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Public Health Policy

Lucy Sullivan’s article ‘Science, Morals and AIDS’ (IPA Review, Vol. 47, No. 1) reminded me in content and style of a perceptive analysis of the issues by John Seale, formerly Consultant Venereologist at the Middlesex and St Thomas’ Hospitals in London. He compared Kuru and AIDS as slow virus diseases with prolonged asymptomatic incubation periods during which the host is potentially, but persistently, infectious to others.

Kuru was a result of endocannibalism with an incubation period of four to nearly 30 years followed by fatal encephalopathy. The first point made by Seale was that modern medicine contributed nothing towards the eradication of Kuru: it was the much-maligned Australian colonial administrators who outlawed cannibalism on religious, ethical and aesthetic grounds. They controlled its spread long before modern science unravelled its infectious nature.

Seale’s second point is that an approach similar to that adopted now for the prevention of AIDS would have been “for the Australian authorities to have distributed free rubber gloves and pressure-cookers to the villagers. Educational lectures on safe cannibalism would have been funded by Canberra. The cannibal lobby would have insisted that Kuru was a civil rights issue, and that nothing should be done to curtail the newly-liberated lifestyle of an historically oppressed minority, now threatened by reactionary elements in society. The Australian Medical Association would have urged that Kuru should not be a notifiable disease ... and that the word ‘Kuru’ should never be entered on a death certificate. Meanwhile the Australian Government would have meticulously recorded deaths from the disease as they continued undiminished” (Journal of the Royal Society of Medicine, Vol. 80, No. 4).

Seale concludes that his analogy is not a sick joke, that a virus is ethically neutral, and that no amount of special pleading can alter the laws of biology.

Tony Shannon
Manly, NSW

Economics and Religion

Malcolm Anderson’s recent article in which he reports on a survey of Christian media personnel (‘Economic knowledge and the Churches’, IPA Review, Vol. 47, No. 1) contains error and ideological disguise that should not pass without remark.

Consider the statement: “Economic analysis assumes people act only out of selfish motives. It does not take into account the humanitarian side of humankind”. When put to survey participants, 59 per cent agreed. To this Anderson’s response was to aver that the statement was “undoubtedly false”, the response “astonishing” and that in consequence “the economics discipline and its scope are largely mysterious to the church”.

Unfortunately, it is Anderson’s thesis which is in error. It is a fundamental assumption of neoclassical ‘economic analysis’ that individuals act from selfish motives. This idea ultimately finds expression at the macroeconomic level in the Pareto efficiency criteria. Equity issues, while not entirely disregarded, are not central to the neoclassical economic model. This is why there is so much discussion of economic efficiency (rather than, say, economic equity) and why the neoclassical model has difficulty in dealing with sustainable development (which employs the concept of inter-generational equity).

There is a more fundamental issue at stake too. No model of the economy is free of underlying value judgments, and this is as true of the neoclassical model as of any others, including religious ones. The neoclassical model adopts very specific judgments regarding the relation of the individual to the state and government, and the prevailing distribution of income, for example. Anderson fails to make his own (neoclassical) value position clear. Thus to criticize religious commentators for having failed to yield their particular catechism in favour of his may be acceptable, but is not very useful, as both exist at the same conceptual level.

More useful purposes would have been served in my view, if Anderson were to have asked whether the religious commentators were identifying significant issues about the real world — issues concerned with equity for example — and, if so, in what ways the assumptions of neoclassicism ought be recast to accommodate them.

The idea that the neoclassical is the only legitimate model of economic reality and context for discussion is a delusion. This needs to be pointed out much more often than it is, because of the debilitating effect it has had on public debate on economic and social matters in this country.

Chris Nobbs
Balmain, NSW

Debt and Immigration

Ian Mott’s article ‘The Myth of Migrant Debt’ (IPA Review, Vol. 47, No. 1) displays a lack of basic economic literacy and I am surprised at its publication in a journal with intellectual pretensions.

Firstly he fails to distinguish between temporary cyclical fluctuations and medium- to long-term demand for capital in his attempt to suggest that immigration does not affect foreign debt.

Even if migrants do make use of excess capital on arrival, a proposition for which there is no substantial evi-
The flaws in his argument are apparent from his own examples. He notes that the recent reduction in immigration is associated with lower rents in major cities. Thus higher immigration would lead to higher rents and increased investment in housing — an increase in capital requirements.

When Mr Mott points out that migrants are often still renting five years after arrival, he fails to understand that whether or not migrants rent, they still induce rises in foreign debt. If a migrant rents, someone has to invest to provide the accommodation to the migrant and that investment will put pressure on foreign debt.

The proposition that new housing construction is not affected by migration is curious. Mr Mott has migrants helping to populate existing suburbs as the non-migrants move out to build new houses. But how are the older residents expected to finance their new home construction if they cannot sell their old houses to migrants?

Certainly, when there is excess capacity in the economy the effect of immigration on foreign debt will be temporarily muted. But historically, Australia has increased immigration as the economy recovers and excess capacity is used up. In such circumstances, immigration can have a major impact on foreign debt. This is exactly what happened in the 1980s when an immigration surge accompanied a blow-out in foreign debt. And as the Australian economy continues to grow and excess capacity is used up, we must not repeat the same mistake.

Ian Mott is very critical of a paper I did on immigration back in 1989 regarding the link between immigration and the current account deficit (CAD). My argument can be put very simply:

- an increase in the annual rate of population growth would require a proportionate increase in GDP growth to maintain real incomes per head;
- normally every 0.3 per cent in GDP growth would require an extra one per cent of GDP to be allocated to investment (EPAC Research Paper No. 1, May 1992);
- unless the increase in population growth were to induce a corresponding increase in national saving (relative to GDP), the effect would be to widen the CAD.

In short, an increase in population and output growth generally tends to have a stronger upward effect on investment than on saving. As my 1989 paper made clear, this need not always be the case. Immigration can have very positive effects on saving and capital efficiency, and there may be considerable excess capacity at the start of the period.

Recent evidence suggests that stronger economic growth tends to be associated with higher national savings rates and improvements in capital productivity (eg through an accelerated pace of technological change or larger economies of scale).

If Mr Mott had developed these points he could have made a reasonable (although still not overwhelming) case against the proposition that higher immigration induces a higher CAD.

Instead, he dwells on the spurious excess capacity issue. When I wrote my paper in 1989, net immigration was adding 0.8 per cent to the population each year and there was something close to full employment and full capacity. Now immigration is running at 0.3 per cent and there is considerable slack in the economy. The circumstances are very different.

Even so, there is no strong case for stepping up immigration on grounds of excess capacity. I believe Mott grossly exaggerates the excess capacity currently in existence. If the economy continues to grow at four to five per cent per annum — which it needs to do to lower quickly our high unemployment rate — the stock of capital will soon become quite fully stretched in industry and much of public infrastructure (less so perhaps in commercial property).

Once such a point is reached, a sudden and marked increase in population growth — say one which requires an increase in output growth from 4.5 per cent per annum to 5.5 per cent per annum, in order to achieve the Government’s five per cent unemployment target by the year 2000 — would induce a correspondingly strong investment response and almost certainly put strains on the balance of payments (not to mention inflation). Given likely financial market reactions (or should we say over-reactions) to a further blow-out in our external debt, the authorities could be forced to adopt tougher monetary policies than might otherwise be warranted. As well, the climate for business investment would be adversely affected. In this climate, strong economic growth could not be sustained.

It is only in this indirect sense that increased immigration would create a threat to employment (not because of any direct effects on real aggregate demand, which would be positive on balance).

Fred Argy
Latham, ACT
In 1986-87: 71.5 million
In 1992-93: 93.2 million
Total Health expenditure as a percentage of GDP
1970 1992
Australia 5.2 8.5
USA 7.4 14.0
Japan 4.6 6.6 ('91)


increase in productivity in government business enterprise communications sector (mainly Australia Post and Telecom) between 1989-90 and 1992-93: 10.6 per cent

Source: EPAC Release, 26 July, 1994

employment growth 1981-1991 (per cent)

Australian exports as a percentage of GDP
1985: 10.9
1988: 13.7
1992: 20.0


percentage of taxation collected in 1992-93 that was indirect: 43.8 ($52.264 billion)
Commonwealth personal benefit payments as a percentage of GDP
1971-72 5.2
1992-93 11.0

Taxes paid as a percentage of household income
1959-60 9.5
1992-93 15.6

One of the fundamental insights of management thinking over the last decade has been the discovery of the merits of decentralization. The “mere anarchy” which the poet Yeats warned would be “loosed upon the world” without a centre is embraced by management gurus such as Tom Peters.

Peters, who recently toured Australia, is author or co-author of best sellers such as In Pursuit of Excellence, Thriving on Chaos and Liberation Management. What he calls “productive anarchy” involves providing ample space in an organization for entrepreneurship and initiative to flourish. It involves replacing monolithic, pyramid-shaped organizations with smaller, team-based units. It means dispensing with job descriptions and corporate plans, which limit the capacity of an organization to respond to new opportunities. It requires encouraging the cross-fertilization of ideas among people with diverse specializations. It means being receptive to chance connections.

The enthusiasm for decentralization is not confined to management theorists. A number of the world’s leading companies have metamorphosed along decentralized lines. The Swiss-based heavy-industry giant ABB Asea Brown Boveri, for example, has restructured its workforce into 5,000 largely-independent units, averaging 50 people each. The layers of management above that have been reduced to just two — a 13-member executive committee and 250 senior executives, a tiny number for such a huge international body. This, moreover, is increasingly the direction of thinking among reformers in the public sector.

Decentralization appeals to democratic sentiments. It brings the organization closer to the people — whether it or (in the case of government) the people who are regulated by it. Decision-making powers are devolved, and those who make the decisions are more likely to bear the consequences. Decentralized structures allow a more rapid, informed response to changes in the proximate environment (a change in consumer demand or, thinking of agriculture, the weather) than centralized bodies. Time and effort expended in the latter on communicating and processing information through the hierarchy and on waiting for a decision from head office (inevitably based on an imperfect grasp of local conditions) can be better spent in a decentralized structure on responding directly to the changed conditions.

Centralism — whether applied to a large corporation or an entire economy — is built on the illusion of perfect information and control. As Tom Peters notes, the former Soviet economy was ‘under control’, yet it suffered from perpetual shortages of consumer (and capital) goods. America’s economy is relatively ‘out of control’, yet, by comparison with almost any other nation, virtually nothing is in short supply.

The virtues of devolution are starting to be recognized by reformers in some areas of public policy.

Victoria’s Schools of the Future program, which involves a substantial (although incomplete) devolution of authority — away from central bureaucracy, towards schools themselves — is an example. By 1996 all Victorian government schools will be self-managing. They will control their own global budgets and staff appointments, be free to develop distinctive charters and be encouraged to specialize in areas of the curriculum that reflect the talents of their staff and the interests of their students. Principals will have their powers increased, school councils their role enlarged.

This, to varying degrees, is the direction of educational reform in every State (as it is in New Zealand). It can no longer be said of NSW Education, for example, as it was by the 1989 Scott Report, that it is “one of the largest centralized systems in the world.”
Decentralists in Education have drawn encouragement from a 1991 book, *Markets, Democracy and America’s Schools*, written by Terry Moe and John Chubb for the US Brookings Institute. Chubb and Moe review the well-intentioned but unsuccessful efforts of successive American governments to raise educational standards. These efforts failed, argue Chubb and Moe, because they relied on imposing standards and directions by central decree, when what is needed is independence for schools from bureaucratic control and choice for parents among diverse and competing schools.

Privatization extends the logic of self-management. The decision by Liverpool City Council in Sydney’s west to turn its works department into a self-reliant business unit which must compete for contracts (described by Jeffry Babb in this *Review*) has been a motivational spur for employees and done much to eliminate inflexible work practices.

**Resistance:** The logic of decentralization is hard to resist. Even the ACTU has been forced to make some concessions to enterprise bargaining which, in placing responsibility for the determination of wages and conditions into the hands of the employees and employers directly concerned, poses a direct challenge to the centralized system and to those, such as the ACTU, whose power depends on it.

However, the amalgamation of trade unions which has taken place over recent years is clearly at odds with the trend in the private sector towards breaking up corporate monoliths. In 1989 there were 150 unions in Australia; now there are about 20 super unions. Some union leaders supported the mergers in the hope that with size would come strength and power. But power for whom? The assistant secretary of the NSW Labor Council, Michael Costa, acknowledges in a recent issue of *The Bulletin* that, in the new super unions, the rank and file feel more remote from the locus of decision-making — in effect more powerless — than they did under the old structure. Notably, the amalgamations have failed to reverse the decline of trade union membership.

As the amalgamations indicate, and as both Harry Gelber and Mike Nahan point out in this *Review*, centralism still exerts a powerful hold over the imagination of the Federal Government. To the examples these authors provide could be added the Federal Government’s willingness to use international treaties and the letter, though not the spirit, of the Constitution to override matters properly the domain of State governments. There is a role for central government, just as there is a role for head office, but the balance in federal politics has tipped too far towards the centre.

— Ken Baker
It may be that the persistent credibility gap between what governments promise and what they deliver is having a salutary effect: people are starting to expect less from governments and more from themselves. According to Lester M. Salamon, Director of the Institute for Policy Studies at The Johns Hopkins University: “A striking upsurge is under way around the globe in organized voluntary activity and the creation of private, nonprofit or non-governmental organizations. From the developed countries of North America, Europe and Asia to the developing countries of Africa, Latin America and the former Soviet bloc, people are forming associations, foundations and similar institutions to deliver human services, promote grass roots economic development, prevent environmental degradation, protect civil rights and pursue a thousand other objectives formerly unattended or left to the state.”

“The growth of this phenomenon is all the more striking,” he adds, “given the simultaneous decline in the more traditional forms of political participation, such as voting, party affiliation and union membership.”

In the developing world, 4,600 Western voluntary organizations are now active, providing support for 20,000 indigenous non-government organizations. Assisted self-reliance, which emphasizes “the engagement of grass roots energies” rather than state paternalism, is the emerging aid strategy.

In the developed world, the rate of creation of voluntary organizations in the last two decades has been remarkable. In Italy, a 1985 study reported that 40 per cent of the existing associations had been formed since 1977. The United Kingdom now has 275,000 charities: their income amounts to almost five per cent of GDP. (Australia has about 100,000 non-profit organizations, of which about 45 per cent are charities.)

This burgeoning of the so-called third sector has been in part caused by the crisis of the welfare state: overloaded and bureaucratized, the state not only generates a population of disgruntled taxpayers, its response to human needs is often cumbersome and insensitive. Because of their small scale, flexibility and capacity to harness as well as respond to the needs of communities, voluntary associations are well-suited to fill the gap.

Significant also in the rise of the third sector, according to Salamon, is the perception of widespread environmental degradation to which governments are slow to respond. Along with the collapse of communism, this has been a prime factor in the emergence of an embryonic voluntary sector in Eastern Europe, with ecology clubs active in Poland, Hungary, Russia and the Czech Republic.

The worldwide increase in education and literacy has also contributed to the growth of the non-profit sector. Between 1970 and 1985, adult literacy rates in the developing world rose from 43 per cent to 60 per cent. This, combined with the revolution in communications (the development of faxes, computers, satellites and fibre optic cables), has enabled people to organize and mobilize far easier than they once could.

Although often called ‘voluntary’ and ‘non-government’, in practice many non-profit bodies rely heavily on government for support. In America, in which there is a relatively strong tradition of private philanthropy, government funding of non-profit organizations is almost twice that received from private sources. Salamon emphasizes the value of a co-operative relationship between the non-profit sector and government, rather than the risk of an organization compromising its independence by being dependent on government. Having to rely purely, or even largely, on private funding would marginalize the non-profit sector, argues Salamon. Nevertheless he concludes: “The task for third-sector organizations is to find a modus vivendi with government that provides sufficient legal and financial support while preserving a meaningful degree of independence and autonomy.”


A LIGHT IN DARKEST AFRICA

“What’s Right with Africa?” Now there’s a title for a short book — a very short book. Fortunately, Michael Chege, who asks the question in the introduction to the May issue of Current History, only has to fill five pages on the topic. Although anxious to assure us that not all is hopeless on that vast continent, he feels bound to acknowledge that “the balance at the moment is overwhelmingly tilted in favour of disaster.”

One of the few bright spots, taken up in an article by
John D. Holm, is Botswana. It has managed to combine high economic growth with a serious effort at developing a liberal democracy. The annual growth rate - which averaged 9.8 per cent during the 1980s, outpacing even the East Asian Tigers - owes much to Botswana's position as the world's foremost producer of diamonds. Mining, including the proceeds of a copper-nickel complex, accounts for just over half of Botswana's GDP.

But natural resources alone cannot account for the high rate of economic growth. Unlike many African countries, relations between the state and the economy in Botswana are largely unencumbered by nepotism deriving from patrimonial connections: in part this derives from the culture of the Tswana which respects the rule of law.

The Government has been effective at ensuring that social services reach remote areas. Almost no deaths from malnutrition occurred during droughts in the 1980s and early 1990s. Ninety per cent of children of primary school age attend school.

Although the Government limits the ability of trade unions to organize and negotiate, in most other ways political rights and liberties are guaranteed. Most adults have the right to vote; there are few restraints on running for political office; election laws and regulations are enforced in a non-partisan fashion; the media experience minimal censorship; newspapers disseminate a diversity of opinion. Public debate is vigorous. 'Freedom squares' in which political opponents contest issues before a public audience, sometimes for three or four hours on a hot afternoon, are common. In the weeks before an election 'freedom squares' are held in nearly every small village and in the neighbourhoods of large towns. "Surveys indicate that they are the primary source of information on political parties for an attentive public."

Despite all this, the same party has won government at every election since 1965. Part of the explanation is that in rural areas voting tends to be determined along ethnic lines. Nevertheless things are changing, and ethnic identity appears not to determine voting patterns in the cities.

One of Botswana's strengths is the pronounced separation of politics and the economy. The President has insisted that the civil service not be politicized. Civil servants are shifted every three or four years to different parts of the country to ensure that bonds between local politicians and bureaucrats do not have time to form. Promotions within the civil service are not controlled by politicians. The independence of the civil service is enhanced by its elitist attitude, based in part on its practice of recruiting the best graduates from secondary and tertiary educational institutions. Holm concludes: "A major advantage of this separation of elected politicians from policymaking is that Tswana democracy does not provide the temptation for corruption so endemic in other African countries."


HOOOKED ON JUNK

In America, as in Australia, the number of local government programs to collect recyclable materials has increased dramatically in recent years. (In America the increase has been tenfold in three years.) The problem is that as supplies of recycled materials have increased the prices they can command have plummeted. (No surprise there.) Many US municipalities are now having to pay recycling companies to collect recyclable materials, thus leaving less money for other worthy projects.

In response to this problem, some environmentalists are advocating the adoption of Germany's tough packaging waste law enacted in 1991. It requires manufacturers and distributors to collect, process and recycle any packaging or containers sold with their products. To cope with the onerous demands of this law, 600 German manufacturers and distributors have developed a non-profit company (DSD) to collect, sort and reprocess discarded materials.

It has proved to be a very expensive system. The cost to DSD of collecting, sorting and transporting a ton of packaging waste is twice the cost of collecting and disposing of other household waste. Although participating companies pay fees to DSD related to the weight and material content of the packaging they use, the fees have failed to cover the system's operating costs. By mid-1993 DSD was estimated to be $180-to-$300 million in the red.

Not only that: the law's economic impact on businesses is now being felt by consumers. German soft-drink consumers, for example, pay a hidden tax of nine cents for each two-litre plastic bottle. A can of dog food incurs an implicit fee of three cents. For a plastic bottle of fabric softener the hidden tax is 10 cents.

Environmentalists are inclined to dismiss the economics of recycling, arguing that recycling's aim is not to make money but to conserve resources. This misses the point: of course recycling conserves some resources, but what should matter is its net effect. Recycling is a manufacturing process like any other and as such uses resources - energy, water, chemicals, labour, physical capital - that are also valuable.


RETHINKING FOREIGN AID

Australiaw's Minister for Development Co-operation, Gordon Bilney, admitted recently that a significant proportion of our aid program to the small states in the Pacific is ineffective, but he denies that there is any need to review Australia's overall aid program (The Age, 9 August). In
America, which expects to spend $13.4 billion on aid this year (compared with Australia's $1.48 billion), foreign aid is coming under increasing scrutiny. President Clinton has announced reforms, although according to an analysis from the US think-tank the Heritage Foundation the reforms fail to address the real problems.

The analysis notes that aid has often inadvertently discouraged economic development by propping up governments pursuing statist economic policies. This has been the case with Brazil, Peru and Sudan, which collectively have received $5.5 billion in development aid since 1946.

Chile's recent history exemplifies the inverse relationship between aid and economic development. In 1970, Chile was the world's second largest recipient of foreign aid per capita. It was also economically stagnant, with the socialist government of Salvador Allende controlling an estimated 75 per cent of GDP. In 1973, after General Pinochet's coup d'état, foreign aid was almost entirely discontinued. Subsequently, government control of the economy was dramatically reduced. Since then, Chile has had one of the fastest growing economies in the world. Life expectancy between 1970 and 1991 increased from 64 to 72 years and infant mortality fell from 78 to 17 per 1,000 births. All this without foreign aid.

The Clinton Administration's reforms to aid, spelt out in the Peace, Prosperity and Democracy Act of 1994, link aid to 'sustainable development', a concept which encourages government regulation of resources. Instead, the Heritage Foundation argues, an Index of Economic Freedom should be established as the prime determinant in allocating development aid among recipient countries. The index should take into account factors which affect economic growth, including private property rights, the size of the public sector and the extent of trade restrictions. In addition, the President should be granted more flexibility to use aid as an instrument of foreign policy, and overall the level of aid should be reduced. The mentality of dependency and entitlement which aid encourages among developing countries has to be discouraged.

