorities, and the amount of money earned is only the sixth most important factor in the level of work satisfaction.3 Even in economics and politics, where market values might be expected to be strongest, only 29 per cent of Australians believe we can rely on market forces to create a fair and prosperous society.4

Third, Pusey fails to consider the importance of a market economy to maintaining the diversity of civil society. A central feature of a market economy is that decisions about the allocation of resources are substantially removed from political control. While this diminishes the level of 'collective choice' often approved of by social democrats like Pusey, a pluralistic civil society depends on economic power being dispersed. This is because where financial resources are centralized, they cannot be used for the varied purposes found in civil society without first obtaining the approval of higher authorities.5 The need to obtain approval is a serious obstacle to groups with beliefs or customs alien to those of the dominant section of the population. Without the "social separation of powers" provided by a market economy, a diverse civil society is impossible.

The Impact of Economic Reform

Pusey's criticisms of the effect of economic rationalism on the social fabric would be stronger if he stuck to the direct effects of the reform process, rather than its indirect cultural influences. As many proponents of industry protection point out, decline of industry can seriously affect particular groups in the community. Single factory towns, or regions heavily dependent on one industry, are particularly vulnerable to having their whole social system damaged by reduced protection.

In these cases, however, the central problem is economic and market values are clearly relevant. It is up to the protectionists to explain the special circumstances which justify substituting non-market principles. They need to explain why consumers and taxpayers should subsidize the business operations of another section of the community, thereby diminishing their own economic viability. Preservation of a particular subsection of society may count as an important consideration here, but the social costs to the rest of society need more attention than protectionists are usually prepared to give.

The relevance of market values arises once again with the issue of centralized wage fixing. Under the centralized system, unions have tried to substitute 'wage justice' for market principles. Economic rationalists respond by pointing to the unemployment, inefficiency, and inflation created by this method of setting wages. The important point here is that economic rationalists are also in a strong position to argue that there are significant social costs attached to their opponents' proposals. These are inevitably incurred when industries become
unable to support themselves. The economic and social chaos of the former Soviet Union is an extreme example of the problems created when non-economic considerations dominate production. Just as Pusey stresses the need to find legitimate bounds of economic behaviour, to maintain a reasonable standard of living we must also set limits on how large a role non-economic values can play in essentially commercial activities. Pusey, for one, gives us no idea of what these limits might be.

The State Against Civil Society

Pusey’s critique of economic rationalism is further marred by confusion over the role economic rationalists see for the state. Pusey imagines they support a “minimalist lais-sez-faire state” (p. 6). If this were so, he would be right in thinking the state would have little capacity to co-ordinate or support the institutions of civil society in the “reproduction of society.” But if Pusey had read the economic rationalist literature, he would realize that they agree that modern governments should have numerous functions extending well beyond those of the minimalist state. Generally, economic rationalists envisage a public sector of 30 per cent of GDP or above, with the state playing an important role in promoting and protecting many aspects of civil society.

Much of Pusey’s argument rests on the claim that economic rationalists do not understand or appreciate civil society, while Pusey-preferred social democrats are able to find the balance between economy and state that provides the right environment for civil society. However, in several ways Pusey himself appears not to understand civil society. As I indicated above, he overlooks the many ways in which the market has positive effects on civil society. Pusey compounds the effects of this omission by giving little space to the negative effects of state activity on civil society, such as local community help groups losing their functions to state welfare bureaucracies, misguided welfare payments contributing to family breakdown, or business being adversely affected by poor regulation. In both cases, economic rationalists are more attuned to the functional requirements of civil society than is Pusey.

Pusey also understates the sociological importance of civil society. This is apparent in his claims that bureaucratic and public policy-making institutions ‘alone’ stand between individual citizens and market structures (p.2) and that the state is the “great engine of integration for social actors separated by the market” (p. 196). To the contrary, many sociologists have shown how the small institutions of civil society (particularly the family) are the major forces integrating individuals into society, and that state institutions can be remote and alienating. This is one reason why many people, including economic rationalists, favour handing over functions currently performed by the state to private organizations able to provide more personal and flexible services.