‘The Things That Matter’
(launched by Alexander Downer at the National Press Club on September 5)

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<td><em>Sydney Morning Herald</em></td>
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<td>“The Things That Matter contains quite a few things that matter and has won Mr Downer a vital reprieve.”</td>
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<td>Daily Telegraph Mirror, Sydney</td>
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<td>“An enunciation ... of political principles with which no sensible person could take issue.”</td>
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<td>The Australian Financial Review</td>
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<td>“Yesterday’s statement was a qualified success. But it has left the Coalition with politically unsustainable positions.”</td>
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<td>The Australian</td>
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<td>“A reasonable outline of the principles on which the federal Coalition will fight the next election.”</td>
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<td>The Canberra Times</td>
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<td>“If the Opposition is not giving the hard stuff at this stage, it must accept that judgment has to be suspended.”</td>
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<td>The Age, Melbourne</td>
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<td>“But the signalled directions are so broadly generalized, yet so full of gaps, and so circumscribed by caution, that Mr Downer still faces a daunting challenge in persuading Australians that he has what it takes.”</td>
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<td>Herald Sun, Melbourne</td>
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<td>“He has avoided exposing himself to the painstaking savaging the politically naive John Hewson incurred by releasing his complex Fightback package about a year before the 1992 election.”</td>
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<td>West Australian</td>
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<td>“... does little to advance the electorate’s understanding of what to expect from a government with Mr Downer as prime minister.”</td>
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<td><em>The Mercury</em></td>
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<td>“Risks being dismissed as containing little more than a plethora of platitudes.”</td>
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<th>Commentaries</th>
<th>Peter Charlton, Courier-Mail</th>
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<td>“... bland and vacuous.”</td>
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<td>“The exercise yesterday remains a meaningless, disingenuous charade until he fills in the blank spaces with how and how much and who pays and who loses.”</td>
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<td>“It has no spine. It is the wrapping without the package.”</td>
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<td>“A document that will go down in history as Alexander Downer’s political last will and testament.”</td>
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<td>“The Opposition’s document will strike a chord with people across the nation who are profoundly concerned with the lack of principle exhibited by the Labor Federal Government.”</td>
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<td>“At its core is a vast black hole. This is a manifesto which pledges to cut taxes, increase spending - and yet reduce the deficit.”</td>
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<td>“While commitments remain broad and open to a wide range of policy interpretations, Labor will have a field day.”</td>
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why so few young Australians are learning to work

Richard Sweet.

Despite large government initiatives, the proportion of Australian youth engaged in vocational training, low a decade ago, has barely grown since. We now lag far behind the world leaders in school-to-work programs. What are we doing wrong and how can we fix it?

Richard Sweet is Research Co-ordinator for the Dusseldorp Skills Forum, an independent non-profit organization with both a practical and a public policy concern with innovation in the provision, recognition and use of productive skills. He is also Adjunct Professor in Vocational Education at the University of Technology, Sydney.
"...It is important that every community in every State of this nation develop more school-to-work programs. The best alternative is to craft an American version of European apprenticeships — not necessarily just like the German system, but one that blends vocational and academic education in high school, provides students meaningful work experience, and continues their training after graduation."


In 1993 the average rate of economic growth in Hong Kong, Malaysia, Singapore, South Korea, Taiwan and Thailand was seven per cent, compared to only four per cent in Australia. In Singapore, where average incomes now equal or exceed those in Australia and New Zealand, economic growth was close to 10 per cent. In September last year I acted as the rapporteur for a meeting between the OECD and these dynamic Asian economies on education and training issues. The seriousness with which all of these countries approach the preparation of their young people for working life was, for me, the most striking message from the meeting.

In a special supplement on Asia last October *The Economist* pointed out that the booming East Asian economies have not necessarily invested more in education than less successful developing economies; but they have invested differently. In their early stages of industrialization they concentrated on raising the educational attainments of the mass of the work-force rather than creating an elite through higher education. The South Koreans, for example, spent 10 per cent of their education budget on universities in 1985, the Venezuelans 43 per cent.

Successful Asian economies are notable for the high priority that they give to vocational education despite many of them — Singapore, Hong Kong and Malaysia as examples — beginning their period of industrialization with secondary school systems of British origin which, as Australia's still does, paid scant attention to the working world. Now most of them, despite retaining relatively small apprenticeship systems, develop most of their vocational skills and qualifications through what we would recognize as the secondary school system.

**streaming**: Many of these Asian nations have either not adopted or have deliberately rejected some of our more hallowed educational beliefs. Few, for instance, have much time for the agonized debates that surround the issue of 'streaming' in Australian schools. Malaysia, Singapore, Thailand, Taiwan and South Korea are among the countries that have a clear vocational strand in their secondary schools. In Taiwan vocational programs account for half of all upper-secondary enrolments, and South Korea has set a similar target for the end of the century. In Hong Kong academically-oriented upper-secondary enrolments actually fell in the 1980s, while enrolments in craft and technician level courses boomed. Last year there were more than two applicants for every place in Malaysia's vocational schools, and places are to be doubled by the turn of the century.

The rapidly growing Asian economies have nearly all followed the norm for the OECD rather than Australia's pattern of emphasizing preparation for higher education. They, like the Europeans, have planned and provided for the majority, not simply the minority heading for higher education.

In the OECD in the mid-1980s, an average of one in two of the education and training places occupied by those in the immediate post-compulsory years were in vocational preparation programs. This compared to an average for Australia of just one in five.

While the countries to our north have been expanding opportunities for young people to acquire vocational competence, Australia has been standing still. In 1983 only 13 per cent of all 15- to 19-year-olds were involved in some form of vocational preparation — an apprenticeship, a full- or part-time TAFE course, or a similar course in a private college. Ten years later in 1993 this had grown hardly at all — to only 14 per cent. In the same period the proportion of the age group engaged in higher education grew by nearly two-thirds, and the proportion engaged in secondary school grew by close to a third. The negligible growth in the proportion of young Australians engaged in formal vocational preparation occurred despite significant national efforts to expand and reform vocational training for youth, including the introduction of the Australian Traineeship System, increased wage subsidies and moves to encourage a competency-based approach to training.

Why have we not performed better in opening up vocational education opportunities for our youth? A large part of the answer is that we have relied far too heavily upon the models of the past and, unlike many of our competitors, we have not opened our minds sufficiently to alternative ways of doing things. Despite, like Australia, having a British colonial tradition, Malaysia and Singapore have not relied upon the British model of craft apprenticeships as their exclusive way of developing vocational skills in youth. Each now has a vigorous vocational strand in its secondary school programs. Yet Australian thinking about the expansion of entry-level training has largely been dominated by the need for young people to gain a paid job linked to a contract of training before they can acquire recognized skills. Until very recently apprenticeships were the largest single component of Australia's very small initial vocational preparation system.

**apprenticeships in decline**: Basing attempts to expand vocational education and training upon the availability of full-time paid employment, as in apprenticeships and traineeships, has a number of problems in the Australian context. The first and most obvious is that for the last quarter of a century the amount of full-time work on offer to young people has declined at rates that vary between the steady and the precipitous. In the mid-1960s six in 10 of all 15- to 19-year-olds held a full-time job. By the mid-1990s this had fallen to less than one in five, and among teenage girls it had fallen to closer to one in 10. The number of jobs to which training arrangements such as
traineeships can be attached is falling continuously.

In addition, with close to 80 per cent of teenagers staying at school until the end of Year 12, most school leavers now enter the labour market two years older than they were a decade ago, able to command an 18-year-old’s wages in the year that they enter the labour market rather than a 16-year-old’s. This means that employers have to pay roughly $4,000 per year more for inexperience than they did a decade ago, and that the cost to the employer of rectifying that lack of skill through training in the workplace has risen commensurately. This makes a wage-based training system such as traineeships unattractive under current arrangements.

**Activities of 15- to 19-year-olds, 1983 and 1993**

<table>
<thead>
<tr>
<th>Per cent of the age group in:</th>
<th>1983</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>School</td>
<td>38.3</td>
<td>49.6</td>
</tr>
<tr>
<td>Full-time employment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>but not in education</td>
<td>26.4</td>
<td>12.5</td>
</tr>
<tr>
<td>Initial vocational preparation</td>
<td>13.1</td>
<td>13.9</td>
</tr>
<tr>
<td>- Work based¹</td>
<td>8.9</td>
<td>7.4</td>
</tr>
<tr>
<td>- Institutional²</td>
<td>4.2</td>
<td>6.5</td>
</tr>
<tr>
<td>Higher education</td>
<td>6.5</td>
<td>10.5</td>
</tr>
<tr>
<td>Other³</td>
<td>15.7</td>
<td>13.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Sources: ABS Transition from Education to Work Australia. Cat. No. 6227.0 and DEET Australian Traineeship System Quarterly Performance Report, June issues.

1. Includes apprentices, trainees, and other part-time students in TAFE or equivalent non-government institutions who are also employed. The latter is estimated by subtraction.
2. Includes full-time students in TAFE or equivalent non-government institutions.
3. Includes those who are unemployed, those not in either education or the labour market, those in part-time work but not studying, and those in part-time education but not employed.

In light of this analysis it should come as little surprise to find that, as a percentage of the labour force, the number of apprentices and trainees is now at the lowest point for a quarter of a century. The trend in demand for apprentices has been downwards since the beginning of the 1980s when school retention began to climb; notwithstanding the help provided by government wage subsidies. The result is an increasing disengagement of young people from the workplace.

This trend is in direct contradiction with the direction of OECD thinking and practice on vocational education and training for youth, with most countries seeking to strengthen links to the workplace. The same is true in Asia. Thailand has recently created a pilot apprenticeship program, Singapore has extended its to the service sector, Malaysia incorporates work placements in its school vocational programs, and South Korea is in the process of establishing new institutions known as Industrial Technical Colleges that will require employment experience prior to enrolment.

**Sweden:** At the end of nine years of compulsory schooling 60 per cent of Swedish youth enrol in a vocational program lasting for the three years of upper-secondary school. In the 1960s Sweden, which now exemplifies world best practice in school-based vocational preparation, decided to abandon its apprenticeship system and to focus its initial vocational preparation system upon comprehensive upper-secondary schools. It did this for two reasons. One was based upon considerations of equity and social justice. It wanted to ensure that decisions to acquire vocational skills at the end of compulsory schooling did not then lock students out of the opportunity to enter higher education or to continue with their general education.

The other reason concerned the needs of the workplace. The concentration of the apprenticeship curriculum upon technical and dextrous knowledge, in Sweden then as in Australia now, would not, the Swedes felt, adequately prepare young people for a working life that would demand increasingly high levels of general education, and require high levels of cognitive as well as social competence.

There are factories in Sweden in which the language of the production line is now English, as many Swedes realize that their firms need to compete in international markets in which English is the dominant commercial language. This has only been achieved because all upper-secondary students, in the vocational programs as well as in the academic, are required to study English.

The curriculum of the vocational programs offered in Swedish high schools looks very little like the traditional Australian apprenticeship or traineeship curriculum. The principal reason is that it combines general and vocational education in roughly equal proportions over a three-year period, requiring the study of languages, the social sciences, the arts, science and mathematics as well as the mastery of content related to particular occupational areas.² It is also notable for the explicitly vocational content being both broader in focus and of a significantly higher and more demanding standard than is typically found in Australian traineeship programs. The programs usually begin with a common core of material that relates to a broad grouping of occupations or industries, and they allow specialization in one or more branches of these occupational or industry families only during the latter part of the three-year program.
Swedish high schools are very well resourced. But even with the best workshops and equipment in the world there is a limit to how much can be achieved with purely classroom-based school models of vocational preparation, as the Swedes have realized. The limitation of a purely school-based model is the lack of any deep and systematic link to the workplace. Vocational learning needs to be in context and applied if competence is to be developed to a high standard. There are some things that can only be learned by actually doing them, not the least being the social relations that underpin the way in which real work sites operate. As a result, school-based programs, if they are to be of high quality, need to build learning partnerships with workplaces.

Sweden has appreciated the importance of students seriously engaging themselves with the workplace, the importance of learning from the doing of real work. All of the new vocational programs introduced by legislation in 1991 now require a minimum of 15 per cent of students' time — roughly one day per week — to be spent in the workplace over the full three years. This time in the workplace is unpaid, with the full support of employer organizations and the trade union movement, and the young people participate as students rather than as employees.

To work successfully these programs need to be, and are, supported and resourced by the school system. They require a deliberate government commitment to resourcing effective links between the school and the workplace, not the least because employers are not paid to participate but need to be attracted into the programs by their quality and by mutual self-interest. The programs also need to be, and are, managed at the local level, not centrally. In practice, programs are co-ordinated and work placements are arranged by municipal authorities, working in close conjunction with individual local employers, and substantial effort goes into providing the workers who do the actual training with support, back-up and training. In return for industry providing parts of the students' program to compensate for gaps in schools' expertise and facilities, many schools are now providing industry with advanced courses on a fee-for-service basis in areas such as foreign languages, maths and science. All of this amounts to some very creative relationships, in funding as well as in pedagogy, between schools and the workplace.

Building bridges: In the Australian context there is a further important way in which an exclusively school-based approach to young people's vocational preparation needs to be supplemented. Our upper-secondary programs last for two years and not three and, at this stage at least, the overtly vocational content generally occupies no more than one- or at the most two-sixths of students' total program, not the 50 or 60 per cent that is typical of most European programs. This limits the depth of knowledge and skills that can be developed in such programs. In effect it means that school programs which combine structured vocational placements with off-the-job training in TAFE or other providers need to become the first stage of an apprenticeship or traineeship entered after the student completes Year 12.

In a speech given in June the Prime Minister referred to such arrangements as a model for the next century, when he envisaged that schools will link as easily with vocational education and training as they now do with universities. Backing up this view, his White Paper on employment released in May announced the creation of a new vocational pathway for young Australians, to be known as student traineeships, and the creation of an Australian Student Traineeship Foundation with $38 million in funding over a four-year period. Using the successful TRAC program developed by the Dusseldorp Skills Forum as its exemplar (see box), the Australian Student Traineeship Foundation will have two principal tasks in its charter: to expand and improve the quality of accredited upper-secondary school-industry programs that blend structured vocational placements with off-the-job training; and to build bridges between these programs and post-school industry training arrangements such as apprenticeships and traineeships.

The Foundation will operate with and through a network of independent local and regional brokers, partnerships between education and industry that put responsibility for program management in local hands. Rather than creating a new bureaucracy most of these will be existing bodies. The Foundation will have access to funds to allow these local brokers to purchase off-the-job training from TAFE and other providers, as well as funds to seed and kick-start local programs.

TRAC has been the first major project of the Dusseldorp Skills Forum. Its basic ideas are simple. Senior school students regularly spend time in the workplace, being taught by workers and employers using a curriculum designed by industry. They get experience with several employers and are selected for the program by a joint school-industry interview panel. Several industry and occupational strands are available to reflect different student interests, but a core of generic knowledge and skills is included in each. Personal effectiveness is as important as job-specific skills. Learning in the workplace is supplemented by TAFE and other training providers. Both the resourcing of the program and its management are a local partnership between education and industry. Industry, schools and TAFE all award credit for the skills gained by the student. TRAC is an accredited part of the upper-secondary school certificate in five States and Territories. It is nationally recognized by State and Territory training authorities.

courses which work: As the Curriculum Corporation's recent review of vocational education in schools indicates, courses which require students to spend time in the workplace still involve only a minuscule number of students compared to the numbers involved in the traditional academic curriculum. However, some States — notably New South Wales and Queensland — appear to be ahead of others. We are now beginning to get some hard
WHY SO FEW YOUNG AUSTRALIANS ARE LEARNING TO WORK

The TRAC program at work.

Evidence on what makes good vocational courses work from the point of view of students, employers and teachers.

Whatever they do or do not do for the nation's economy, courses that require students to get out of the classroom and learn in the workplace certainly strike a chord with students. Late last year AGB McNair conducted a survey of students in the institutional pilots of the Australian Vocational Certificate system for Sydney University's Australian Centre for Industrial Relations Research and Teaching. The survey found that those who had had a work placement at the time of the survey most frequently cited it as the best aspect of the program. A follow-up of 1993 TRAC students in May this year found that 98 per cent of them commented positively on the course, and they were as likely to comment that it increased their confidence and self-esteem as to believe that it had increased their knowledge and skills. The survey also revealed that TRAC graduates have an unemployment rate that is half that of school leavers as a whole.

Employers also recognize that such courses improve students' attitudes, values and maturity, their ability to apply knowledge, their future productivity, and their self-esteem and motivation. This message emerged from research conducted last year. This research also identified specific features of such courses that are likely to enhance employers' commitment and the quality of the course: the involvement of employers in real decisions about the delivery of the curriculum, the assessment of the learning, the management of the program and the selection of students, for example.

Courses work best not only when employers are genuine rather than symbolic partners in the educational process, but also when schools support and assist them in their role as co-educators. Courses work best when firms are well-briefed on the content and purposes of the course, when the staff delivering the on-the-job training are trained for the task, when a clear and simply-worded skills list is provided to guide the firm in developing a program of on-the-job training, and when there is regular liaison between school and firm to smooth the way and resolve problems.

Another survey, however, conducted by the Centre for Workplace Learning, a joint venture between the New South Wales Government and the Dusseldorp Skills Forum, provides some early warning signals on issues of quality control. 

Teething troubles: In June this year the Centre conducted a telephone survey of teachers in 47 out of 51 New South Wales schools offering the hospitality, office and retail Content Endorsed vocational courses that were introduced for the first time in 1994. The teachers delivering the courses had received a brief two days of initial training at the end of 1993, but often felt insufficiently prepared to deliver the course, and had limited information on issues such as accreditation. Many felt that there was a lack of support material and resources for some of the course content, which they commonly felt to be too theoretical and
insufficiently practical to meet the needs and hold the interest of the students. While many of these concerns could be put down to the teething troubles that commonly occur in new programs, such teething troubles can also reflect basic design flaws.

Some particularly worrying messages emerged from the survey about the ways in which the courses were relating to the workplace. Half-way through the year more than three-quarters of the teachers had yet to include a vocational placement in the course.

In a number of cases where work placements were being used or intended, students were required to do them in their own time — on weekends, after school or in school holidays. In other cases responsibility for organizing placements was, as in Year 10 work experience, to be given to the students, with the school playing no role in screening the suitability of the placements or the firms’ capacity to develop the knowledge and skills contained in the curriculum. In the minority of cases in which work placements had been incorporated into courses, they were often very brief, in one instance being no more than 30 minutes per week, and commonly being no more than a single two-day or five-day block during the whole course. At times the work placement was conceived as being simple observation, rather than an integral part of the educational process to be set against clear standards and requirements.

Roughly a third of the teachers were not proposing to use work placements at all, finding them too difficult, too troublesome, or unnecessary. Some reported receiving conflicting advice on whether they were essential or not. Instances were reported of teachers putting the question of whether work placements should be done or not to the vote in the classroom.

Problems reported by the teachers included insufficient time to organize work placements for their students, limited industry contacts, insufficient time to co-ordinate and plan placements and uncertainty about how they should go about it. Some felt that guidelines and directions on student protection issues such as insurance and occupational health and safety were insufficient, and consequently were refusing to organize work placements. They were commonly unsure of the difference between structured work placement and classroom enhancement models, and were uncertain about how to work with employers to get them to treat work placements differently from Year 10 work experience. The predominant impression gained from reading their comments is one of uncertainty.

The central messages are quite clear. The school system has not been reaching out to create genuine learning partnerships with employers. The workplace has not been taken seriously as a key element of the courses, and resources to support employer involvement in them have not been provided. Little thought or effort appears to have been put into quality control. The workplace remains marginal to these courses rather than a central and integral element in their delivery.

The United States has for many years had a wide range of vocational programs in its high schools. Largely classroom bound, they are widely recognized to be of poor quality, with minimal connections to the workplace, little employer or industry involvement, and outcomes for students that question whether they are worth the resources put into them. The weaknesses of these courses, their failure to provide a pathway to work for the majority of non-college-bound youth, have prompted significant policy initiatives on the part of the Clinton Administration that are alluded to in the quotation that begins this article. On 5 May, coincidentally the same day that the Prime Minister’s employment White Paper announced the creation of the Australian Student Traineeship Foundation, President Clinton signed into law a bill which provides $300 million to improve school-to-work arrangements in the United States. Designed to rectify the problems of the past by addressing that country’s lack of education and training opportunities for young people who do not go to four-year colleges, its heart will be a program to connect businesses with schools through work experience for jobs that exist in local communities.

We, like the United States, need a vocational preparation model for the next century that forges new connections between the school and the workplace. In seeking to create it we, like the United States, will need to avoid mediocrity and attempt to emulate world best practice. We are only at the threshold of building this new model. It is not too late to get it right.

2. See Table 1. Figures for both periods are estimated from a combination of ABS Transition from Education to Work, Australia Cat. No. 6227.0 and DEET Australian Traineeship System statistics.
THE tenth anniversary this year of the Sex Discrimination Act was celebrated with a mixture of triumph and disappointment: triumph at the political recognition (the funding, the programs, the legislation) given to the cause of women’s advancement; disappointment that greater representation of women at senior management levels and in non-traditional occupations has not been achieved.

Between 1984 and 1992 the number of women in senior management positions in Australia actually halved, from a tiny 2.5 per cent to 1.3 per cent, and in the Federal Parliament female representation has fallen from 14.6 per cent in 1988 to 10 per cent in 1993.

equal outcomes: One thing has changed, though. Earlier generations of feminists fought for the noble ideal of equal opportunity - the removal, for example, of rules which saw married women barred from permanent public service positions. The new femocrats, frustrated with the pace of progress, fight for equality of outcomes, and are prepared to use quotas and tougher legislation to achieve that goal. Fay Gale, Vice-Chancellor of the University of Western Australia, puts the prevailing view when she says: “we must have ... approximately fifty-fifty (male-female mix) making up senior university staff or in senior management in industry.” Sue Walpole, the Federal Equal Opportunity Commissioner, complains that in the decade since the Sex Discrimination Act became law the average earnings of women have only increased from 82 cents to 84 cents.