In times of economic difficulty, reminders of the dangers in letting economic ways of thinking dominate politics and society can be useful. However, the kind of ill-considered denunciation of markets we find in Economic Rationalism in Canberra are hardly a constructive contribution to debate over the policy choices facing Australia. Pusey is a throwback to earlier forms of left-of-centre thinking. While many social democratic intellectuals and the modern ALP recognize that the market promotes economic efficiency, personal choice and the flourishing of civil society, Pusey repeats old and fanciful claims about market society and has an unwarranted faith in the state.

IPA Report Calls for Far-Reaching Reforms to Schooling

A major overhaul of schooling is needed if the quality of education received by young Australians is to be raised, according to a Report just released by the IPA's Education Policy Unit. The Unit is headed by Dame Leonie Kramer. The Report identifies fundamental reforms needed in the areas of teacher training, curriculum, assessment and school organization.

It argues that without changes to the recruitment and preparation of teachers, reforms to any other area of education will be unlikely to succeed. One of the recommended changes to teacher training is the opening up of alternative routes into teaching for people competent in a subject, but without formal teaching qualifications. A greater emphasis should be placed on trainee teachers learning on the job through paid internships supervised by master teachers.

The Report identifies a disturbing trend in the school curriculum towards the politicization of the humanities and an over-emphasis on contemporary, often ephemeral issues at the expense of historical perspective and understanding. It recommends the reinstatement of a core curriculum based on essential knowledge. Also stressed is the need for more standardized testing of basic skills and general knowledge in Australia, beginning in the early school years.

Further, the Report argues that parental choice in education should be enlarged and recommends policies to encourage greater diversity in the organization of schools. "Excellence in Australian schools has been frustrated by bureaucracy and centrally-imposed uniformity. Schools need to be flexible enough to respond sympathetically to the diverse talents, aspirations and needs of pupils, staff and the surrounding community."

*Educating Australians* is available for $12.50 (including postage) from the IPA, Ground Floor, 128-36 Jolimont Road, Jolimont, 3002. Or phone (03) 654 7499.

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Submissions to WA Enquiries

The IPA has made two submissions to the Royal Commission into the business dealings of the WA Government. Les McCarrey, a member of the IPA Advisory Board in Perth, presented a paper to the Commission titled 'Restoring the Power of Parliament'. Improving the accountability of government was the theme of a second submission prepared by Tony Rutherford of IPA's Perth office. Mike Nahan, Director of the States' Policy Unit, made a submission to the Legislative Assembly's Public Accounts and Expenditure Review Committee which is conducting an enquiry into State debt.

The Perth office is preparing a book, *Mandate Western Australia*, which will set out a program of policies for the next State Government. The book should be completed by late this year.

Les McCarrey

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Takeovers

The corporate takeover boom in the 1980s has led people to view takeovers in a bad light. But according to Norman Barry, Professor of Politics at the University of Buckingham in the UK, the reputation is largely undeserved. Critics ignore the fact that takeovers often lead to a more efficient management of assets. But even if takeovers seem costly, he argued, "they are part of commercial liberty which would be unwise for governments to suppress, for ethical if not utilitarian reasons." An article by him will be published in IPA Review.

For information on forthcoming IPA seminars, contact Helen Hyde on (03) 654 7499.

Private Initiatives in Conservation

The success of private initiatives in wildlife management, such as privately-owned game parks, provides important lessons for conservation policy. This view was put by Peter Johnson, an internationally-renowned wildlife photographer in March. Mr Johnson spoke at IPA meetings in Melbourne and Perth and at a symposium of the Society for Agricultural Economics and the Ecology Society in Canberra. Mr Johnson argued that effective conservation was consistent with viewing the environment in terms of expandable, renewable, cash-producing assets. An article based on Dr Sworder's talk will be published in IPA Review.