Andrew McIntyre is a Victorian teacher and freelance writer.

Andrew McIntyre
SEX MAKES A DIFFERENCE

According to Susan Crennan, Chair of the Victorian Bar Council ... there is no discrimination preventing the advancement of female barristers - "promotion is based on performance." If anything, she adds, there is reverse discrimination.

in the male dollar. Nothing less than 100 cents in the dollar will do. Ms Walpole has supported the push in the ALP, now endorsed by the National Executive, for a quota system to boost the number of female MPs. "What quotas achieve is they give things a quick start," Ms Walpole told Melbourne's Herald Sun. So much for the equal-opportunity principle of choosing the best candidate regardless of gender.

For equal-outcome feminists the actual preferences expressed by girls and women are part of the problem. No fewer than seven separate studies show that marriage and children are more central in girls' thinking about their future than concern about careers. Between 40 per cent and 70 per cent of working mothers (depending on which survey one consults), if they had the economic choice, would prefer to be at home with their children than at work. This is not to say that women do not want careers, only that family life for many takes a higher priority. But some feminists, impatient for more rapid progress, believe that these attitudes are due to traditional socialization and child-rearing practices that need to be changed.

education: As a consequence, an enormous amount of research has been done on gender and education, identifying the ill effects of inequality on girls' performance, self-image and career choice. Whilst this was true in the past, the problem for researchers now is that girls are actually succeeding better than boys at school. In the 1993 Victorian VCE girls outperformed boys in every subject. This poses an obvious dilemma for those seeking to justify further affirmative action programs. It has led them to look increasingly at those subject areas where girls are not participating as well as boys.

This strategy has also captured university authorities. Like the gender researchers, they have begun to focus on those remaining faculties where women are under-represented. At the University of Melbourne, which in 1993 had an overall female enrolment of nearly 60 per cent, a Women in Engineering Project (WE) has been set up to encourage women to study Engineering. A target of 24 per cent female participation has already been achieved, and the target has now been enlarged to 35 per cent for 1996. The Special Project Officer for WE nominates 46-48 per cent as an acceptable final goal. This level has already been achieved in Medicine (48 per cent). In Law 51 per cent of enrolments are female.

The Gender Equity in Secondary School Assessment Project, soon to be released by the Department of Employment, Education and Training, focuses most of its attention on the dwindling number of subject areas where girls are under-represented and still do not perform as well as boys — the harder maths, physics and a few courses in geography. Cheryl Vardon, chairwoman of the National Advisory Committee for the Education of Girls, sees her committee's role as finding ways of using education to redress the inequalities girls and women experience in society and in the work-force. The Victorian Liberal Government's working party 'Opportunities for Girls in Secondary Education', whilst noting progress made in recent years by girls, focuses, inter alia, on their "participation in particular subject areas" and on their "marketable skills". The inferior status and pay of women in the workforce figure as tacit justifications for the working party.

The assumption is that if gender inequality is redressed in education then that will be reflected at senior levels in the professions. But things may not be so straightforward. Even in music, where female enrolments have remained at around 75 per cent for three decades, of the six ABC orchestras, as Professor Warren Bebbington, Dean of the Faculty of Music at Melbourne University has recently complained, "only one concertmaster and none of the principal conductors is female." What happens to the women who make up the large majority of music classes? Blaming discrimination is unconvincing. The fact is that, while women can make very fine musicians, the attributes needed to reach the first rank of performers (apart from specific cognitive skills and musical aptitude) are more characteristic of men than of women: physical strength, competitiveness, ambition, large movement psycho-motor co-ordination, and the commanding presence needed to lead. In addition, as one female concert pianist confided to me, taking several years out to bring up young children - her choice - set back her career.

Reaching the top in most professions takes 20 or 30 years of single-minded uninterrupted effort. This is how long we will need to wait to see the changing pattern of university enrolments reflected in the top ranks of the professions. The existence of discriminatory practices in the Law is too easily assumed by those impatient to see results, says
Susan Crennan, Chair of the Victorian Bar Council. She says that in her experience there is no discrimination preventing the advancement of female barristers — "promotion is based on performance." If anything, she adds, there is reverse discrimination.

The same seems to apply in Medicine. The Director of a major Melbourne hospital concurs with several leading specialists that not only are women welcomed as specialists, they are openly encouraged.

**motivation:** Among those women who do get to high managerial levels, the vast majority, according to research done by Dr. Phyllis Tharenou, a senior lecturer at Queensland University, don't have children, and 60 per cent are single. According to Dr Tharenou, "many women just don't want to be at the top. Maybe women have a better set of values. They have more brains than to want to be at the top."

An investigation into a leading American company by Hoffmann Associates to find out why the company was not promoting more women came to the conclusion that the disparity between the sexes "was due entirely to motivation. Women were not prepared to make the sacrifices to their other interests that promotion to the top would necessitate".

Equal-outcome feminists assume that the different motivations of men and women merely reflect different socialization experiences and are thus open to change. But there is now wide acceptance throughout the scientific community of important innate differences between the sexes. Women, it has been shown, are people-orientated, men object-orientated; women are better with words and language, men with visualization; women at give-and-take, men with spatial orientation and conceptual skills. Is it surprising, in light of these differences, that women gravitate to people-centred careers like teaching, child-care, social services, public relations and aspects of law and medicine, and men to engineering, mechanics, building, mathematics and physics, exploration and truck driving?

Males rate higher than females on all tests for aggression, dominance, stimulus-seeking and risk-taking, and these findings are not specific to Western culture. Dr Glenn Wilson in an excellent summary of how differences affect work performance cites motivational measures in 43 countries in which men emerge as more competitive and more interested in money than are women. Men are simply more single-minded and obsessively concerned with career success than are women, which suggests that although representation of women at senior management levels may increase, the goal of fifty-fifty is utopian.

The evidence that these motivational differences between the sexes owe more to nature than to nurture is strong. In a revealing study, Sheri Berenbaum looked at girls with an uncommon condition called Congenital Adrenal Hyperplasia (CAH). Girls with this condition have been exposed, during gestation, to high levels of testosterone, but they are clearly born girls, are raised by their parents as girls and are treated by society as girls. According to those who believe that sex roles are the result solely of nurture, they should behave as girls. Yet Berenbaum found that they had many of the behavioural characteristics of boys, acting, playing and thinking more like boys than girls. As children they chose to play with boys' toys and after adolescence displayed cognitive functioning similar to men. Interestingly, a study of women in top managerial positions in America found most to be ex-tomboys.

Differences can also be misleading. In rifle-shooting competitions on moving targets men outperform women to such an extent that they participate in separate competitions. This, it might be thought, begs to be explained in terms of socialization: boys play with toy guns, girls with dolls. But how then can it be explained that in fixed-target shooting, women are at least as good as men, and compete with men in open competition? The US National Rifle Association champion at the moment is a woman.

**the extremes:** Of course there is considerable overlap between the sexes; indeed the similarities outweigh the differences. It is at the extremes that the differences become most apparent. In statistical testing there is a measure of the difference between two groups called the effect size. If we take the results of tests on mental rotations for spatial ability we find a small but nonetheless significant effect size between the sexes (see Figure 1). In general, because the

![Fig. 1. A small effect size, generally undetectable among the majority of men and women, makes a big difference at the extremes.](image1)

![Fig. 2. Standard distribution for gender neutral IQ test. Aggregate scores for males and females are equal.](image2)
overlap is large, the difference will go unnoticed. But the difference means that in the top 10 per cent there will be eight males for every two females, with males virtually alone in the top one per cent. This fact is crucial to an understanding of outcomes in the real world.

A further factor needs to be taken into account. If we take a test whose average outcome is identical for men and women, such as a gender-neutral IQ test, the male distribution will be about one standard deviation larger than the female. There are fewer males in the middle, but more at each extreme (see Figure 2). This means that girls can do as well in mathematics as boys on average, and even come top as women, such as a gender-neutral standing of outcomes in the real world.

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The political problem is that everyone notices the extremes, especially the geniuses. Mozart, Shakespeare and Einstein are highly visible men, but they tell us nothing about the average man or woman. One cannot draw conclusions about the superiority of men or the pervasiveness of discrimination against women on the basis of the top one per cent. If someone were to notice that Victoria has several mountain peaks higher than the highest in Tasmania, and then claim that therefore Victoria was more mountainous, we would see the claim to be fatuous. Yet that is what is being argued by some in the gender debate.

In explaining the fact that only a small minority of Queen's Counsel are women, one needs to recognize that the total group of QCs in Victoria constitute only .004 per cent of the adult male population. They are at the extreme of the normal distribution curve. Federal Parliamentarians constitute an even smaller proportion of the adult population of Australia. Of all the international concert pianists and conductors in the world Australia has maybe ten or twenty, that is, one person in every million. That they tend to be male says nothing about the ability of most men and women.

**nature's limits:** Given the constraints of nature, how much more can be or should be done on top of the existing abundance of affirmative action legislation and gender equity programs to produce equal outcomes? Could intervention take place earlier? After all, by primary-school age boys and girls already have well-defined behavioural differences. Well, the news is it's been tried elsewhere, and failed. Nature proved recalcitrant.

In Israel's kibbutzim children were removed from their mothers at two to six weeks and put in dormitories to ensure that traditional female household and nurturing roles were not instilled. All chores, from kitchen work to ploughing the fields, were 'amalgamated'. The kibbutzim were designed to ensure economic, social and political equality. No woman was dependent on a man and single women had the same status as married women and the same status as men. If any social engineering experiment could yield positive results then surely this was it. Instead it was a complete failure. Among the outcomes were:

"Men outnumber women by nearly seven to one in agriculture, and there are almost no women in trades such as carpentry, plumbing and electrical work. The male/female ratio is more than two to one in industry and management positions and it is three to one among the few people involved full-time in public service. Conversely, there are six times as many women involved in service and consumption jobs, and nine times as many in teaching, and inside these categories the sex distinctions are even sharper. In teaching, for instance, there are virtually no men who work with pre-schoolers but about forty per cent of the high school staff is male. Men do essentially no care of infants. And of the 25 per cent of the management workers who are women, most are secretaries, typists and accountants. Women are less active in politics, and the higher the office the smaller the percentage of women occupying it. Although the kibbutz began with the idea of supplanting the traditional family with the commune, over the years the family has evolved to become the most important social unit in the kibbutz. Mothers have pushed for greater involvement in the upbringing of their own children. In short, from an ideologically unisex beginning, the kibbutz has developed a sexual division of labour almost identical to what is found in most societies, with the women demanding more involvement with their children."

As the French would say, "Chassez le naturel, il revient au galop." (What's bred in the bone won't come out of the flesh).

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3. Economic Planning and Advisory Commission, ANU, and the Australian Institute of Family Studies, amongst others, consistently range from 40% to 70%.
12. Glenn Wilson, op.cit., p.61
15. Ibid, p.61.
THE Victorian Budget for 1994-95, brought down by Treasurer Alan Stockdale on 7 September, was more remarkable for the media reaction than for any changes in policy. Indeed, while the economic forecasts for Victoria were lifted quite significantly compared to the April economic statement, the Budget itself contained only relatively minor 'initiatives'. Unfortunately, most of those initiatives involved additions to expenditure such that current outlays by service-delivery departments are estimated to increase by 5.8 per cent in 1994-95, a significant rise in real terms. Departments such as Agriculture, Arts, Sport and Tourism, Business and Employment, Energy and Minerals, Justice, and Planning and Development each receive increases ranging between 20 and 50 per cent.

To be critical of these spending initiatives is not to say that, overall, the Budget is financially irresponsible. In budgeting for a current account surplus of $392 million in 1994-95 and an overall deficit of only about $630 million (excluding sales of business assets) Treasurer Stockdale has started Victoria down the path of reducing the ratio of budget-sector debt to Gross State Product (GSP), a process which is essential if the State is to restore its AAA credit rating. The criticism is, rather, that the opportunity was missed to build further on the efficiency-increasing measures which have already been implemented by the Kennett Government.

The fact is that, even though Victoria was the only State to have reduced total government spending over the last two years, the Victorian economy has been recovering quite strongly. Indeed, over this period:

- Victoria's GSP per head has grown faster than any other State except Western Australia.
- The fall in Victoria's unemployment would have been greater than in other States had it not been for the work-force participation rate rising in Victoria (itself a sign of growing confidence) and falling in the rest of Australia.
- While total employment has grown more slowly in Victoria than in the rest of Australia, that reflects the reduction of over 40,000 in public sector employment. Private sector employment has been increasing faster than in other States.

It thus appears that, contrary to the Keynesian thesis, Victoria's economic recovery has been helped, not harmed, by responsible government budgeting. The experience of the past two years should have provided a sound basis for announcing a program of further rationalization of budgetary services.

**Surprising reaction:** Criticism of the failure to do this seems well justified given the comments made in Treasurer Stockdale's Budget speech that "we still spend too much" and "Victoria cannot delude itself that reform is over". What is much more surprising, however, is that the media appeared to endorse the need for further action. Most notably, *The Age* editorial said "it would be dangerous to relax" and "Mr Stockdale is right: the State still spends too much, taxes too highly, invests too little and is still too deeply in debt". Moreover, "Victoria is not yet in a position to 'spend' its Budget surplus" (sic).

*The Australian* went further and argued that next April's economic statement "should contain further measures to control public spending and achieve more government efficiencies. There should also be a program of major asset sales and privatizations, with the proceeds directed to retiring debt." This was echoed in the statement by *The Australian* Economics Editor, Alan Wood, that "what needs to be done is clear enough: more spending cuts, more productivity, more efficiency dividends, more switching of activities to the private sector."

Even Kenneth Davidson, well known for his advocacy of big government, lent some (unintended) weight to the (still) over-spending thesis when he pointed out that since 1991-92 "in real terms the net increase in government spending is 3 per cent – about 1 per cent a year" and went on to claim that "the State Government has not really reversed it. We are still sitting in a handcart in a pretty hot place. That's why some like the Institute of Public Affairs' Des Moore, argue the Government should have been even tougher. We could..."
All-too-easily start the handcart descending again."

Several commentators also recognized that the cuts in government spending and employment over the past two years have not prevented a quite strong recovery in the Victorian economy and David Walker of *The Age* even highlighted the point made in the Budget papers that, in per capita terms, Victoria's growth is "expected to top that of Australia as a whole". A number also noted that private sector employment has been growing more rapidly than in other States.

*The Age* editorial said that "the third remarkable feature is that the Government seems to have confounded the critics who argued that its ruthless pruning of the public sector would jeopardize economic recovery. In spite of - some might suggest because of - a drastically diminished public sector, trimmed of more than 40,000 jobs and cuffed into greater efficiency, the private sector has blossomed, adding 57,200 new jobs in 1993-94" while *The Australian* editorial pointed out that "in less than two years the Kennett Government has pulled Victoria from an economic mire and shown how rigorous discipline in the public sector, far from acting as a restraint on economic growth, actually promotes it."

Without acknowledging IPA as his source Tony Parkinson of *The Australian* said "Victoria's gross State product per capita has grown faster than any other State except Western Australia - and importantly, the growth in Victoria can be accounted for entirely by increased private sector demand. Government consumption actually fell over the same period, as a result of the Kennett Government's belt-tightening regimen."

Alan Wood reinforced the point when he said "the Kennett Government has reined in the Budget, slashed the public sector and disenfranchised the unions, and the result has been strong economic growth, led by private investment and exports rising faster than the rest of Australia. Paul Keating and Ralph Willis might care to think about the implications as they resist calls for a tighter fiscal policy." (Astonishingly, nobody in the media thought of asking Ralph Willis for his reaction. This was all the more surprising given the close interest which his predecessor, John Dawkins, exhibited in the State's budgetary position.)

Perhaps the most amazing turnaround in the media was Tim Colebatch's admission that he was wrong to have been so pessimistic about Victoria's future and to believe that "the private sector could not pick up so much slack". Even more surprising, he acknowledged that "given where the Kennett Government has come from, this Budget too seems reasonable" - even if he did spoil it by asserting that "from here on, its choices will be how to spend the dividends from growth rather than what to cut next."

*The Age* political editor, Shane Green, was much more grudging in accepting that the Kennett Government "has abandoned the convention of contemporary politics of spending with an eye to electoral support", and, he went on to argue that the benefits are "largely unseen" and that "at the next election, a sharply reduced majority could be the result."

**Vindicated:** On the basis of these reactions the IPA's push for cutting budget expenditure and employment seems well justified notwithstanding the flak thrown at us. Certainly, the expected reduction in Budget-sector employment (41,000 between June 1992 and June 1995) seems now to be accepted as necessary.

The campaign we have been running since around 1990, both independently and through Project Victoria, has not only brought results in terms of Government actions but now appears largely to have been accepted, albeit not always explicitly, by the media. More importantly, perhaps, it seems to be recognized that there can be benefits, both in terms of improving efficiency and reducing costs, and in terms of the (favourable) effects on the Victorian economy, in reducing government spending and/or in making the private sector more responsible for providing services. Moreover, the case for further measures seems established. It may not be going too far to claim that there has been a media turnaround in Victoria, though it remains to be seen how enduring that will be.

I leave the last word to (of all commentators) *The Age*.

"The figures suggest an extraordinary achievement, politically as much as financially. No Victorian Government in living memory has been so resolute in its determination to bring the State's finances into order. No post-war government has faced so savage an economic recession that eroded its revenue base and sapped public confidence. None has been so squeezed by a Federal Government flaunting fiscal virtue at the expense of grants to the states. Entrusted with a decisive electoral mandate, equipped with a parliamentary majority in both houses of Parliament, led by a Premier firmly in command of a cohesive coalition and encouraged by continuing public support, the Kennett Government set about its appointed task with unswerving zeal."

After that, even Jeff Kennett must surely have made his peace with the Editor of *The Age*, Alan Kohler.

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1. There was actually a tiny fall in the ratio - from 18.1 to 18.0 per cent of GSP - in 1993-94.
A recent visit home for our regular columnist revealed an Australia in which centralized control is weakening key institutions and an air of unreality surrounds discussion of external relations.

**canberra’s tightening grip**

*Harry Gelber*

Looking at one’s country with a fresh eye, after a year’s stay in the USA, is an interesting experience. The differences, the similarities, the problems, stand out in clearer relief. One is not up to speed on local events and debates. One is bound to miss nuances. Still, some things seem striking — in my case, at least three: the role of the media; the travails of universities; and public discussion (what little there is) of foreign affairs.

**News management:** The media picture is quite remarkable. As political, economic and public affairs have become increasingly concentrated in Canberra, so the Canberra Press Gallery has acquired an increasingly influential role in formulating the nation’s agenda for discussion. It is not that every journalist has the same opinion. But the agenda, and the mainstream of comment, are set there.

The government’s media ‘liaison’ (read information and management) offices play a role in all this which is often decisive. It is backed by the ability of any incumbent government to use the massive resources of the public service for opinion polling, policy research, influence peddling and, not least, ‘bucketing’ of opponents. That power is greatly increased when a government has been in office as long as the Liberals before 1972 and Labor now; and especially with the politicization of senior public-service ranks which has occurred under Labor.

The picture is augmented in three ways. One is the habit of politicians, pressure groups and, especially, public servants critical of some proposed move, to ‘leak’ information to further one cause or another.

A second is the influence of the three ownership groups: the ABC and the Murdoch and Packer empires. The ABC’s current affairs has usually been sensitive to the left-of-centre and government views. Murdoch has long been sympathetic to the present government, which has also been careful to treat Packer with respect and sympathy. Above all, the major organs of each group will tend to align with actual or expected political winners.

The third is the way in which the more vocal sections of the arts and the academy have aligned themselves with, even become spokesmen for, government attitudes. Both sectors depend overwhelmingly on government funding. Both are suitably sycophantic, at least in public. And some segments, for instance parts of the ANU, have become active think-tanks for public-sector policy-related work.

It is not that such phenomena are altogether unknown elsewhere. But in Australia they appear, in combination and over the last decade or more, to have given the government of the day a capacity for the effective management of news and comment which seems markedly greater than that in any other developed country. To be sure, it is by no means complete. The government does not control the press. It cannot always prevent individuals from being hounded or

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avoid attacks on itself, especially if it seems weak or vulnerable. Nevertheless, the government and its bureaucracy manipulate the media, on most issues and most of the time, in a strikingly effective way. Certainly, neither the US nor Britain, France, Germany or Japan seem to have anything similar.

control of universities: The travails of the universities appear to continue, as the malign effects of the Dawkins revolution percolate through the system. Here, too, a large part of the problem is continuing over-centralization which the bureaucracy and politicians find congenial. In the universities appear to continue, as the malign effects of the humanities and social sciences similar.

The government often talks as if that is said and done appears unrealistic, it also seems insubstantial. If the public appearances include much of clumsiness, bureaucratic arrogance, short-sightedness, perhaps the old adage holds all the same: she'll be right?

1. The majority of leading US universities, for example, are non-government institutions. In Britain, while private universities play a minor role, Cambridge and Oxford still have much greater independence than any Australian university. Germany has an array of universities whose standing is relatively independent. It would, for example, be absurd to suggest that either Bonn or Berlin universities have a role in relation to the German government which resembles that of the ANU to the Australian government.

2. A preliminary examination of the situation can be found in the 'hard' sciences in Paul Bourke and Linda Butler, A Crisis for Australian Science, Monograph No. 1, Performance Indicators Project, Research School of Sciences, ANU (1994).
A Labor stronghold in Sydney and a union town in America have joined a worldwide trend towards privatizing local government services.

Jeffry Babb

Privatization of local government services is occurring in countries as different as the United States, a bastion of free enterprise, and the People's Republic of China, where the politics remain resolutely communist.

Water supply, which in Australia is seen by many as inseparable from government, in France has been in private hands for hundreds of years. Privatized garbage collection, which in Australia is still relatively new, has been around for many years in the United States.

The term 'privatization' embraces a range of measures — including competitive tendering and contracting out — all of which involve enlarging the role of competition and the involvement of private enterprise in functions traditionally performed by local government. Below I look at four cities — two in America, two in Australia — which have embarked on various privatization strategies, as they strive to make the delivery of services more efficient and more responsive to consumers.

Chicago: Traditionally America's third city, after New York and Los Angeles, Chicago services the agricultural and manufacturing industries of the American Midwest. Under Mayor Richard J. Daley, it developed a reputation for being efficiently run, but mainly for the benefit of the Democratic Party machine, which supplied patronage jobs. Chicago was vital to the Democrats because Boss Daley — as he was called — could deliver the votes needed to win presidential elections.

Chicago is the quintessential union town, with a tradition of strong public-sector unions wringing money out of city governments, residents and businesses.

Chicago has problems common to big American cities — crime, bad schools and racial tension — but while the patronage system delivered efficient government, the citizens were happy. Then property taxes — which in Australia would be called rates — began to rise and residents began to leave. Since 1950, nearly a million residents have fled the city, reducing Chicago's population from 3.6 million to just 2.7 million.

When in 1989 Richard M. Daley followed his father as mayor, he was derisively called 'Son of Boss'. He embraced privatization because he had no alternative. Even so, it was traumatic for both organized labour and left-liberals. When Chicago began going down the privatization road, it was a symbolic event of great importance.

Daley says he is not wedded to the idea of privatization, just cost savings. "Where privatization works, it works. When it doesn't, it doesn't," Daley told the American journal Governance recently.

Privatization has been spectacularly successful in some areas. The crown jewel is Chicago's high-tech parking enforcement system. The old system was not only notoriously corrupt, but also horribly inefficient. During the decade of the 1980s, 20 million tickets, worth over $500 million, were simply ignored. Another 2 million were not even entered into the system. A Traffic Court judge went to jail in 1986 for cutting himself in on a percentage of the fines. Something had to be done.

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The privatized system began in 1990: within a year the collection rate on parking tickets soared from 10 per cent to 65 per cent. Ticket revenue is now $80 million per year. Parking meter revenue is also up.

Savings with other privatized functions have also been significant. Privatizing window cleaning has reduced costs by more than half. Savings of $3 million were made by privatizing parking garages at Chicago's busy O'Hare Airport.

Privatization is also used to benchmark other city functions. Sewer cleaning and construction have been partially privatized. City workers now handle emergencies, leaving the bulk of more routine work to the private sector.

But not all privatizations have worked: street-sweeper and snow-plough maintenance duties, for example, were deprivatized after the city's accounts revealed it would be cheaper to do the work in-house.

Essentially, Chicago's approach to privatization is pragmatic: "People want service. They don't care who does it. They just want the service. The unions are basically facing reality. In certain areas, government can't do it," Mayor Daley told Governance.

What Daley means is that government can't afford the rising personnel costs and lucrative benefits that Chicago's heavily-unionized work-force has become accustomed to demand as a right. Chicago is under competitive pressure from other municipalities and its irate citizens who are voting with their feet.

Indianapolis: Indianapolis's Mayor, Steve Goldsmith, is an unusual choice for a large American city. He is a Republican who is convinced a big city can be governed on free-market principles. He is proactive in his use of privatization and is showing the way to other municipal governments. The Heritage Foundation, commonly regarded as America's pre-eminent conservative think-tank, has singled out Indianapolis as a model for disciples, and the Los Angeles-based Reason Foundation, a libertarian think-tank, refers visitors there who want to see the future of local government in America.

In the two years he has been mayor, Goldsmith has privatized a long list of city services, forced city employees to compete with the private sector for contracts, slashed hundreds of middle-management positions and injected private-sector efficiency into municipal operations. City services are being remade from top to bottom.

Goldsmith insists on competition in all things as the guiding principle of his administration. His fundamental belief is that market forces and competition ultimately serve citizens better than what he and his staff refer to routinely as 'government monopoly'.

Indianapolis, like Chicago, is facing competition for jobs and resources from its neighbours. In his struggle to keep residents and businesses, Goldsmith will not countenance tax increases, 'higher taxes' being the dirtiest words in the American political lexicon since the taxpayers' revolt in California 20 years ago.

Goldsmith is particularly concerned about revitalizing neighbourhoods that were left behind economically as the suburbs grew. The heart of his strategy is to turn over substantial government power to civic institutions such as neighbourhood improvement associations and community development corporations. The plan is to have neighbourhood associations responsible for park maintenance, contracting for services, and even for road repairs. This 'municipal federalism' aims at both efficiency and empowerment of neighbourhoods through self-help.

There are political incentives for Mayor Goldsmith in pursuing this strategy. It has helped him establish a solid political base in neighbourhoods which would not normally support him; even he describes himself as a 'populist'. The only downside politically is that affluent areas which have lost political clout and resources sometimes grumble about the attention given to the less affluent neighbourhoods.

The jury is still out on whether Goldsmith and his administration can put all their ideas into practice. And what works in Indianapolis might not necessarily work for the new Republican mayors of Los Angeles and New York; both cities are much bigger with more entrenched social problems. Even so, with cities like Chicago and Indianapolis showing the way, others are likely to follow.

Melbourne: The City of Melbourne shows the changing face of local government in Victoria. Under Chief Executive Officer Elizabeth Proust, staffing levels at Victoria's biggest and richest local government have been reduced by close to 25 per cent over the three years the council reform process has been underway.

Melbourne City Council is reflecting a shift in the tonic plates of governance in Victoria. Contracting out and privatization are no longer solely matters of initiative for councils. Under Victoria's Local Government (Competitive Tendering) Bill, all Victorian local governments will be required to put a percentage of their expenditure out to compulsory competitive tender: 20 per cent this year, 50 per cent by 1997.

Introducing the legislation into the Legislative Assembly, the Minister for Industry and Employment, Phil Gude, left no doubt that radical changes were intended to flow from these reforms: "This Bill heralds a cultural change which goes to the very core of the way councils operate. Councils will be compelled to review and specify just what it is they do, and to test those specifications in the marketplace. Those who can provide better service should take over, just as they do in any other organization which claims to be accountable to its constituents."

The changes at Melbourne City Council exemplify what is likely to follow. Before public-toilet cleaning was put out to tender, it occupied 32 staff. By the time the staff put in a tender for the job, which won the contract, they had reduced that number to 16 by their own actions.

Massive overstaffing has been revealed in other areas, too. Collecting coins from parking meters used to employ 15 people. Brambles now does the job with eight — and collects more money.

Not only blue collar workers will be affected: "There are
too many managers, too many layers of managers, and ... you will see large reductions in the numbers of managers, as well as in the numbers of, say, garbage crews and other services," Ms Proust told ABC Radio's Ranald MacDonald.

Contracts to care for Melbourne's parks and gardens are likely to go to private operators in the next year.

Competitive tendering has been a spur to council workers to lift their performance. The council's mechanical services unit won the contract to clean the City's fountains and statues, and then successfully bid for an outside job — cleaning the State Government's extensive collection of monuments and fountains.

Further substantial changes lie ahead. Council staff will be transferred eventually to four trading enterprises. These will operate as City of Melbourne subsidiaries but will be run by boards which will include people from the private sector and government business enterprises. This is expected to reduce the total work-force from about 1600 to a core of 600. Workers who fail to outbid the private sector will be redeployed or made redundant.

**Liverpool:** Liverpool is a growing area on Sydney's western fringe. In the next ten years, 25 per cent of the released land in Sydney is likely to fall within the Liverpool City Council area. The development of the new airport at Badgery's Creek is having a major impact on the area.

Although most residents are Australian born, there are significant numbers of settlers from the United Kingdom, Italy, the former Yugoslavia and many other nations. English is the first language for 65 per cent of the population.

Liverpool is a traditional Labor area and among former members for Werriwa, the area's Federal seat, are Gough Whitlam and John Ketin, Mark Latham, a local boy and former mayor of Liverpool, is the current Federal member.

It is not the sort of place you would expect to find Australia's most radical privatization of local government. But Liverpool City Council has done more to cut the umbilical cord between the council and its works department than any other municipal government in Australia.

Because Liverpool is a growing area, the council needs to minimize spending on maintenance to be able to afford necessary capital works. Opening the works program to competition was the way to do it.

Liverpool City Works is a wholly-owned business unit of the Liverpool City Council. The business manager, Victor Lampe, reports to the board, which includes the general manager of the council and senior council managers. In the future it will be expanded to include outsiders — perhaps a local building contractor, for example.

Liverpool City Works has no guaranteed income and must compete for work. It is free to compete for non-council work and has won seven outside contracts, including with the Department of Defence, Liverpool Hospital, Landcom, RTA and schools.

All civil and capital works are contested. For twelve months, Liverpool City Works was given preference by the council, but now it is on its own. A corollary is that it does not have to use the council's facilities. For example, it is now looking at establishing its own accounting functions and human services, to retain confidentiality.

Since being opened to competition, Liverpool City Works has cut staff by 20 to 30 per cent, but now is ready to begin hiring again. One of the most important advances has been multiskilling — truck drivers don't sit in the truck and watch, they get out and hold the signs or direct the traffic. Employees are now grouped into teams which tackle each task as it comes.

The council depot and plant have been grouped into Liverpool City Resources, which now also has to compete for business. Liverpool City Works can, and does, hire from other plant-hire firms.

"It has been an unbelievable transition," the General Manager of Liverpool City Council, John Walker, says, adding that "it is absolutely staggering to see the transformation of the workforce." The people on the job make their own decisions. They know they must deliver on time and on budget. They have a profit-sharing agreement and get several hundred dollars each six months as part of their corporate profit share. They can also get work-group and individual bonuses, sometimes as high as $2,000. "Bonuses are a terrific motivational tool", John Walker believes.

Victor Lampe is business manager of Liverpool City Works. He is a former Regular Army Lieutenant-Colonel who previously taught logistics and studied the US Army experience with contracting out. "I find it very interesting and challenging to work with people such as Mark Latham and John Walker. I have traded security for involvement, and have brought ideas such as continuous quality improvement to the council's work," Lampe states.

Under the new structure, some workers, especially middle management, feel threatened by the loss of a secure career path — that is, a progression over time from the work gangs to a supervisory role. Others, however, are enthusiastic about the opening up of opportunities that has accompanied the loss of security.

Many improvements are initiated by the workers at the coal-face. Metal, for example, used to be dumped as waste; now the men on the job are looking at a recycling project that will reduce waste and produce income. When one of the work teams found that a vital piece of road-working equipment was not available for hire until night, they worked back at normal rates — not at penalty rates — to get the job done. This decision was made by the workers concerned.

"People are coming from all over Australia to see what we are doing," Victor Lampe says. "We have only touched the tip of the iceberg."
Almost 7,000 enterprises worldwide have been privatized since the early 1980s. Britain led the way, but privatization has since spread to countries as diverse as Sweden, New Zealand, Japan, Sri Lanka and Vietnam.

In Australia privatization's progress has been slow. A Federal Government plan to sell the Australian National Line was dropped in August (then revived in September) and a proposal to sell off 22 government-owned airports was modified after strong resistance from the Labor Left. An exception is Victoria which plans to fully or partly privatize a range of assets including electricity, ports, water and wheat storage.

Privatization's progress is hampered by widely-believed fallacies surrounding its effects. Here are 10 of the most common fallacies and the reasons why they should be rejected.

**Privatization means increased unemployment**

Unusually enough, this argument admits that the public sector of the economy is inefficient and overmanned. It acknowledges that private business could perform the same task with a smaller manpower.

Some observers have looked at the high unemployment rate experienced by Britain from 1980 to 1985, and linked it with the major pieces of privatization undertaken during the same period. It is a false link. Jobs were not lost because of privatization. Rather, to blame is the high level of public spending achieved in the 1970s, and the way in which Britain became uncompetitive in world markets. Coupled with the transformation of Britain from an economy dependent on mass-production manufacturers into one whose leading sectors are the high-tech and service sectors, these did push Britain's unemployment to a record high.

Far from boosting this, however, privatization has offered real hope. It has succeeded in lowering the costs of many of the basic inputs into business, including freight, travel and communication services. It has also transformed major loss-makers dependent on subsidy into profitable concerns, allowing them to expand and enter new markets.

It is no good thing for economic development if people are paying more than they need to for public operations. All of these are business costs, be they for rail or air travel, telephones, mail delivery, or local government services. If the cost of these can be lowered, then business costs decrease, and the increased volume of activity can create jobs. Moreover, the new jobs generated in this way are real jobs which arise in response to demand within the economy, rather than bogus jobs which keep more employees on a task than are needed to perform it.

**Privatization means higher prices**

At the core of this fallacy lies the notion that there are extra costs in the private sector which have the effect of boosting the prices which must be charged. Private businesses have to achieve profits in addition to merely covering their costs. Furthermore, they have to spend money on advertising. Some of them have to duplicate 'wastefully' production facilities already covered by their competitors. In short, the argument suggests that all of these costs, being superimposed upon the basic production costs of the public sector, can only raise prices.

Yet, it is the public supply which proves more expensive in practice. This is one of the driving forces behind the movement towards privatization: it saves money. The reason is that despite the need for profit (indeed, because of it), the private sector can produce more efficiently and more cheaply. People rarely respond to exhortation as strongly as they do to real pressures and incentives.
It is one thing to ask people to work more efficiently, but quite another to increase the rewards for doing so. This is the point. The private sector allocates its rewards to those who can provide what is wanted in an efficient way and at an attractive price. The public sector gives its rewards regardless. The private business has to keep on its toes, alert to chances for savings and improvement. The public sector has no such pressures.

This is the principal reason why, when a service is privatized, the quality improves even while savings in the 20-40 per cent range are achieved. The prices go down, not up.

Further to this, once the operation becomes a profit-making private concern, society gains the tax paid on those profits, instead of losing the subsidies it paid before. There were several cases in Britain in which companies were able to expand after privatization and win additional contracts. Unlike the public sector, whose size tends to be dictated by the remit of government, private firms can expand to cover the most efficient economic area. Expansion can help lower costs and enable a more intensive use of capital equipment. One government operation cleaning the streets in one local government area may have to duplicate all of the machinery used in the one next to it. A private firm, on the other hand, can bid for contracts in the area most suitable to its equipment level. It is through simple commercial effects such as this that private companies are able to improve on the efficiency of public operations, and achieve not increased costs, but reduced ones.

Under privatization remote areas get no service

Few fallacies of privatization are more durable than that which claims that outlying regions would be deprived of services. A whole vocabulary has sprung up to express these fears. We are told that 'cowboys' will move in if the service goes private, and that they will 'cream off' the lucrative central trade, leaving the remote areas to fend for themselves.

Where the market is concentrated, we are told, there will be plenty of people wanting to compete. Alas for the poor outback though, where we are led to believe no service at all will be forthcoming. Regions supported by subsidy, and served only by loss-making operations, are forecast a dire future unless the service remains in public hands.

It is interesting to compare the real world with these gloomy predictions. The first point to notice is that the private sector shows a remarkable ability to make profits from areas which the public sector could only supply by means of heavy subsidy. This is true of both communications and transport, two areas most often subject to these gloomy prognostications.

In the United States, for example, the private mail carriers do not exclude outlying areas from their delivery. On the contrary, they set national rates and are able to deliver...
quite happily to remote settlements, making money in the process. The service may not be as frequent as in the big cities, but the parcels get through with an efficiency and with prices which the public-sector mail delivery would envy. The private sector might find itself using smaller and cheaper vehicles in some counties, or supplementing its manpower with part-time staff: but this is part of its success. It seeks out the cost-saving innovations to provide the services on lower inputs.

With the break-up of the state airline monopoly on many routes in Britain, it was widely predicted that passengers on the main routes would benefit, but that the less concentrated traffic would suffer. But it was the scattered services which benefited most. New airlines came along to specialize in serving limited markets. Traffic proliferated, with the result that the range of services increased and prices tumbled.

The privatization through competition of inter-city bus services saw the same effect. A great increase in services and more choices combined with lower fares. This should come as no surprise. The result of opening up air traffic to competition in the USA achieved the same. The prediction was the usual one of flash outfits 'creaming off' the concentrated trade. The reality was that the remote airstrips benefited most, while the little commuter services gave an enormous range of new services on the periphery of the main routes.

Of course, there were service innovations. Smaller aeroplanes are often used. The hub-and-spoke method of servicing the continent has become nearly universal, with passengers having one-stop access to hundreds of destinations.

There is talk about whether a privatized telecommunications industry could maintain service to remote areas. It does elsewhere, and it brings in new types of service much faster than its counterparts did in the public sector. There are so many new inventions coming on-line in telephone communication that it is quite impossible to predict which will have more impact. We may indeed be using satellite transmission, with receiving dishes in remote areas cutting the cost of long-distance telephone wires.

The point is that the private business has the incentive to work to the most efficient methods, to keep abreast of changing technology and to innovate. Britain’s telephone system was transformed for the better as soon as privatization became a real prospect. It is hard now to think back to the days of a staid and high-priced service characterized by lengthy waiting lists. With British Telecom privatized, the new varieties of service seem to appear almost weekly.

In any event, there have by now been developed a whole battery of highly-successful techniques by which governments can guarantee the services to remote communities after privatization.

One common approach uses charter guarantees to secure the desired service. When the operation is prepared for privatization, the charter stipulates the level of service which the company is obligated to maintain, and is thus taken account of by potential purchasers as one of the liabilities on the new company.

When British Telecom was privatized, its charter obliged it to maintain a specified level of public coin-box telephones in remote areas. This was taken into account by those who performed valuation estimates on the company and by those who bought the shares. It forms a continuing obligation on British Telecom and guarantees the public the continuation of an essential service.

The principle of ‘least subsidy’ is another technique successful in bringing service to outlying regions. The basis of this is that government recognizes that some areas require a subsidized service, and invites the private sector to bid for the provision of those services. The lowest subsidy requirement wins the contract. This method secures the advantages of competition and has private firms trying to outdo each other with new service ideas, yet it enables government to guarantee the service level.

This method has seen considerable use in the provision of transport services to and from remote areas. It has witnessed the introduction of several innovations, including the use of smaller vehicles equipped for multiple uses, the employment of part-time staff and even the use of trained volunteers.

**Privatization risks foreign takeover**

Some industries are of strategic value. Communications and transport obviously come into this category, along with more direct examples such as armaments manufacture, shipbuilding and aerospace industries. Some industries were originally taken into public ownership for strategic considerations: so that they could be guaranteed for the country in the event of hostilities.

One argument levelled at privatization makes the claim that, once in the private sector, these vital industries could be subject to purchase from abroad, placing strategic areas...
into the grip of foreigners. The argument then suggests that the country would have no control over these industries, nor any means of directing them to operate in the national interest during times of emergency.

Many things could be said about this fallacy, but the first and foremost is that it is not true because governments do not permit it to happen. When governments have privatized areas of strategic importance, they have taken good care to prevent foreigners from taking them over. Several tested techniques have been developed for doing this and are available to any government contemplating a similar exercise with its own sensitive industries.

For example, when British Aerospace shares were put on the market, the Government retained a 'golden share'. The voting rights of that share are only activated if control would otherwise pass abroad; in which case the special share's voting rights take effect, preventing the event. This feature of the sale of strategic industries is well-publicized and is understood by potential purchasers. It is taken account of when the price is being determined.

There are industries in Australia which would readily take to the use of this technique and which could thus be privatized without risk of control going abroad.

Provided that the risk of foreign acquisition is specifically precluded in sensitive areas, the transfer of vital areas into the private sector offers the state a modern and cost-effective way of looking after its national interests. The state, of course, retains its ability to impose requirements on the private sector to guard its strategic interests. It can direct private industries no less than public ones in times of emergency or in areas where national concerns come to the fore.

**No private business could do the job**

When the prospect of privatization is raised, the claim is often advanced that there are essential services which no private firms have the expertise and resources to tackle. Sometimes this claim is modified to one which suggests that there are no private firms which could undertake the task profitably.

The claim was made for the first case of privatization involving local government services in Britain. The unions claimed that there simply were no private firms in the area which could undertake the tasks required. When the council invited firms to bid, 10 came forward and did so, of which six were deemed by the council to possess the competence and experience to guarantee a satisfactory service.

The point is that one can simply be unaware of the alternatives if public monopoly has dominated. It might be difficult to think of private firms which parallel the expertise. The fact is that in most areas of public supply there are private firms which perform similar operations. It requires no great stretch of their abilities to undertake the public supply. Private caterers can provide the meals in public institutions. Private cleaning firms can clean the public buildings, including schools and hospitals. Security, ground maintenance and personnel management are further areas already covered by private supply, as are the professional services in such things as architecture, law and computing which are often duplicated in private and public sectors.

The easiest way to expose this fallacy is by inviting bids from the private sector. Suddenly the private firms are there, where pessimists
predicted there would be none. There have been no cases recorded in which private bidders failed to appear. On the contrary, the surprise in many cases has been at the numbers of qualified applicants who came forward to compete for the contract. In some cases they were firms already engaged in similar activities; in others they were established firms for whom the new activity was a logical extension to their present range.

There is one fall-back alternative to be considered; and that is that the public operation itself might operate better as a private firm, raising capital by commercial rules and feeling the pressure of business methods. In such a case consideration can be given to taking the existing operation directly into the private sector, either by direct sale to an interested company, or by the creation of a co-operative through a worker and management buy-out. This formula has been used with success in a number of cases overseas, notably with Britain’s National Freight Company, the English Channel hovercraft service and several of the shipyards threatened with closure.

The ultimate test of whether there are, or could be, private firms capable of performing a public task lies in practice. The public monopoly may have squeezed out independent businesses from covering the same ground, so that their presence is not evident at first sight. Often they are already there, awaiting only the opportunity. Sometimes existing firms will adapt. Sometimes new ones will be created in response to the challenge. Sometimes the public operation itself can be transformed into the private firm which is sought. The way to find out is to do it.

It makes government dependent on private firms

Although people are quite prepared to see a government dependent on its own in-house operation, even where this has a proven record of unreliability and service interruption, those same critics often profess alarm at the thought of government being dependent on the private sector.