Work and Fulfilment

An unusual perspective on man, work and nature was offered by Dr Roger Sworder at an IPA seminar in April. Dr Sworder is Head of Humanities at the La Trobe University College of Northern Victoria in Bendigo. His talk was wide ranging: he began by examining Plato's theory of work and the division of labour, moved to an analysis of the relationship between man and nature in the Middle Ages and the Reformation, contrasted the views of nature and work in the English poets Wordsworth and Blake, and concluded by examining the sterility of modern environmentalism. Environmentalists, he argued, ignore the role of work not only in the spiritual fulfilment of man, but also in the realization of the potential of nature. An article based on Dr Sworder's talk will be published in IPA Review.

Free Trade Debated

Industry protection was debated at a well-attended dinner of the Adam Smith Club in Melbourne in late March. IPA Senior Fellows John Stone and Des Moore, who have been vocal on this question in the press, put the case for free trade. John Carroll, Reader in Sociology at La Trobe University, and Bill Mountford, Director of the Australian Manufacturing Council Secretariat, argued the case against reducing or eliminating tariffs.

In March John Stone and Des Moore each addressed a conference on corporatization in Melbourne. Both conferences were addressed by the Treasurer of Victoria. Mr Moore argued that corporatization is a poor substitute for privatization.

Both John Stone and Des Moore have also spoken and written on the policy packages One Nation and Fightback! put forward by the Federal Government and the Opposition respectively. An IPA Backgrounder comparing the two packages was described by leading financial journalist Terry McCrann as making "telling points about the inherent flaws and dubious assumptions of the Keating exercise."

As part of Project Victoria Stage II, a joint undertaking of IPA and the Tasman Institute, papers are currently being completed on health and education.

Aboriginal Policy

Dr Ron Brunton, described by Australian columnist Frank Devine as "probably our most original and entertaining commentator on environmental matters," is working on an approach to Aboriginal affairs which offers more hope than existing policy. Currently he is completing an important analysis of the Report of the Royal Commission on Aboriginal Deaths in Custody. Ron Brunton is Director of the Environmental Policy Unit and an anthropologist by training.
WHITHER MONETARY POLICY?

The 1980s witnessed an unprecedented rise of interest rates to regulate the Australian economy. The result was the recession we were told (after the event) that "we had to have." But did we really?

This booklet contains papers presented at an IPA conference last December titled, 'Can Monetary Policy be Made to Work?' The papers suggest that the recession could and should have been avoided. If we are to do so in the future, the framework for operating monetary policy and the objectives need to be changed. These changes, in turn, will improve the way in which the economy functions and reduce the risk of future recessions.

The ideas presented in this book provide a major challenge to policymakers and those who study such matters; indeed to anyone interested in Australia's economic future.

Authors include Dr Don Brash, Governor of the Reserve Bank of NZ; Sir Alan Walters, former chief monetary advisor to Mrs Thatcher; Professor Ian Harper of Melbourne University; and Dr Peter Jonson, former head of research at the Reserve Bank of Australia, among others.

Copies can be obtained for $15.00 (inc. postage) from Institute of Public Affairs, Ground Floor, 128-136 Jolimont Road, Jolimont, 3002. Or phone (03) 654 7499.
The first frontier for Santos was the desert regions of Central Australia. In 1954, Santos took its initial steps towards exploring this frontier for oil and gas. After 9 years, the gas was found. The first oil discovery came 7 years later. Other exploration successes followed but only after some careful planning and a lot of disappointments. The growth these discoveries brought enabled the company to expand its horizons.

Santos is now involved in an exploration programme covering onshore and offshore Australia, the USA, UK, Papua New Guinea and Malaysia. This year it is expected the company will invest more than $100 million in this exploration effort. Santos is now Australia's largest, independent oil and gas company. But there are always new frontiers and Santos is committed to further growth in the 1990's.

Further information about Santos can be obtained from: Santos Ltd, Government & Corporate Affairs, Santos House, 39 Grenfell Street, Adelaide SA 5000.