They claim that some services are too important to be left in private hands. Actually, few things are more important than food, yet advanced economies happily leave their populations dependent on the private sector for their food and its delivery. One can imagine what diet might be like if all food were produced in the public sector according to calculated demand, and made available only at government monopoly outlets.

There is a great difference between having government supply a product or service directly and having government responsible to ensure that it is supplied. In the latter case, example, the device of pre-qualification of bids is often used. This means that instead of accepting the lowest tender, the government agency will first examine the credentials of the firms bidding, retaining only those with the resources to undertake the work. This, in turn, weeds out the risky businesses which might go broke leaving government in the lurch.

Further to this, performance bonds are often required as security against default. In the event of non-performance, or of the failure of the firm concerned, the performance bond is forfeited, giving government the resources to continue the supply by other means. Even the failure of a firm still leaves government free to turn to others.

Only profitable operations can be privatized.

One key fallacy supposes that only those parts of the public sector which make profits can be sold, leaving the public with a large group of loss-makers which need subsidies to maintain them. On this view of things, privatization involves taking off the cream and letting the business community enjoy its profits for private gain, while society as a whole is left with the burdens from which no-one can make money. Those who subscribe to this particular fallacy often
oppose privatization because they say that profitable state concerns do not need to be privatized.

It is wrong to assume that loss-makers cannot be sold. On the world’s stock markets loss-making companies are bought and sold every day. Prospective buyers examine the record of the company and calculate what it would take to bring it to profitability. In some cases this involves recapitalization. In others it might require a major turn-around, involving some plant closures and rationalization. In others a change of management team might be enough. The private sector can very often find ways of bringing them to profitability, and this makes a sale possible.

There is an implicit assumption in the fallacy that the only buyers around are those who buy enterprises for profit. This is untrue. In several cases of successful privatization, the sale has been to a team of management and work-force which has bought the operation to try to guarantee the future security of their jobs, as well as future earnings. In these cases, which include several of the state-owned dockyards in Britain, the lure of future dividends is small in comparison with more immediate motives.

A sale is often possible in this kind of buy-out because the new purchasers know they can impose the conditions required to make the operation viable. The work-force will agree to practices for a co-operative in which they share ownership that they might never have accepted under the old adversarial conditions. This is the main reason why such enterprises have tended to succeed.

Yet another weakness of the argument is that it fails to recognize the potential which government has to bring loss-makers towards profitability ahead of a proposed sale. Several of the industries which have been privatized were turned from loss to profit before sale, as part of the privatization process. British Airways is just one firm which was losing a great deal of money until it was prepared for sale. Management was instructed to prepare it for sale, and responded by new practices and a new approach to the customer. Surplus labour was bought out by means of generous voluntary retirement payments. The index-linked state pensions were bought out. Most of all, the company started behaving like a private firm vying for customers. In turning from a loss-maker into a profitable concern, it also turned from quite a mediocre airline into a very good one.

Privatization turns public monopolies into private ones

It it were true that privatization merely succeeded in changing public monopolies into private monopolies, it would still be worth doing. A private monopoly, bad though it is, is preferable to a public monopoly. A private monopoly is more vulnerable than one which lies in the state sector. It cannot draw on state power to sustain itself to anything like the same degree that a public monopoly can. Every public monopoly has its coterie of defenders in the legislative chamber and in the government administration. They go in to bat for it in times of need. They bring in new laws and rules to beat off any technological competition. They restrict entry into its market, and they lobby for it when government attempts to cut its costs.

Thus the public monopoly is self-sustaining, whereas the private equivalent is vulnerable over time to technological innovation. These factors would make the private monopoly the lesser of two evils, even if it were true that privatization replaces the one with the other.

But it is not true. Even where privatization has left intact a dominant supplier and taken it in one piece into the private sector, it has created the basis for a peripheral competition absent from the public monopoly. The difference is that the supplier in the private sector might lack a competitor of equal size and power, but it is exposed to competition in specialized areas from a number of smaller competitors, each choosing some limited area of expertise to attack the market.

British Telecom could not have been privatized by a break-up operation. It was taken whole into the private sector. The main difference is that it is now exposed to competition from smaller rivals on a number of fronts. Thus it faces competition in the field of business telecommunications from the new Mercury Link. It faces a rival in the area of cellular radio from Racal. It has competitors against it for the transmission of computer data down telephone lines and for the supply of equipment. No longer protected by public monopoly and the legislative shield which this brought, it must now compete in each area to keep its market share.

There is a further point to note. While the market may appear to be dominated in some cases by huge quasi-monopolistic private companies, their record of durability is not a good one. A look at the stock market list of top firms every 10 years shows a ready turnover in market leaders, with smaller firms coming in and achieving the growth to supplant the giants. The public firms show no such turnover; their status as political entities makes them more durable.

It puts into a few hands that which we all own at present

The term ‘public ownership’ is a misleading one. We understand what ownership means: it involves being able to decide how property is used and how it should be disposed of. If we own a car or a house, these are part of the essentials of ownership. If one looks at the things which are alleged to be ‘publicly owned’, however, such as the ABC, the members of the public are not able to decide the use of what they are supposed to own, nor can they dispose of it.

If we look at who makes those decisions in the public sector, we find that the administrators have the power in practice. In other words, what is nominally called ‘public ownership’ is in reality ‘bureaucratic ownership’. It makes no difference that the name of the public appears on the title deeds. What matters is who enjoys the essential attributes of ownership, the rights to decide and to dispose.
Privatization does not, therefore, take what we all own and put it into the hands of the few. It takes what is effectively owned by the bureaucrats and puts it into the hands of members of the public. The more widely the new ownership is distributed, the closer does it come to genuine public ownership. When shares were sold in British Telecom to over 2 million people, the sham of public ownership was transformed into the reality. In place of the administration of property by a few high-placed bureaucrats, large numbers of the general public acquired the right to a say in its disposition.

Even more importantly, they acquired the right to alienate their piece of it. No one has ever managed to dispose of their share of what is alleged to be ‘publicly owned’. The fact that they can now do this with British Telecom shares shows how much more real is this form of ownership.

The privatization which is spreading through the world is not only achieving new efficiencies. It is not only transforming the ailing public dinosaurs into new and profitable enterprises. It is taking a large part of the economy which had been appropriated from the people and is giving it back to them. It involves one of the largest transfers of property seen in history: a transfer from the administration of government and the bureaucracy over to possession and control by the people.

**Disadvantaged groups would suffer without cross-subsidy**

A recurrent refrain of the union campaign against privatization is that it would lead to a society which was all right for those who could afford to buy its products, but in which those less able to care for themselves would fall by the wayside. It is suggested that the disadvantaged groups, such as the elderly and the disabled, would not be able to afford the prices in a private market and that they need the cross-subsidies which the public sector uses to support them.

It is by no means established that they would be unable to afford the new services. Many of these disadvantaged groups are quite able to support themselves in regard to many of the goods and services which they need. They might benefit from the greater variety and choice and the increased efficiency which the private sector brings.

Leaving that argument aside, however, and conceding that some groups need support, it is still the case that cross-subsidy in the public sector is not the way to achieve it. It can be compared to throwing coins at a barn door in the hope that some pass through the knot holes. To provide heavily-subsidized services for all, with the aim of benefiting the few who need support, is by no means an efficient way of doing things.

Nor is it efficient to have the management of a public-service operation deciding which groups shall be supported by the others, and to what extent. On the whole, these decisions are best made socially and overtly, instead of hiding the real cost of things.

Several ways have been used in practice to combine the benefits of privatization with continued support for disadvantaged groups. One already referred to is the ‘least subsidy’ principle, in which private operators bid to provide the essential services at the lowest cost to the public. This can be used to provide special services for the elderly in their homes.

Another successful method involves the use of tokens. Transport tokens given to target groups are accepted for fares by those who can afford to buy its products, but in which those less able to care for themselves would fall by the wayside. It is suggested that the disadvantaged groups, such as the elderly and the disabled, would not be able to afford the prices in a private market and that they need the cross-subsidies which the public sector uses to support them.

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Another successful method involves the use of tokens. Transport tokens given to target groups are accepted for fares by operators. They enable disadvantaged groups to pay for transport in a private market, instead of having to make do with whatever second-best supply the state can organize. Their success is due to their precision; they enable scarce resources to be allocated wholly to those in need.

The same principle can be extended to cover the provision of meals for needy families. Assistance can even be given towards housing requirements by similar methods. The difference between directing the help to the consumer and providing it by a subsidy to the producer is a vast one.

The removal of cross-subsidy within the service after an activity is privatized need not lead to loss by the disadvantaged. Its replacement by direct subsidy to make them effective bidders in a private market enables society to have its cake and eat it. It can gain all of the benefits of privatization, and yet give the disadvantaged groups a better deal, and more choice.
With a shift in greater economic power from the West to the East, there has been a reversal of the current of advice. "For generations Asians have learned from the West and we continue to do so," wrote Professor Tommy Koh, Singapore's Ambassador-at-Large. "I hope the time has come when the West should also be willing to learn from the East." Professor Koh's remarks originally appeared in an article he contributed to the *International Herald Tribune*, in early December 1993.

One of the most seductive pieces of advice that the East is giving the West is that the rise of many East Asian economies has been due to their societies, having certain values that have declined in the West. In that same week of December, *Asiaweek*, a Time International publication from Hong Kong, which claims to be "the only newsweekly bringing you Asian News and Views from an Asian viewpoint", had also explored a similar theme on how 'Asian values' could reinvigorate the United States — 'Asiamerica: The Dawning of a Super-Civilization'. Its editorial spoke of the United States as "alienated from its ethical roots", and being in a position where it "needs moral reinvigoration". It proposed that "Singapore with its non-religious 'universal values' courses shows how this can be done".

What are 'Asian values'? Professor Koh of Singapore defined 10 'Asian values':

- a respect for authority;
- the family as the basis of economic and social security;
- a reverence for education;
- the virtue of saving;
- hard work as a virtue;
- a belief in teamwork and cohesiveness;
- a social contract between the government and the people in which the government "will maintain law and order and provide citizens with their basic needs for jobs, housing, education and health care";
- an emphasis on giving people a stake in their country by allowing them to own their own homes;
- the obligation of governments to maintain a "morally wholesome environment in which to bring up children";
- a free press, but one that "must act responsibly".

Professor Koh's 'Asian values' are very much based on Singapore's public values.

The most articulate spokesmen of these values have come from Singapore — a country whose ranking on the list of nations' per capita income recently jumped over Australia's. In a speech given in Singapore to mark the opening of the large Japanese shopping complex Takashimaya, on 8 October 1993, the Minister of Information and the Arts, George Yeo, "drew attention to various societies and civilisations to show that arts and culture were not neutral to business". "Calvinist values and the Protestant work ethic had made possible the rise of capitalism in the West." "Many economists are today attributing the economic dynamism of East Asia to Confucian values of education, hard work, thrift and social order."

**Australian laxity:** One of the first signs of the East lecturing the West on having the right values for economic growth was at the Commonwealth Heads of Government meeting in New Delhi in September 1980. Lee Kuan Yew, the Prime Minister of Singapore, turned to his Australian

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counterpart, Malcolm Fraser, and warned that his country's policy of protectionism had created a situation whereby, if it continued, Australians would become the "loafers of the South Pacific". Throughout the 1980s and early 1990s, Lee Kuan Yew's off-the-cuff remark that Australians, because of their cultural values — which emphasized a laid-back, lax and easy lifestyle — risked becoming the "White Trash of Asia", could sometimes be heard as catch cry for the painful process of economic restructuring and rationalization.

It is intriguing to note that in recent times, Australia's poor economic performance has been ascribed to its own culture by some of its well-known economists, historians and newspaper editors.

Professor Heinz Arndt, a distinguished Australian economist, in The Australian of 12 May 1990 made the assessment that "what economists call restrictive practices are to the ordinary Australian an important component of the standard of living, and if you like the Australian way of life": a "relaxed take-it-easy outlook". Arndt observed that "relatively short hours, long weekends, all the other hard-won rights are an important part of their standard of living". Commenting on these remarks, the editor of The Australian drew attention to the need of establishing 'the link between culture and performance'. He noted that "an understanding of Australian culture, of the depth of our attachment to many customs which economists would describe as restrictive practices is essential if we are to wrestle with finding long-lasting solutions to our economic problems".

Recently, Geoffrey Blainey also ascribed Australia's lacklustre economic performance to "cultural factors reinforced by political decisions". In his John Latham lecture, published in the July-August 1993 issue of Quadrant, Blainey blamed Australia's "economic decline" on Australians' "reluctance to save money, partly because of the increase in social security; a high preference for leisure; and a work culture which is more laid-back than our powerful vigorous sports culture". These cultural values are opposites of what are being referred to as 'Asian values'.

**work ethic:** Criticism of the West for not having values as conducive to high economic growth rates as East Asia has been coming not just from Singapore. By early February 1992 the United States was on the receiving end of the type of 'advice' that had been given to Australia from the leader of Singapore in 1980. The Japanese Prime Minister, Kiichi Miyazawa, suggested that America's economic woes were partly the result of a decline in the work ethic among American workers. However, undoubtedly the chief protagonist of the idea that the culture of a society contributes to economic development has been Singapore's former Prime Minister. Lee Kuan Yew, in a Foreign Affairs interview (March-April 1994) argued that "culture is destiny". Speaking on economic growth, he remarked that "if you have a culture that doesn't place much value in learning scholarship and hard work and thrift and deferment of the present enjoyment for future gain, the going will be much slower".

In the West, there are indications that linking culture and economic performance is a valid line of intellectual inquiry. One of the most recent pieces of literature in this area has been *The Seven Cultures of Capitalism.* One of the authors' cardinal premises is that "wealth creation is a moral act": it is an act that is shaped by the culture of a society. The authors base their findings on data gathered from a questionnaire given to managers from around the world from 1986 to 1993. They conclude: "in our survey of 15,000 executives we found that culture of origin is the most important determinant of values. In any culture, a deep structure of beliefs is the invisible hand that regulates economic activity. These cultural preferences, or values, are the bedrock of national identity and the source of economic strengths — and weaknesses".

Another recent study in this area has been the book *The Tribes: How Race, Religion and Identity Determine Success in the New Global Economy* by Joel Kotkin of the Center for the New West and the Progressive Policy Institute in Washington, DC, published in 1992. It examines the economic success of the Jews, British, Japanese, Indians and Chinese. Kotkin concludes that "clearly identifiable values — such as strong ethnic identity, a belief in self-help, hard work, thrift, education and the family — have proved universally successful in all these different groups".

**recovering past values:** In the English-language press of East Asia there is recognition that what are considered 'Asian values' today were once the cultural values that led to the success of many Western countries.

In its 10 November 1993 issue, Asiaweek suggested that America's economic success was partly due to an American 'sage', William McGuffey (described as a "Christian Confucius") disseminating ideas of hard work and thrift through American education from the late nineteenth to the early twentieth centuries. Asiaweek also acknowledged that what are now 'Asian values' were once Western values in its cover story 'Asia America: The Dawning of a SuperCivilisation', of 1 December 1993. "These are cultural values that for Asia's products may soon be importing its values," the editor wrote. "They will sound familiar because Americans will be rediscovering the Puritan ethic that made them prosper."

The Dow Jones publication from Hong Kong, The *Far Eastern Economic Review* in its editorial of 23 June 1994 acknowledged that "what has brought Asia its new found wealth is not the discovery of some mystical set of new principles, but its faithful adherence to the old verities: hard work, enterprise, family, thrift, responsibility". The *Far Eastern Economic Review* went on to conclude that "today these values may be called 'Asian', but in essence they are what Sun Yat-sen's generation would have recognized as the 'protestant work ethic' or 'Victorian virtues' that helped build the West. The difference between Asia and the West is that Asia still respects the universal values that many in the West no longer seem to cherish."

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Premiers fight back

The Council of Australian Governments (COAG) meeting held in Darwin in August 1994 was a rare victory for the States and, contrary to media reports, good government. Indeed the meeting may turn out to be "a defining point of Australian federalism" but not in the way that the Prime Minister predicted. It may come to mark the point where the States began their own fight back against Canberra's cynical power grab.

The meeting was given a huge build-up by the media, industry groups, and particularly the Commonwealth Government. Potentially much was at stake. Two vital issues were supposed to top the agenda: competition policy and duplication. The meeting was to address implementation of a national competition policy based on the recommendations of the Hilmer Report. The meeting was also supposed to consider proposals to reduce the extent of overlap and duplication between the Commonwealth and State governments and to reduce the proportion of grants provided by the Commonwealth that come with strings attached.

As it turned out nothing of substance was agreed to at the meeting. The implementation of the Hilmer reforms was discussed at length, but no progress was made. The issue of overlap and duplication, which was supposed to be the main item on the agenda, was not discussed in detail.

Commonwealth Ministers, their army of 'spin merchants' and the media did their best to play down the extent of failure. The Prime Minister held a press conference prior to the completion of the meeting, which was relayed nationally by the media, in which he claimed a breakthrough on the Hilmer reforms. A communiqué drafted by Commonwealth officials was issued after the meeting which claimed agreement on a range of issues relating to the Hilmer Report. In truth, the Prime Minister's statement to the press and the communiqué were both grossly misleading. There was never any sign of a breakthrough, nor was there the agreement claimed in the communiqué.

The near-unanimous view of the media was that the meeting was a disaster and the fault lay with the States. The Premiers were accused of deviating from the agenda and of not understanding the issues. They were accused of holding the 'big' issue — a national competition policy — ransom to 'minor issues' — funding and duplication. This was, however, just another example of the media allowing the Commonwealth to do their thinking for them.

rigged agenda: The Premiers did depart from the received script but did so correctly, as the Commonwealth had, again, rigged the agenda to its own advantage. Overlap and duplication, contrary to prior agreement, were relegated to the bottom of the agenda; and the Hilmer recommendations were presented on an 'all-or-nothing' basis with important questions of detail, such as their funding, not up for discussion, contrary to the Premiers' repeated requests.

The Premiers' frustration with the COAG process was well warranted. The Commonwealth has only promoted or agreed to proposals which give it more power. All but one of the agreements and institutions arising from the COAG process and its predecessor, the Special Premiers' Conferences — including the National Rail Corporation, the National Electricity Grid, the Australian Securities Commission, the Commonwealth Environment Protection Agency and mutual recognition — have centralized power in Canberra. The only exception was the agreement by the Hawke Government to untie road funding. All proposals, regardless of their merits, which would result in greater powers for the States or a diminution in Commonwealth powers — such as devolution of tax powers, reduction in overlap and duplication and reduction in tied grants (with the exception of road funding) — have been vetoed, avoided, or, where agreed, not honoured by the Commonwealth.

The Premiers know what needs to be done. They know that the days of cloistered State monopolies are over and that the States must either embrace competition or be left behind. Much has been done over the last decade to deregulate and otherwise improve the competitiveness of State economies, although much more remains to be done — and the States recognize this. They have shown a willingness to hand powers over to the Commonwealth where appropriate. They have been willing to take the tough decisions, as illustrated by the 70,000 positions cut from State payrolls between 1989-90 and 1993-94. Indeed, in most areas of economic reform, including competition policy, the States are doing much more than the Commonwealth: since 1992 the States have accelerated the pace of reform, while the Commonwealth has rested on its laurels or faltered.1

In Darwin the Premiers did use national competition policy as a bargaining chip, but for good reason.

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They felt that it was the only lever available to them to get the Commonwealth to act on overlap and duplication. They knew that the Commonwealth badly wants national competition policy to proceed, because it has no other microeconomic reform initiative and because it wants the added powers that come with the policy. They also knew that the Commonwealth is reluctant to change intergovernmental processes, despite the potential gain in efficiency, because it does not want to lose control over general government services. So the States put a deal to the Commonwealth—a national competition policy for a reduction in overlap and duplication.

The excessive overlap and duplication between the States and the Commonwealth are a debilitating and costly national problem and deserve the immediate attention of all governments. The Commonwealth has been avoiding the issue, so the States were fully justified in trying to make the Commonwealth face up to it. The deal put forward by the States could result in the best possible outcome—an expansion in competition and a reduction in duplication.

**funding:** The issue that caused the Commonwealth and its supporters the greatest consternation at the meeting was the Premiers' request for financial assistance with implementing the Hilmer recommendations, an issue which, prior to the meeting, the Commonwealth had done its best to avoid. Funding was not included in the terms of reference given to Hilmer, and therefore was not considered by him. Nor was it examined by any of the many committees working on the Hilmer recommendations. And, in the run-up to the meeting, the Commonwealth media machine launched an aggressive campaign aimed at discrediting the States' request for financial assistance.

Yet funding is a central issue and the States were correct in raising it. The facts are:

- the Hilmer recommendations will impose significant direct and indirect costs on governments in the form of redundancy payments, rights to compensation from loss of property rights, the need to find alternative sources of financing for what can be called 'stranded assets' and, for the States, revenue capacity lost to the Commonwealth;
- most reforms, and therefore most costs, will be borne by the States;
- since the Commonwealth controls all growth-related taxes, it, and not the States, will receive the lion's share of the revenue flowing to the public sector from the economic growth generated by reform; and
- given the nature of, and constraints on, their existing taxing powers, the States do not have the capacity to fund the cost of reform without detracting from their debt- and deficit-reduction targets.

It is thus not only reasonable but necessary that the States receive either compensation from the Commonwealth or access to a growth tax. This should not be seen, as the media have portrayed it, as a bribe, but as legitimate recompense for the costs incurred by the States and their taxpayers to achieve reform. The failure of the Commonwealth to pass to the States a proper share of the gains from reform could put at risk not only the Hilmer reforms, but the microeconomic reforms being carried by the States.

In addition to the concern about the sharing of financial benefits, the States also argued that:

- the Hilmer recommendations should apply to all Commonwealth, as well as State, business enterprises;
- the States, collectively, should have the capacity (as will the Commonwealth) to authorize exemptions from the Trades Practices Act; and
- the proposed Australian Competition Council be dispensed with, as existing arrangements are adequate.

In other words, the States argued that, collectively, they should be treated as equals with the Commonwealth. As the recommendations currently stand, they are not.

The Commonwealth's response to the States' demand for a review of funding was vague. It promised to give the States an undisclosed portion of the yet-to-be-identified gains flowing to it from the reforms. And of course the task of estimating the gains would fall to its own bureaucrats. Nonetheless the States won the issue and the task was assigned to the Industry Commission, one of the most objective, open and competent of the Commonwealth bureaucracies. Agreement on other aspects of the Hilmer recommendations was not reached.

**achievements:** In Darwin the Premiers achieved a lot. They presented a united front, exposed the Commonwealth's power-seeking game, forced important issues on to the agenda, and showed a commitment to reform. Their actions may impede implementation of a rational competition policy, but only if the Commonwealth acts irresponsibly.

The Darwin meeting also put real pressure on the COAG process itself. To date it has been just another tool for centralizing functions in Canberra. If it continues along these lines, the Premiers have indicated that they will set up a real Premiers' Conference, which excludes the Commonwealth and tackles national issues. This may be the best result; it would certainly give the Commonwealth a dose of its own medicine—competition.

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a place in the heartland

Shaun Patrick Kenelly

Summer Bay is a small coastal township somewhere north of Sydney and south of the Queensland border. The nearest town of any consequence is Yabby Creek. People sometimes have to visit 'the city', usually on business, but it is a full-day trip and not always a pleasure. Sarah had her purse snatched the day she and Tug went to Sydney to see the sights. Tug gave chase, but the thief was easily swallowed up by the crowd. Things like that do not happen in Summer Bay. Likewise, Angel went looking for the university student who had seduced her at the age of 15 and left her with a baby she had to give up. She asked a security guard at the main gate of the campus. "Lady," he replied, "twelve thousand students walk in here every day and I don't know the names of any of them." In Summer Bay, everyone knows everyone else.

The one person Angel did find in the crowd that day was her boyfriend, Shane. He had borrowed 20 bucks off his elder brother, Nick, the local policeman, and followed her down on the next bus. Shane and Angel are recently engaged and are completing their HSC. Not so long ago, Adam realized that he had had enough of surfing and beachcombing and decided to move on, probably a bit further up north. All his friends came to the bus-stop to see him off.

Adam hadn't quite understood up to that point that he actually had friends. People are like that in Summer Bay. Maybe one day he will return. It could be the sort of place in which you might like to settle down.

Hundreds of thousands of Australians, most of them teenagers, visit Summer Bay each weeknight, at seven o'clock, on Channel 7. Many millions more overseas do the same. For some of them, assuredly, Summer Bay is Australia. It is the location for Home and Away, currently the very best of the television soapies. To the locals it is the Bay. Each episode consists of three short passages, in which the sets and situations will change, several times. In between are the commercials for chocolate bars, fizzy drinks, fast food and elementary cosmetics. So we are given a view of life, as it is lived, daily in the Bay. Each episode concludes on some dramatic peak or another — to be continued, the following evening.

The show (appropriately) shuts down for the summer, the school holidays. Last December's final episode brought everyone together, young and old, at the HSC break-up costume ball. It was notable for a major bust-up between Angel and Shane and the reconciliation of Adam and Mr Fisher, headmaster of the High School. They shook hands. Then

Shaun Patrick Kenelly is a private scholar

there was the appearance of gruff Alf Stewart, the storekeeper, as Julius Caesar. Nathan, a decidedly bad character, managed to lure sweet Sarah into the back of his car — and we had to wait all summer to find out about that. The costumes were pretty good. Four of the teenagers came together as 'Abba', complete with platform shoes. Michael & Pippa came as hippies. Age-wise, they belong to the Woodstock generation, although their values are now definitely conservative. Sam (aged eight) wore his Batman suit. Mr Fisher came as Captain Cook. Roxy & James, the romantic leads, dressed (daringly) as Adam & Eve. But Luke, who was still in love with Roxy, came as Old Nick, with horns.

The cast is fairly small, although various additions come and go. We constantly encounter the same people and get to know them all fairly well, becoming familiar with their lives and their strengths and limitations. We also shift frequently between familiar places. People are always knocking on doors and walking in, offering cups of tea and talking things over. Social life in Summer Bay revolves around Stewart's general store, the diner — an old-fashioned cafe, with tables for four and a juke-box in the corner — the Surf Club, for games of pool, and, less frequently, the corridors of Summer Bay High. Then there is the beach.

At the heart of everything are the lives of the teenage boys and girls who are all in the throes of growing up, day by day, and who, doubtless, the main source of attention for the young viewers. It is likely that the audience is slightly younger than the 17-year-olds who play their parts for them. They would be watching very carefully and learning much: what clothes to wear, what words to use, how to approach (and commence to understand) the opposite sex. They want to know what sort of advice to accept or give — and when and when not to get into the back of parked cars. This is really a continuing story of how to grow up. Adults hover and are sometimes sound, then intrusive and not helpful at all. Usually someone will be around who is. Some grow up more quickly than others. Some can be very clumsy and suffer for it. Shane and Angel are exceptionally independent and confident, aggressive even; they can overwhelm and hurt their more sensitive friends. Sarah is sensitive, anxious even. She and Tug have a close bond of friendship. Tug is subject to black moods of depression. Damien is good at school, but inhibited. He hasn't had a girlfriend yet.

Always there is the beach. It is where they go when they want to be alone; to sit or walk or run between sea and shore. But they are never alone for long. Invariably a friend will find and join them. This is where they admit their troubles and talk or listen. The beach is where things get worked out. Teenage couples walk along it, slowly, on the way to school. Later, they sit on blankets under the stars and watch the sparkle on the sea. The Bay has many moods. Sometimes it is just a place to jump around, in and out of the incoming waves, having fun. Then back to the diner for milkshakes and toasted sandwiches.

A considerable strength of Home and Away is the presence of its young cast. But they are surrounded, shadowed by older people. This is also a family drama. The adults lead far more even lives than the young; we usually know what to expect from them. Mr Fisher, the headmaster, is principled and strict. He argues things out and requires proper explanations. Alf Stewart, the storekeeper, is more sudden, but no less strong. His wife, Ailsa, who runs the diner, is intuitive and shrewd. Most of the boys have earned pocket money stacking boxes and sweeping up in Stewart's store. He is pretty firm on questions of right and wrong. Ailsa, more careful, often moderates his hasty judgment. They are a good couple. Irene is very Australian. She calls people "dars" and herself a "silly coot". Michael & Pippa run the caravan park. They also have a houseful of children. Pippa is very maternal and is usually baking something. Angel once visited, in some distress, wanting advice. "I'm just taking an apple pie out of the oven, would you like a piece?" replied Pippa. There are people in between; not old, but out of their adolescence: Nick, the policeman, Luke and Roxy, the schoolteachers; Rob, the handyman, running his own business, driving around in his ute.

fragile lives: So far so good. This is home. Then there is away. Not everything is as apple-pie as it might seem. Some of these lives are far more fragile than they would appear. Tug O'Neill inherits his black moods from his father, a local farmer who comes and goes. He tells his son that they are both losers. The last time he just walked out one morning and headed off down the road. When Tug's mother died, the family fell apart. Tug often looks straight into despair. Shane lives with his uncle, Fisher, and big brother Nick. His parents destroyed their marriage. Sometimes he lashes out. Sarah boards with the Stewarts. She also comes from a farm. Her mother also died. It was a religious home, but her father was puritanical and narrow.

Sarah will speak of her faith without embarrassment, but she lacks worldliness. Angel, her close friend, has seen far too much. She came to Summer Bay as a street kid from the city and was a terrible mess at first, full of mistrust at the world. What she really wanted was a normal life; to grow up as others do. This she has perhaps achieved. Irene was the town drunk. She estranged her three children. Two were fostered by Michael & Pippa. The eldest, Nathan, turned out treacherous and cruel. Irene was extremely destructive to her children and all have paid the price of her alcoholism, trying to pick up the pieces. Michael & Pippa are an experienced foster-family. They have brought many children to Summer Bay and given them a place in which to collect themselves. Some of these stories are, in fact, quite awful, recording tragic, not happy lives. But they belong to the contours of Australia today, as surely as does the Summer Bay debutante ball and the endless strawberry milkshakes.

What is really of significance is that they are found together, not apart. The breaking and the mending belong together. Home and Away offers comedy and drama, sometimes melodrama; but poses serious questions and seeks to have them answered. The significance, the joy, is that they are answered; problems are resolved. It is so easy to underestimate the importance of this.
When a favourite piece of old china falls and is broken, the pieces should be gathered up and glued back together. It may not be an object of any value, outside sentiment, but it belongs to the home and deserves to be retired to a quiet shelf and not thrown away with the rubbish. When lives, even more fragile things, are shattered, they should not be left abandoned and forgotten. Australia today is a country filling up with broken and discarded lives, all left behind as the official nation marches onward towards an unseen destiny.

Australia, day-by-day over the past ten years or so, has become an increasingly uneasy place in which to live. Some succeed; far too many fail. Those who can, learn to swim with the current and are praised and rewarded because they are able to do so. Those who cannot, or who fall too far behind, are simply left to sink. It is a country of Brotherhood bins, needle exchanges, children begging on railway stations and healthy cyclists hurtling through pedestrian malls. It is a country where it is now considered quite normal that young people should grow up without the hope of work; or where middle-aged people are retrained for jobs that just do not exist. The only interests recognized by governments are the registered lobbies with which it is possible to make deals in exchange for mutual support. The bankruptcy of the two political parties is a scandal. Menzies and Chifley would be ashamed of them. They ought to be ashamed of themselves, but are not. The people of Summer Bay and all the places like it were forgotten, long ago, dismissed as being of no consequence whatsoever to the grand redeeming strategies of those who are bent on ruling the nation. Each passing week delivers a new triumphal display of official zeal. All the piled-up social rubbish will be swept aside and startling new banners unfurled.

A country in which there is no place left to go and call home is one with a death-wish. In Summer Bay there will always be a job with Alf to stack boxes or unload a truck. Pippa will always be taking an apple pie out of the oven and Angel will know who to talk to when she is distressed. Mr Fisher takes Tug aside and tells him not to give up on his HSC. Damien, standing on the rocks by the grey sea, is reminded by Shane that he still has at least one mate. Sarah is not ashamed to say that she believes in God. These are not easy fictions. Perhaps they may appear so to a sophisticated taste, but the simple drama offers effective ideals.

In fact, Summer Bay is rich in ideals. The arms of the Bay enclose a world in which things can yet be set right and put back together, because there are people in it, old and young, who care that broken things be mended and fractured lives restored. It is still a place where there are right and wrong and happy endings found to stories that stumbled hopelessly into grief. That such faith continues to hold in a central part of Australian culture is something of the utmost importance. Long tradition: For Home and Away is at the centre. It belongs to the mainstream of Australian arts and letters, not to a vulgar popular fringe. Really, the conventions were established in great works, a long time ago, and the script writers...
move easily within strong and supple traditions, innovating as they go. When a niece of Jane Austen began writing a novel she received the famous advice: “Three or four families in a country village is the very thing to work on.” It still is. It is, said Jane, “such a spot as is the delight of my life.” The conventions derive directly from Jane Austen, most notably from Emma.

Emma begins with news of a wedding in the village and the distribution of pieces of wedding-cake to everyone, a custom Jane refers to in her letters. Highbury, the village, is a world taking her back home to the same. Everyone remembers Doreen & the Bloke and Ginger Mick, the larrikin who went off to war. But Ginger Mick did not return from Gallipoli and left his Rose behind. C.J. Dennis thought this through and worked it out in another book, Rose of Spadgers. There, the Bloke and a slightly comic clergyman go back into the misery and grime of Spadger’s Lane, looking for Rose. They find her and pluck her out, taking her back home to the farm. Home and Away takes on the trouble and conflicts of a society in a far worse state. Too many places now resemble Spadgers Lane. All the fault-lines pass through Summer Bay. But the people are cheerful and their hopes remain. The solid and best look to the good and encourage others to do the same. That no-one should be friendless, no-one be left to drift alone — these are very high ideals. Within them dwells a world of faith, distributed throughout the nation, like a pulse.

Sooner or later you will have to leave Summer Bay. It is not a place in which you can stay forever. People grow up and find other interests. They move on. The actors and actresses mature and enter into a new phase of life. The audience departs fantasy-romances for the real thing. But there are others, coming in from behind, soon to reach this threshold of life. Their stories will be different and yet will be much the same. In the end there is the beach. The waves race up the strand and then withdraw. Tides and seasons change and pass and return again.

FOR THE CONSERVATIVE WHO HAS EVERYTHING

This Christmas why not give the conservative you love a unique present? Independent Monthly, editor Michael Duffy has just started The Yellow Press, a new Australian publishing house. It needs your support if publishing in this country is to be rescued from the forces of darkness and government subsidy. Our first offerings include An A.B.C. of Bile by Michael Fitzjames, artist and illustrator for Fairfax. It consists of 26 anti-PC aphorisms, each accompanied by a gorgeous illustration (see below). This strictly limited edition is a collector’s item. Also A Slab of Foster’s, 300 pages of excerpts from the work of David Foster, Australia’s best living novelist, satirical and intelligent. Author of 12 books, Foster, a Tory anarchist and heterosexual, has of course been side-lined by the literary establishment.

If you help rescue Australian culture by ordering these books from Commentary Books (Ph 02 489 4588) for the retail price of $31.45, we will throw in as a gift our Wall Map of Ignoble Savagery, which you can use — in the privacy of your own home — to show your children that indigenous peoples are actually no better than the rest of the human race. If you order 10 or more lots, for colleagues or clients, we thank you with a 10% discount.

F is for Feminism.

(From The A.B.C. of Bile by Michael Fitzjames)
HAVE PATIENTS THE RIGHT TO KNOW WHETHER MEDICAL STAFF TENDING THEM ARE INFECTED WITH THE AIDS VIRUS? NOT ACCORDING TO AUSTRALIA'S OFFICIAL GUIDELINES.

Lucy Sullivan

In October 1989, the Australian Journal of Early Childhood published an interview with a Sydney expert in infectious diseases, as a response to concerns of preschool teachers that AIDS might be inadvertently spread among pupils, if their HIV status were unknown. Teachers were disturbed by the "unknown qualities of the disease" and felt that "the unknown risk is too great to expose non-infected people to it". The expert dismissed the risk in a pre-school setting as inconsiderable: "We've been watching the virus spread now for probably 15 years ... and there's never been a suggestion that the virus has spread without the exchange of body fluids."

He went on to reflect on the nature of proof and probability. He could not prove that cross-infection could not occur between pre-school children, but could say it is highly improbable. He drew an analogy with the likelihood of the Sydney region experiencing an earthquake. "All I can do is to say to you that over the last 50 or 100 years, or 200 years of white settlement, there's been no major earthquakes here. And you can accept or reject it. And that's the situation we're in with AIDS." Two months later the Newcastle earthquake struck.

This used to make rather a good story, particularly with its overtones of a warning from on high, and in 1993 a case of HIV transmission between pre-school-aged children was reported in the New England Journal of Medicine, probably occurring via a nose bleed in one child and eczema in the other.

This sequence of events is perhaps illuminating of the situation we are now in as regards cross-infection with HIV in medical settings when, as with pre-school child infection, confidentiality of HIV status in patient and health worker is supported by public policy, and this is justified in terms of epidemiological assessment of risk. Following the report in Sydney of cross-infection, via a medical procedure, of four women from a single male patient, Professor Ron Penny, Director of the Centre for Immunology at St Vincent's Hospital, Sydney, suggested that the risk of such an occurrence is one in 66 million. He did so on the grounds that this number of medical and dental procedures has occurred in Australia since the first case of AIDS was identified. Six months ago, before the recent report (but after the cross-infection occurred) the probability could have been cited as zero.

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The Newcastle earthquake brought to the surface information of which the public had not been generally aware—that the south-east corner of Australia is in fact an area of considerable geological activity. The public policy of anonymity of HIV status in health-care workers, and 60 per cent do not favour anonymity in patients. Almost 90 per cent of people have said they want to know their doctor's HIV status.

**needlestick injuries:** The public policy which supports anonymity rests its strategy on the ability of anti-transmission procedures—termed 'universal precautions'—to prevent cross-infection during medical procedures. These include such measures as gloving, disposal or sterilization of surgical instruments, special rules for handling of 'sharps', use of protective clothing, and hand-washing between patients. Professor Penny, following the revelation of the Sydney infections, assured the press that there was zero risk of disease transmission if these measures were observed, "although accidents could happen." The zero risk is of course considerably modified depending on the rate of accidents, and an interesting phenomenon of recent years is the rash of articles in medical journals internationally, on needle-stick injuries during medical procedures and the efficacy of gloves in preventing transfer of body fluids.

In these studies, gloves are collected following surgical procedures and tested for holes. One study, in Florida, found that glove perforations occurred in approximately 12 per cent of obstetric surgical procedures, with surgical nurses at greatest risk, and another in an accident and emergency department in Cardiff, Wales, found an 11 per cent rate, with higher rates after dealing with drunken and uncooperative patients. Rates varying from 2.8 per cent in general surgery to 50 per cent in orthopaedic surgery have been reported. The risk here is mainly of transfusion of virus from patient to health-care worker, but when suturing is performed infection could occur in the opposite direction.

A recent Australian study of needlestick injuries in final-year medical and dentistry students at the University of Sydney, and in ward nurses and doctors at Royal Prince Alfred Hospital, Sydney, found that, in the course of training or in the previous two years, one or more contaminated, penetrating 'sharps' injuries had occurred to 22 per cent, 72 per cent, 50 per cent and 71 per cent of the four groups, respectively. Suture needles caused over half the injuries sustained by medical students and junior surgical staff. For nurses and doctors in medical units, the injection needle was the major hazard.

Doctors and nurses are frequently unaware that gloves have been perforated, and existing lesions in the skin of their hands could put them at risk. An American study, reported in the *Journal of the American Medical Association*, found that hand contamination by organisms occurred in 13 per cent of cases after a gloved hand contacted a patient's mucous membrane during routine hospital procedures, and a British study of contamination of doctors and midwives found that, despite wearing gloves and gowns, about half were contaminated on their hands or arms. Fifty-one of 226 staff had broken skin, of whom 22 were contaminated with blood. These findings also show that handwashing between patients is essential, even if gloves have been worn.

There is documented evidence of transmission of hepatitis C from a patient to a medical attendant via needlestick injury, and a seroreaction to SIV (simian immunodeficiency virus) has been reported in a laboratory worker who was exposed by needlestick accident to blood from an SIV-infected macaque monkey. Finger-stick devices for sampling patients' blood have resulted in large numbers of inter-patient infections with hepatitis B.

**universal precautions:** To counter these data, there are investigations to detect the actual occurrence of transmission from infected surgeons to patients. In the US, an HIV-infected surgeon operated on 1,131 patients between 1984 and 1990, and no names occurred in AIDS case registries; 718 patients were dead, not locatable, or did not respond to a questionnaire. Of those who did, one was newly identified as HIV positive, but infection was attributed to a blood transfusion. The conclusion drawn was that HIV infection of patients is unlikely to occur more than once per 1,000 person-hours of surgical exposure. Similar results were obtained from an investigation of 2,317 former patients, in a 13-year period, of an HIV-infected orthopaedic surgeon; 1,174 were tested and all found to be HIV negative. Two former patients were HIV positive but reported known HIV infection prior to surgery.

In both studies data were far from complete, but both nevertheless concluded that the risk to patients was sufficiently small to support a policy of confidentiality for infected surgeons and their continuation in practice. An alternative case is, of course, made by the two established occurrences of transmission of HIV to patients in medical settings—the dentist with AIDS in Florida who apparently infected five patients and now the Sydney case of transmission between patients. In both of these instances, transmission has been multiple, and its identification has depended on the transmission occurring in a patient with a 'blameless' sexual record, which ensured that her infection could not be attributed to other causes.
The fallibility of 'universal precautions' is attested to by persistently high rates of medically-acquired hepatitis B (HBV) infection which, like HIV, is transmitted via body fluids. In the US, the Centers for Disease Control (CDC) estimate that 12,000 health-care workers become infected with HBV each year through exposure to patients' blood, and about 250 die; 40 per cent of US surgeons are estimated to be infected during surgery at some time in their career.

British figures suggest that risks for the patient from HBV-infected health-care workers may be higher, though with variations depending on the procedure, with the transmission rate as high as 20 per cent for patients undergoing gynaecological and cardiothoracic surgery.

It is acknowledged that HBV is far more readily transmitted than HIV, being capable of survival outside the body, for example on operating-room equipment, for considerably longer periods. For what it is worth, the risk of infection following needlestick or other percutaneous exposure is estimated at 3-35 per cent for HBV, compared with less than 1 per cent for HIV and, in general surgical procedures, at 0.9-9 per cent for HBV and 0.36 per cent for HIV.

risk: Data on occupationally-acquired HIV infection in the United States, compiled by the CDC to December 1992, indicated 33 confirmed cases and 69 possible cases, mostly associated with "mishandling" of sharps and blood products. A risk of transmission from infected patient to health-care worker of from one in 4,500 to one in 130,000 has been estimated. The CDC further estimated the risk of transmission of HIV between surgeon and patient during an invasive procedure to lie in the range of one in 40,000 and one in 400,000, and the probability during dental procedures as between one in 260,000 and one in 2.6 million.

The CDC figure of a one in 40,000 risk of an HIV-positive surgeon infecting a patient becomes one in 40 if a surgeon performs 1,000 operations, and an infected surgeon who continues to operate for seven years has a one in 12 chance of transmitting HIV to some patient. The risk of patient-to-patient transmission has received virtually no attention.

The risk of health-care workers' acquiring HIV will of course vary depending on the incidence of the disease in the population served. A US study compared HIV seroprevalence in emergency-department patients in three inner-city and three suburban hospitals and found rates of 0.2 to 8.9 per 100 patients visits. Combining these rates with rates of percutaneous (through the skin) blood contact, it was estimated that in the high seroprevalence centres, one in every 40 full-time doctors and nurses can expect an
HIV-positive percutaneous blood contact annually, compared with one in 575 in the low-prevalence centres.

A letter to the Lancet stated that "housstaff of a San Francisco hospital are more likely to die from HIV through needlestick injury than firemen and policemen are to die on duty in the same city", and that "surprisingly, changing needles may seem to affect the frequency of needlestick injury."

Thus the risk in Australia cannot be simply imported from the American figures, and the risk in Sydney will be much higher than the risk in Hobart. Similarly, the risk of patient infection is not properly described by the nationwide estimates. The risk figure of one in 40,000 does not apply if, unbeknownst to the patient, her surgeon is HIV-infected. In her case, the risk is quite different. Nor can we form sensible estimates if we do not know the number of infected health-care workers in a particular country, or city, or hospital.

The publicly-quoted risk is based on actually documented figures of health-care-worker-to-patient transmission, and there is no reason to believe that these are in any way reliable. The Australian HIV Surveillance data contain well over 10 per cent of cases with unknown mode of transmission, and until this year no effort was made to follow up these reports. The story of the events and actions leading to the identification of the Sydney cross-infections shows how difficult it is to pin down such occurrences and how likely they are to go undetected.

There is no indication that the other three cases of cross-infection would have been identified had a particular effort been made in the first. Therefore it cannot be asserted with confidence that this case is the only instance of infection via medical procedures in Australia, nor can valid assessments be made of the risk, or rather rate, of cross-infection.

**Guidelines and regulations**: There is a tendency these days for guidelines directed to the resolution of contentious issues to recommend merely that 'counselling' should be provided, without giving any assurance of its efficacy. This appears to be the stalemate achieved in Britain, the US and Australia in the matter of the continued professional practice of HIV-infected health-care workers. In all three countries, compulsory screening for infection is not recommended, but health-care workers who know they are infected are directed to seek counselling and advice from an "appropriate" colleague (in Australia a specialist physician in HIV, not a specialist in universal precautions, is signified), who should direct them as to the need to modify their participation in patient care. In no case is it enjoined that such participation should automatically cease.

In the UK, the General Medical Council has made it clear that it is obligatory to follow such advice as is given or risk suspension of registration. In Australia, such sanctions have not been suggested. The official Australian position, set out in *Management Guidelines for the Control of Infectious Disease Hazards in Health Care Establishments*, which was issued by the National Health and Medical Research Council (NHMRC) and the Australian National Council on AIDS (ANCA) last year, is difficult reading to say the least, due to constant shifts in its suggestions (directions would be too strong a word) for handling this problem. It is left to individual institutions to decide what procedures, if any, should be barred to HIV-positive personnel, and the proposed position on invasive procedures is contradictory and unclear. At one point it is advised:

"At present there is no firm evidence to indicate the risks to patients or other staff likely to arise from HIV-positive health care workers ... Staff known to be positive for HIV antibody and who have identified themselves should be instructed to wear gloves during risk procedures ..."

Each health care establishment should indicate to staff those procedures or work situations where HIV positive staff are a potential hazard to patients and where HIV positive staff may themselves be at risk because of cross-infection.

In one context, it is indicated that infected staff can be expected to continue to work in Accident and Emergency, but in another context that they "should not perform exposure prone procedures". And finally, it is recommended that "training bodies and health care establishments develop strategies to enable [infected] students to acquire clinical skills without hazard to patients or to themselves", and the statement is made that the "NHMRC and ANCA consider that present treatments ... can enable infected persons to practise for many years."

The disconcerting overall impression given by the document is that individual establishments and counsellors are to be left to grapple with the specifics of appropriate action which it has been too difficult for these advisory bodies to confront.

The CDC in the US in 1991 issued guidelines which required that infected professionals cease performing invasive procedures or else disclose their condition to their patients. This view was also adopted by the American College of Obstetrics and Gynaecology's Committee on Ethics and by the American Medical Association. Subsequently, it was decided to let each State set its own rules and regulations in compliance with the guidelines and, under pressure, its plan to list exposure-prone invasive procedures which should not be performed was abandoned.

The advice of the Joint Working Party of the Hospital Infection Society and the Surgical Infection Study Group in Britain, whose recommendations were published in the *British Medical Journal* in November 1992, is thoroughly specific. The report lists the following procedures as to be avoided by HIV-positive health workers: surgical entry into tissues, cavities, or organs; repair of major traumatic injuries; cardiac catheterisation and angiography; vaginal or caesarean deliveries or other obstetric procedures during which bleeding may occur; and manipulation, cutting or removal of any oral or perioral tissue, including tooth structures, during which bleeding may occur.

This working party recommended extra precautions, beyond the normal 'universal precautions', for the protection of staff and other patients when operating on
HIV-infected or high-risk patients, which included: double gloving and eye-protection; only experienced surgeons and health-care workers in the theatre; disposable anaesthetic circuitry or special decontamination procedures; removal of unnecessary equipment (to avoid contamination) and post-operative disinfection of the theatre floor. This suggests that the approval given in Australia to the patient's right to conceal infection may not be entirely appropriate and draws attention to the role knowledge of infection may play in preventing cross-infection between patients. The Australian Guidelines recommend that patients should not be informed of HIV-positive status in their health-care givers, on the grounds that patients are at an extremely low risk of being infected and that admitting the right to know “sends an erroneous message to the public concerning the risk of transmission of HIV between care-giver and patient.” It is stated further that “the risk of transmission is very small, and significantly smaller than other risks which patients assume when undergoing invasive procedures.” This presumably refers to such global estimates as a ten times greater risk for death from anaesthetic, which is, however, far from uniform and greatly elevated in the elderly and in infants. This recommendation is decidedly at odds with recent legal decisions on questions of informed choice and the patient's right to know the risks attached to any procedure.\(^{25}\)

“The impact of [such exposure] is enormous and could be avoided if patients were informed of the surgeon's condition before the procedure occurs and, obviously, before a surgical accident. Notwithstanding what a physician knows or should know about a patient's informational need, he or she must make a reasonable disclosure of the information and those risks which a reasonably prudent patient would consider material or significant to the decision about a course of treatment.”

In a US case, damages were awarded for emotional distress caused by fear of contracting AIDS after exposure to HIV-infected blood.\(^{28}\)

The Guidelines' assumption of a monopoly on rational decision-making is challenged by recent research on the nature of risk-taking. It has been found that people adjust the odds they are prepared to face, in relation to their assessment of their ability to cope with the outcome. Thus the choices women make, after genetic counselling, on whether to accept prenatal diagnosis, and on termination of pregnancy for a defective child, are dependent not only on the probabilities conveyed to them but also on their own assessments of the impact of the procedures involved and their ability to cope with a child with the defect in question. Women who think they could cope with the worst possible outcome are more likely to run the risk of bearing a child who might be handicapped, than those who believe they could not, and who wish to avoid all possible risk. Those who are unsure run a middle-course of modified risk-taking.

If we consider infection with HIV in these terms, we see that comparison with levels of risk accepted in driving a car, or associated with other aspects of surgical procedures, are irrelevant to decisions as to an acceptable level of risk of infection with HIV during medical procedures. What is acceptable will vary with the individual's assessments of capacity to cope with AIDS.

Our Management Guidelines do not acknowledge the validity of such factors and direct that the HIV status of staff and patients should be confidential and “strictly limited to appropriate staff members.” It is further stated that: “Procedures for disciplinary action for abuses of confidentiality must be clearly formulated and adhered to. The severity of the action must be proportionate to the seriousness of the actual or potential consequences of the breach of confidentiality.” No such punitive procedures are recommended for staff who fail to notify their HIV infection and to undergo counselling. Confidentiality is thus considered more important than informed choice and, one could be forgiven for concluding, than protection of life itself.\(^{1} \)
The Equal Opportunities Committee

Some academics elected a chairperson and met under a flowering wattle.

They all agreed the world had changed.

"We have abolished property," said the Economics Professor.

"We have abolished marriage," said the Senior Lecturer in Social Work.

"We have abolished God," said the Professor of English.

"We have abolished work," said the Professor of Sociology.

"Do not let us get beyond practical politics," said the chairperson. "The first thing was to reduce men to a common level."

"The first thing," said the Professor of Women's Studies, "was to give freedom to the sexes."

"The first thing," said the Professor of Education, "was to teach how to do it."

"The first step," said the Professor of Religious Studies, "was to abolish the Bible."

"The first thing," said the Professor of Legal Studies, "was to abolish the laws."

"The first thing," said the Professor of History, "was to abolish mankind."

Michael Connor

Adapted and updated from 'The Four Reformers' by Robert Louis Stevenson, first published in *Fables* in 1888.
The idea that democratic governments gain and maintain their power by appealing to 'special interests' is not new. Nor is evidence of this difficult to find, especially in the way governments selectively allocate public money. But even the language governments employ communicates the central place of sectional interests in their thinking. A policy statement designed to placate a troublesome lobby is an obvious instance.

Even more important are the titles governments choose for the portfolios which their Ministers occupy—Finance, Defence, Environment, Sports and Territories, and so on. These categories tell us a surprising amount.

In Australia's case, changes in portfolio titles over the last three decades reveal some worrying trends.

More government: One trend has been the expansion of titles. In 1962, Australia's Federal Government identified 28 things in its portfolio titles. By 1994, this had nearly doubled to 52 things—a striking symbol of the growth of 'big government'.

Not only the number of things has changed, so has the type of things. In 1962, half were functions—defence, education, trade etc.—each implying an aim, a set of actions derived from that aim, and an appeal to the interests of the society as a whole. By 1994, however, only one-quarter were functions and almost the same proportion—one-fifth—were specific populations, such as Aboriginals, veterans and the aged: no set of actions implied, no aims, no overarching public interest.

Governments' conceptualization of their surroundings in terms of specific populations began with the Coalition Government's naming of a Minister-in-Charge of Aboriginal Affairs in 1968. The specific populations identified in portfolio titles since then, with the Prime Ministers responsible, are listed in the table overleaf.

Although Mr Whitlam identified only one new specific population, Mr Fraser added four; and since Fraser portfolios which define Ministers' roles in terms of groups of people rather than functions have grown to nine. The second Keating Government has defined almost one in five of its portfolios in terms of specific populations.

Various types of population can be identified:

- biologically-closed populations—Aboriginals, Pacific Islanders and women, for example;
- biologically-open populations—both youth and the aged are categories open at different stages of life to all people;

Mark Schubert is a social anthropologist with a particular interest in the Nailartsua tribe. He currently works in the IPA’s Melbourne office.
**historically-closed populations** — for example, veterans;
**historically-open categories** — such as consumers (everyone is a consumer sometime).

The majority of the populations identified in federal government portfolios, however, are biologically-closed. Unless one is born an Aboriginal, Torres Strait Islander, woman, Papua New Guinean, Pacific Islander, or a member of an ethnic group (the population at which multicultural policy is directed), membership is impossible to obtain and, because of its biological basis, almost impossible to shed. Further, quite apart from the difficulty in changing one's biological characteristics, the financial incentives to retain membership can be substantial.

Dividing the electorate along biological lines helps governments capture the support of specific populations. But with the exception of women, most specific populations are not large enough voting blocs to affect the course of elections. Even the appeal to women through 'women's affairs' is only partly successful because of the ideological overtones which alienate some women.

Portfolio titles which give symbolic recognition to 'minorities' and other 'powerless' groups, however, do gain significant support from members of what some sociologists call the New Middle Class: those who are generally post-war baby boomers, university-educated, employed in the service or government sector (or government subsidized), involved with the production and distribution of knowledge, and ideologically to the left of the Old Middle Class. The expansion of government is in the interests of the New Middle Class.

The period which saw such a growth in the number of things and, in particular, the number of specific populations identified by portfolios also saw a substantial growth of government expenditure, especially on welfare. Between the inception of the Whitlam Government and the Keating

<table>
<thead>
<tr>
<th>Ministerial Title</th>
<th>Population</th>
<th>Year</th>
<th>Government</th>
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<tbody>
<tr>
<td>Minister-in-Charge of Aboriginal Affairs</td>
<td>Aboriginals</td>
<td>1968</td>
<td>Gorton</td>
</tr>
<tr>
<td>Minister assisting the Minister for Foreign Affairs in Matters relating to Papua-New Guinea</td>
<td>Papua-New Guineans</td>
<td>1974</td>
<td>Whitlam</td>
</tr>
<tr>
<td>Minister for Science and Consumer Affairs</td>
<td>Consumers</td>
<td>1975</td>
<td>Fraser</td>
</tr>
<tr>
<td>Minister for Immigration and Ethnic Affairs</td>
<td>Ethnic Groups</td>
<td>1976</td>
<td>Fraser</td>
</tr>
<tr>
<td>Minister for Employment and Youth Affairs</td>
<td>Youth</td>
<td>1979</td>
<td>Fraser</td>
</tr>
<tr>
<td>Minister for Veterans’ Affairs</td>
<td>Veterans</td>
<td>1979</td>
<td>Fraser</td>
</tr>
<tr>
<td>Minister assisting the Prime Minister for Women's Affairs</td>
<td>Women</td>
<td>1983</td>
<td>Hawke</td>
</tr>
<tr>
<td>Minister assisting the Prime Minister for Multicultural Affairs</td>
<td>Ethnic Groups</td>
<td>1987</td>
<td>Hawke</td>
</tr>
<tr>
<td>Minister for Housing and Aged Care</td>
<td>the Aged</td>
<td>1988</td>
<td>Hawke</td>
</tr>
<tr>
<td>Minister for Aboriginal and Torres Strait Islanders</td>
<td>Aboriginals and Torres Strait Islanders</td>
<td>1993</td>
<td>Keating</td>
</tr>
<tr>
<td>Minister for Family Services</td>
<td>Families</td>
<td>1993</td>
<td>Keating</td>
</tr>
<tr>
<td>Minister for Development Co-operation and Pacific Island Affairs</td>
<td>Pacific Islanders</td>
<td>1993</td>
<td>Keating</td>
</tr>
</tbody>
</table>
Government welfare payments as a proportion of GDP doubled. This is hardly surprising. If portfolios are conceptualized to appeal to specific populations rather than to perform public functions, is it any wonder that Ministers become responsive to sectional interests and negligent of the public interest?

**divisive:** Institutionalizing political representation along biological lines — especially the closed categories of race and sex — while it may serve short-term political goals, has disturbing implications in the long term. It challenges the ideal of Australia as 'one nation' in which public institutions are blind to biological differences. It also challenges the belief, deeply ingrained among most Australians, that the only proper basis on which to judge and reward is according to 'what you do' (achievement) rather than 'what or who you are' (ascriptive). It may not be the intention of our governments to challenge this belief, but the more they continue to conceptualize Australia in terms of separate populations and dispense privileges accordingly, the more real those divisions will become.
B is for Bias A Senate inquiry into the ABC has been announced. But will it examine the persistent problem of ideological bias in some sections of the ABC? A number of reputable commentators over the years have identified the problem, but what higher authority could we call on than Phillip Adams (host of Radio National's Late Night Live) and what better place in which to find his words than Australian Left Review before it closed early last year? ALR asked Adams how he justified the ABC's existence. Adams replied, in part: "I had a public blue with David Hill about it once. I said 'Look, let's concede that the ABC is left wing and biased. Let's be honest about this, Radio National's a seething hotbed of political correctness.' Surely we can justify that by pointing out that it's a fart in a windstorm compared to the overwhelming bombast and bigotry that's pouring out of commercial radio. Now David, of course, can't accept that argument; he can't even allow it to get on the table." David can't allow it to get on the table, of course, because it contravenes the ABC's Charter.

Backyard Blues On 9 September, following an inquiry by the Northern Territory Aboriginal Areas Protection Authority, the backyard of Alice Springs real estate salesman Dominic Miller was officially declared an Aboriginal sacred site. Mr Miller bought the land in 1985 and built a home on it, but now has lost rights over more than half of it. He has been told that he cannot plant fruit trees in his backyard or install a swimming pool and he is legally obliged to allow Aboriginal custodians access. "This is totally unreasonable," Mr Miller told The Australian. "I am prepared to accept Aboriginal culture but I am drawing the line when it comes to my backyard."

Money Laundering Responding to the Japanese dislike of dirt and disorder, a major electrical-appliance manufacturer, Hitachi, has begun making automatic teller machines that not only dispense money but first disinfect and press it (between a pair of rollers heated to 200 degrees Celsius). The first of the new machines, says The Economist, has just been installed by Sanwa Bank.

A Bad Sign Some would call Hobson's Bay Secondary College in Victoria enlightened. Students, for example, are not told what to study, but are given a range of curriculum tasks from which they choose what to do. But pity the staff member who has to teach science. Hobson's Bay students, we are told by the Herald Sun, are divided into groups according to their star signs.

Vale Poor Ann She should have known better. GP Ann Mead advertised in the personal columns of the British Socialist magazine New Statesman for a companion. What she got was Brian Vale. Vale had described himself in a questionnaire for the New Statesman's Socialist Partnership dating agency as "easygoing, warm, affectionate, a little reserved." He failed to mention his belief (espoused to a flatmate) that murder as a crime of passion should be legal. Vale wouldn't be the first socialist to keep quiet about the drawbacks of his proposal until too late. Nor would Dr Mead be the first socialist to allow a romantic fantasy to cloud her reason. Once installed in the poor doctor's life, Vale battered her to death.
**Dangerous Knowledge**  A government health report was pulped in September because it contained figures on the number of abortions performed in Victoria. Victoria's Health Minister, Mrs Tehan, issued a statement claiming that the release of the information was not in the public interest "because of its sensitive and contentious nature and the possibility such information could be misused." The extraordinary statement cited the murder of a doctor outside an American abortion clinic to illustrate the "potential harm which could accompany publishing this data." Needless to say, the suppressed figures show a marked increase in the abortion rate.

**From Fairyland**  According to a manual for trainee teachers published by the South Australian Training and Education Centre, "Many teachers like to examine fairy tales for race, class and gender bias." The manual, which encourages this allegedly widespread practice, points out that stories are "very often biased against minority groups and those living in poverty." The author, Susan Hill, cites the tale of the Little Red Hen. The Little Red Hen labours hard to grow grain, turn it into flour and bake a cake with it. At every stage she asks her fellow animals for help, but they are lazy and refuse, when the cake is ready to eat, however, they demand a share. This time it is the Little Red Hen's turn to refuse them because they had been unwilling to help her. You might believe that young (and older) Australians could benefit from absorbing the moral of this tale. Susan Hill begs to differ. She says the hen should be viewed as "a compulsive workaholic."

**Odd Couple**  An unlikely alliance has been formed in New South Wales. *The Australian* reports that "Sydney's gay and lesbian community has joined Reverend Fred Nile in expressing concerns over a proposed gay radio station..." Even stranger, the proposed radio station — to be called 2GAY FM — will be run by advertising magnate John Singleton and former NSW Premier Barrie Unsworth, who, as Fred Nile says, are "two of the straightest men in Sydney." It's precisely this fact which concerns the co-convenor of the Gay and Lesbian Rights Lobby, Stevie Clayton. It's not that she's opposed in principle to straight men starring a gay radio station; it's just that John Singleton is such an 'ocker' that he "would have no sensitivity" to gay issues, said Ms Clayton.

**Licensed to Care**  "Concern over Black Market Child Care" trumpeted the front page of the 12 August edition of the *Kalgoorlie Miner*. The story opened: "Lack of child care facilities in Kalgoorlie-Boulder is forcing desperate parents to use 'black market' child care services." 'Black market care' is welfare-state jargon for unlicensed, private child-care, the sort that neighbours might provide.

Parents who use it, an officer from the Department of Community Development told the paper, "put their children at risk." Perhaps more to the point, they might put at risk the jobs of some welfare bureaucrats.

**Demanding a Hearing**  Late August in Adelaide was Deaf Pride Week, a week-long celebration of "deaf culture and identity." The spokesman for the Royal South Australian Deaf Society, Paul Bartlett, said that since the 1970s deaf people had started to overcome "their oppression by the hearing community," according to a report on 5AN News. Mr Bartlett said deaf people want recognition of their own culture and identity. Who can blame him for climbing aboard the bandwagon and demanding what so many other groups are demanding? Some people, however, might be concerned that Bartlett is building new barriers to separate the deaf from the rest of the community, rather than breaking down old ones.

**Throw in the Towel**  At the Walker Art Center in Minneapolis an HIV-positive man slices an abstract design into the flesh of another man, mops up his blood with towels and sends the towels winging above the audience on revolving clothes lines. A few members of the audience panic and run for the exit, knocking over chairs in their haste to avoid being splattered with drops of what might be HIV-positive blood. Gallery officials later play down the health risk saying that the amount of blood spilt was minimal. Meanwhile two female assistants weave acupuncture needles through the shaved scalp of the performer, pierce his arms with 30 hypodermic needles and allow him to pierce their cheeks with steel spikes.

A media release from the gallery finds similarities between the performer "when pierced and covered with his own blood" and St Sebastian; a gallery official compares the performance to "the rituals of the church and the body and blood of Christ." The performance, which apparently counts as art, was funded in part by the American taxpayer via the National Endowment of the Arts, according to *The New Criterion*.

**Reason Slumbers**  On the other side of the Atlantic, the British journal *Modern Painters* notes in its Spring 1994 issue an artist whose oeuvre includes sculptures made of semi-masticated spat-out cheese. Her latest exhibition features her asleep while a chart of her REMs (Rapid Eye Movements) forms a pattern which is woven into a blanket. *As Modern Painters* comments: "What a yawn."
Les Coleman

By most indicators the Australian environment is improving. Yet among some 'experts' gloom persists.

Australia's best-kept secret must be that our environment is getting better, not worse. While growing up in Melbourne, I knew the Yarra's banks were to be avoided due to the stench of pollution from factories and mills; today they are lined with pathways, interrupted by pleasantly-sited barbecues and fishermen. A generation ago the inner-city beach at St Kilda made international headlines when Prince Charles was met by raw sewage during his morning swim; today it is superior to most beaches in Europe and draws huge summertime crowds. And forest corridors and habitat regeneration have attracted wallabies and other native creatures close to the city. Even better, the ochre haze of smog that once lay over Melbourne is largely gone.

My general impression is confirmed by a wealth of heartening information in official documents. The Annual Report 1992-93 of the Victorian EPA says that there is 'good air quality in Melbourne most of the time'. For instance there have been no breaches of the carbon monoxide State Environment Protection Policy (SEPP) level since 1983, nor of the nitrogen dioxide SEPP since 1988. And the frequency of visibility SEPP breaches has slumped from several per week in the 1970s to a couple per month.

A fascinating publication of the Bureau of Statistics entitled Australia's Environment - Issues and Facts contains other data not known widely enough. During the 1980s:
- the total area of forest cover in Australia increased;
- Australia's fish catch more than doubled;
- the population of Australia's icon - the kangaroo - rose by over half and easily exceeds the country's human population; and
- whale sightings off Western Australia trebled.

Even the loss of species is not a one-way street: for example, five of the seven articles in the December 1992 issue of Memoirs of the Museum of Victoria deal with the discovery of new species! Of Australia's 5,366 known bird and animal species, 97 per cent are in no danger.

Les Coleman is an engineer with a Master of Economics and 20 years' experience in resource companies around the world. He is attached to Mobil Oil's Environment, Health and Safety Policy Group. The views expressed are his own.
I am aware: recycling has spread; cleaner production ranks as a desirable management technique alongside quality and customer service; and best-practice environmental management is spreading under stimulus benchmarks, instead of curiosities. Industry shows — like Adelaide Oil Refinery's nature reserve and Portland Aluminium's Smelter in the Park — have become benchmarks, instead of curiosities.

There are certainly problems: the poor quality of perhaps a quarter of Australia’s waterways and land degradation are major issues; the real prices of some resources — especially fish — have gone up and suggest over-exploitation; and the litter, graffiti and run-down infrastructure in many cities should be recognized as a national embarrassment. But overall things are good and getting better.

**bad forecasts:** If the facts point to an improving environment, why is there so much doom and gloom around? A clue comes from environmental science, where erroneous predictions are legion. This has not been confined to false warnings of resource depletion and famine; recall the spectacular switch by climate scientists who in the 1970s were predicting an Ice Age, but by the mid-1980s decided that the globe was actually warming. Even localized, short-term predictions often fall into error. An analysis of the outcome of environmental impact assessments (EIAs) in Australia showed that actual impacts were less severe than predicted in 54 per cent of cases, and 40 per cent fell outside the range 0.5 - 2.0 times the predicted value.

Environmental science is far from hard and has more in common with economics and sociology than with physics and chemistry. Forecasting ignores the complexity of events and the rate of change in our own knowledge, and the pessimists take insufficient account of Nature's resilience and the extraordinary engineering achievements of humans. Experts tend to play down the limitations of their understanding of complex issues. Environmental issues affect investment and resource use and involve people, politics and money. Scientists are human, and — like people in all walks of life — must select what to believe and say when facing uncertainty. Admitting their doubts would weaken their influence.

Let me cite a simple example of the fallibility of environmental scientists. Last year I was concerned to assess the benefits flowing from the removal of lead from petrol. A Report commissioned by the National Health and Medical Research Council estimated that 45 per cent of Australian children aged under five years had blood lead levels above 10 micrograms per decilitre (mg/dl). It determined that leaded petrol was the major cause and estimated net social benefits of up to $6 billion would come from policies which ensured that 99 per cent of children fell below the 10 mg/dl level.

But it turned out that the Report had relied on narrow, out-of-date samples. Subsequently a study was undertaken at the Royal Children's Hospital which showed that fewer than 10 per cent of children exceed the acceptable blood lead level and of those who do factors unrelated to leaded petrol, such as living in houses with old lead paint or lead piping, carried much of the responsibility.

Another weakness of environmental science is the dislocation between analysis and observable results brought about by reliance on computers and modern research technology. In the past, scientists' paucity of analytical tools made them think through theories. There was greater scope for genuine insight: with Archimedes' bath, Newton's apple and Galileo's pendulum observations (made during boring sermons) the scientist relied largely on his own mental and sensory faculties. But now scientists depend on sophisticated analytical tools, particularly computers, with which they process data to detect unsuspected relationships and with which they build models whose complexity and internal consistency are assumed to guarantee accuracy. Unfortunately there is no such guarantee, as exemplified by the frequent failure of their forecasts. Computation has replaced contemplation to the detriment of us all.

**facing uncertainty:** Those facing the puzzle of environmental threats should: avoid technological wonder; ask fundamental questions; and stress cost-benefit analysis, despite its limitations. This should serve as a shield against over-optimistic advocates of regulatory tools and technology, and against forecasts that have more to do with prevailing orthodoxy than fact. It also should discourage the use of blunt instruments with sweeping effects (and unexpected consequences) which are often suggested when knowledge of a problem's causes is incomplete.

Business leaders have a role, too, and need to rank good environmental practice alongside product quality and customer service. Though we owe nothing less to our descendants, obligations to the unborn should not blind us to the pressing needs of contemporaries. And bad or uncertain science should never be used as a club to crush commonsense approaches, nor justify squandering precious economic resources in a quest to tame mythical environmental dragons.

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### Australian Environmental Issue Relative to 1970

<table>
<thead>
<tr>
<th>Environmental Issue</th>
<th>Better</th>
<th>Same</th>
<th>Worse</th>
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<tbody>
<tr>
<td>Urban environment</td>
<td>❌</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air quality</td>
<td>❌</td>
<td></td>
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<tr>
<td>Forest cover</td>
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<tr>
<td>Endangered species</td>
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<tr>
<td>Human health</td>
<td>❌</td>
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<tr>
<td>Recycling</td>
<td>❌</td>
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<tr>
<td>Energy conservation</td>
<td>❌</td>
<td></td>
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<tr>
<td>Marine environment</td>
<td>❌</td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Land and soil quality</td>
<td>✗</td>
<td></td>
<td>❌</td>
</tr>
</tbody>
</table>

Nor are humans in danger: Australians who reach 25 this decade can expect to live four years longer than their parents.

I could go on, but you get the picture. The point is that businesses and communities have become environmentally aware: recycling has spread; cleaner production ranks as a desirable management technique alongside quality and customer service; and best-practice environmental management is spreading under stimulus benchmarks, instead of curiosities. Industry showcases — like Adelaide Oil Refinery's nature reserve and Portland Aluminium's Smelter in the Park — have become benchmarks, instead of curiosities.

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Economic Irrationalism.

Mark Harrison

*Education and Public Policy in Australia* by Simon Marginson

THE STATED purpose of *Education and Public Policy in Australia* is to contest the dominance of economic rationalism in education policy. Its author argues that under economic rationalism "the market economy is substituted for democratic politics and public planning as the system of production and co-ordination" (p. 56). He equates economic rationalism with "free-market liberalism", especially the views of Friedman and Hayek, which he claims dominate the economics profession in Australia.

The book claims that "economic rationalism has installed a free-market economic agenda at the heart of public education policy" (p. 55). This is an extraordinary claim, especially when the author gives no examples of free-market reforms introduced in Australia. Instead he quotes the forming of the Department of Employment, Education and Training, "an interventionist and regulatory higher education policy" (p. 129) introduced by Dawkins, and the emergence of "corporate managerialism" in the public service which has "brought education under the immediate operational control of ministers [and] created a more centralized and strategic approach" (p. 56). In Chapter 7, competency-based training reform, which emerged from big business and union pressure, is labelled "a new form of economic rationalism in education" (p. 144).

These changes have little to do with the policy recommendations of free-market economists, who advocate decentralized decision-making. When Friedman's reform proposals are considered, it is clear that they have not been embraced in Australia. Friedman recommends free entry of private schools into the education system, the privatization of public schools, and the introduction of full-cost fees in higher education and at the school level, or failing that, vouchers. It is doubtful whether these views dominate even the economics profession in Australia.

Marginson lumps both centralist policies and free-market policies under the heading 'economic rationalism', and then proceeds as if the faults of centralist policies are a criticism of free-market liberalism. He writes: "there are limits to the efficacy of policies based on economic rationalism. Governments (and economists) are not all-seeing, all-knowing and all-powerful" (p. 63). He draws attention to flaws in the Dawkins approach, such as the assumption that government can determine subject areas that will be in demand. These criticisms of central planning are exactly those made by free-market economists for years.

**Public spending**: Chapter 1 provides an overview of the Australian education system, which selectively presents statistics to allege "in resource terms the inputs are in decline" (p. 11) and calls for more government spending on education. Public expenditure is presented as a proportion of GDP and Marginson laments its fall since the mid-1970s. He expands on this in a later chapter claiming that Australian education "now faces serious resource problems" (p. 83) and compares unfavourably with other developed countries. In fact, the figures Marginson presents show that Australia's public spending exceeds the OECD average, above countries like Japan and Germany.

What Marginson does not mention is that real expenditure per primary and secondary student increased markedly over the 1980s (by 35 per cent in 1984-85 prices). In contrast, when Marginson turns to higher education he focuses on the decrease in real expenditure per student over the 1980s and compares per student funding growth in Australia unfavourably to other countries. He neglects to mention that, by international standards, Australia spends a high proportion of its GDP on higher education. Over the past five years, government funding (in real terms and as a proportion of GDP) has risen substantially (although not as fast as enrolments).

Of course, claiming that those who spend the most have the best education system is like awarding the Melbourne Cup to the horse that ate the most oats.

Marginson attempts unsuccessfully to refute the consistent empirical finding in the economics literature that there is no relationship between outputs (usually academic achievement as measured by standardized test scores) and inputs (such as expenditure and class sizes) under our current system. He presents a confusing review of the literature on the relationship between class size and...
output. It is never made clear what outcomes are being measured. Teacher time per pupil and teacher attitude seem to be the ‘outputs’ in two of the studies.

Why have extra resources not improved academic performance under the current system? One possibility is that the extra resources are wasted — in employing an excessive number of bureaucrats, for example. Another possibility is that the resources benefit someone other than parents and students — teachers, for example. Since 1970, student-teacher ratios in Australia have fallen by about one-third; class sizes have not fallen by as much. Part of the increased staffing levels has been used to reduce teaching loads and to increase leave entitlements.

misrepresentations: The presentation of economic theory in the book is full of misrepresentations. Marginson presents a distorted caricature of human capital theory, claiming that it measures people in terms of their monetary value and that “the practice of human capital ... began in slavery” (p. 31).

Human capital theory recognizes that education affects future well-being; that is, costs are borne now for future gain, and so education is an investment. The future benefits produced can be pecuniary or non-pecuniary. One future benefit from education is the enjoyment gained from reading throughout a lifetime. Economics is not only concerned with pecuniary benefits, but they have been the focus of empirical work because they are more easily measured and quantified.

Human capital is the stock of skills and productive knowledge embodied in people, the present value of past investments in the skills of people, not the value of people themselves. The theory that people invest in themselves by acquiring skills has nothing to do with slavery.

According to Marginson, economic rationalism insists that “the purposes of education can all be traced back to one overriding rationale — in this case the development of a productive economy” (p. 233). This is a misrepresentation. Economists have championed parental choice in a free market. Parental preferences, they believe, should determine the goals of schools. Experience suggests that for some parents at least, religious matters will be paramount. Even in the education reform literature to which Marginson refers, the economists concentrate on factors that will raise academic achievement, not on education’s pecuniary benefits.

To investigate the economic value of education is not to claim priority for economic ends, but to say that the economic effects are important. For better or for worse, many students and parents take a keen interest in the employment opportunities opened up by successive educational qualifications.

Space does not permit a catalogue of the misunderstandings, errors and inconsistencies in the book. The failure to understand what economists mean by efficiency in the discussion of productivity policies and efficiency policies in chapter 5 provides a further example.

Marginson evinces a clear preference for government schools over non-government schools. The former, he says, are “democratic and egalitarian: They provide the broadest experience. The high achievers help the low achievers. Formally speaking, everyone in public education is equally valued” (p. 201). He presents no evidence to back these claims. It is not clear that the government system does much to promote social mixing or that everyone is equally valued. In practice, government schooling involves segregation by residential neighbourhood, with the rich neighbourhoods often having the best teachers and the best schools.

It is not even clear that there really is a gain to low-ability students when pooled with high-ability students. The result could be to increase feelings of worthlessness among the low-ability students and to reduce individual attention from teachers. The effects on high-ability students must also be considered. In practice, the result of grouping students of markedly mixed abilities may, depending on the teaching methods employed, be education pitched at the lowest common denominator. In the sporting arena, streaming by performance is readily accepted.

Marginson reports that a majority of Australian parents “would prefer to enrol their children in private schools” (p. 202). He downplays dissatisfaction with government schools as a reason for parents choosing private schools, by claiming “there is no hard evidence for what used to be frequent claims about public school deficiency in achieving numeracy and literacy” (p. 203). There is, of course, no hard evidence because of teacher union opposition to its collection. Surveys indicate that private school parents do nominate poor academic quality in government schools as a significant reason for moving their children to the non-government system.

He comes down firmly against the view that freedom is the absence of government restraint, and in favour of the view that “to exercise freedom it is necessary to have the material means to do so” (p. 59). However, on the issue of school choice, Marginson’s conception of freedom implies that the legal freedom to attend a private school is not enough, and only the government providing the means to attend a private school for all provides “real freedom”. Under current policies, only the wealthy have the means (and so according to Marginson the freedom) to choose private schooling. Yet Marginson is against extending this freedom to all through a voucher scheme, something which a long line of free-market liberals, beginning with Milton Friedman, have advocated.

productivity: Marginson doubts that education raises economic productivity. According to screening theory, which Marginson employs, the
role of education is a sorting device used to categorize people, rather than to develop them. If the theory is correct, then education expansion merely results in 'credential inflation', decreasing the significance of educational qualifications, with little economic benefit.

Empirically testing whether education contributes to productivity is almost impossible, but the view that education only screens individuals according to their pre-existing talents is an extreme one, and implies that schooling teaches no vocationally useful skills.

If his view is true, the case for subsidizing education is diminished and the expansion of education may actually harm equality by throwing up more barriers for a poor person to overcome in order to obtain an opportunity to demonstrate his ability to do a job.

At first sight, Marginson's view that education expansion has led merely to credentialism seems inconsistent with his commitment to universal participation in higher education. If everyone were in higher education, wouldn't that result in more credential inflation? But, according to Marginson, "the problem in the economy-education relation lies in the economy, not in education" (p. 134). He asserts that deregulating industry policy and cutting back the public sector have depressed the demand for educated labour. Again, no evidence is presented. In fact, the public sector has been increasing its employment of educated labour, and not too many graduates were employed in car factories and clothing mills. His recommendation: "What is needed is a reconstruction of Australian industry, so that high levels of skills in science, technology and engineering become more relevant" (p. 134). So when the central bureaucrats get their skill predictions wrong, it is the rest of the economy that should be changed.

**fees:** One of the few actual policy changes Marginson analyses is the reintroduction of fees in higher education, which he passionately opposes. He claims: "The case for the return to fees rested on the human capital assumption that education was the direct cause of earnings" (p. 182). But the debate in Federal Cabinet he quotes is all about the equity effects of fees. Marginson's argument that higher education fees should be abolished could be no better illustration of the rhetoric of equality of opportunity and the reality of middle-class subsidies. It is a fact that graduates have above-average lifetime incomes. It is also true that those in higher education come from relatively well-off families, whether measured in terms of socio-economic status, wealth or income. Free higher education in-volves a regressive transfer from the average taxpayer to a privileged group.

A more effective way to help the poor would be to target subsidies to them, rather than to give free higher education to all those who qualify. In particular, subsidies could be redirected to disadvantaged primary or secondary school students, many of whom do not go on to higher education.

It is our current democratic political process that has produced the policies that Marginson disapproves of, such as an obsession with economic ends and cost-cutting. But a market system caters for diverse viewpoints, including opposition to economic rationalism. Under a market system, Mr Marginson could choose to send his children to a school that did not engage in cost-cutting or emphasize economic objectives if his views were shared by even a relatively small number of parents. A market system helps avoid the social conflict that arises in a public system run through the political process. The market system promotes diversity (a value which Marginson says he supports). Parents are able to choose between different types of schools; suppliers have an incentive to seek out and satisfy consumer demands, to match quality to consumer preferences, to respond to diverse needs and to innovate. Even in Australia's current limited private sector, there is diversity in religious instruction to match diversity in beliefs, which reduces social conflict over religious instruction in public schools.

How would Marginson reform the education system? He recommends weakening competitive selection: "Selection is inherently competitive, and competition automatically generates inequalities of outcome. The best contribution education policy can make to equality of educational outcomes for all social groups is to weaken the selection function, rather than focusing all efforts on trying to make selection fair" (p. 243). Of course, abolishing selection does not result in equal outcomes, it merely hides differences; nor does it abolish society's demand for the information provided.

Marginson suggests separating academic assessment from selection for work. He thinks that employers should determine selection for work by competency tests "administered at the point of entry into work" (p. 250). This would free the schools, TAFEs and universities "to concentrate more effectively on their other tasks" (p. 250). What if an employer is interested in finding out about a potential employee's academic achievement? Perhaps some employers may be unwilling to formulate and administer tests themselves, or have found academic achievement a useful indicator in the past. Marginson recommends the removal of grades from transcripts.
Marginson criticizes economic rationalism for being destructive of other educational objectives. Yet he would abolish the credentialling aspect of university and any benefit employers and students get from that process. He is not concerned whether credentialling serves any valuable purpose. He admits that credentials are an incentive for students, but fails to explain how students would be motivated in his reformed system. Nor does he explain how weakening selection in the education system, and replacing the credentialling function with employer-administered tests, would result in more equal social outcomes or prevent the competition for advantage.

He writes: “In the democratic framework education is a form of common property, free to be used by all citizens for their own advantage, like common land in medieval times or common air today. In the market framework education is a form of private property. People are excluded” (p. 79). Of course, the fact is that education is costly to produce, and more education means less of something else. Some people may prefer less education spending and more health care, arts funding, sports facilities, housing, food or many other alternatives. All have economic and non-economic benefits and all may be better ways of helping the poor. Not everyone in a democracy would agree that satiation in education is the best way to spend the community’s resources.

Blaming others for the shortcomings of the education system is a common tactic of the education lobby. Marginson’s attempt to incriminate free-market liberalism in the failures of our current highly-centralized, government-run education system is a blatant example. Reading this book, particularly its destructive policy recommendations, is an exasperating experience. But it does provide a useful compendium of misunderstandings and misrepresentations of economic theory, and an insight into the agenda, tactics and arguments of the education lobby. Because weak intellectual and empirical foundations do not seem to stop the policy prescriptions derived from them being put into practice in Australia, the book will no doubt provide one more citation for influential educationalists to present as proof that their views are correct.

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The author gratefully acknowledges the comments of Robert Albon, David Hughes and Leanne Holmes.

Liberals’ Crisis Has Deep Roots

Tony Rutherford

The Liberals by Dean Jaensch
Allen & Unwin

IT IS easy to exaggerate the current problems in the Australian Liberal Party. Five years ago, the prophets of doom seemed to have ample justification for their dark forebodings. Now they have far less: there is a Liberal or Coalition government in six of the eight States and Territories, and several of those seem likely (at least from this distance) to be returned at their next elections. On any assessment, therefore, there has been something of a Liberal renaissance, one which seems reasonably sustainable.

Achieving sustainability is, of course, one of the problems that the various Liberal Parties must address; and their electoral success at the State level may indeed hinder reasonable and necessary efforts at institutional reform. But the central problem, the problem addressed here by Dean Jaensch, is the performance of the Federal Liberal Party. With defeats in five successive Federal elections recorded since 1983, it is now probably not an exaggeration to describe it as being in crisis. The record is still not nearly as desperate as Labor’s nine successive defeats between 1949 and 1972, but there may be reasons — perhaps mostly historical — for believing that the Liberal Party is less able to cope with continuous defeat than Labor.

The principal strength of this study is that it does offer a historical dimension to the recent turmoil: roughly the first third of the book is a useful thematic summary which brings us up to the Fraser years. Jaensch’s approach is clear from his first sentence, where he states that “The Liberal Party is 100 years old.” This mildly provocative beginning enables him to demonstrate how very longstanding some of the elements of the current crisis are: the loose, quasi-federal structure of the party; the vague and problematic nexus between the lay and parliamentary parties; the reliance on leadership as a substitute for durable institutional structures; and, not least, the ideological disarray inherent in the party.

The last point is in some ways the most fundamental. Jaensch reminds us — most convincingly in the case of the 1909 Fusion between Deakinite and Reidite, and less so, perhaps, of the preceding years — of the curious hollowness at the core of the successive Liberal Parties. So much of the impetus for their foundation and continuing existence has been the need simply to have a non-socialist party. The resulting process of perpetual loose coalitions tends to explain most of the other elements identified by Jaensch.

By one of life’s grosser ironies, the ideological problem is now pressingly acute for the Liberal Party. The effective death of socialism as an idea in good currency (however strongly it survives in practice) may well turn out to have removed the principal raison d’être and unifying principle of the Liberal Party. At the very least it has lent a considerable urgency to the need to settle on some acceptable ideological identity, a need scarcely felt in, say, the first five or six Fraser years.
In the longer run this phenomenon may have fatal consequences; in the short run, the economics of party organization will ensure that something like the present party will survive. (Voting systems are important here: the introduction of proportional representation in New Zealand may well see the emergence of a fairly large conservative party which could form marriages of convenience with rather smaller 'libertarian' or 'social market' parties.) Whether by accident or design, the ALP has managed the post-socialist transition much more successfully, having succeeded so far in recreating itself — in image if not in substance — as the natural party of the centre, of responsible economic management, of suburban Australian conservatism.

**Policy analysis:**

In the meantime, the stresses of failure seem likely to continue for some time to prevent the Liberals from achieving even the flimsy policy consensus of the Fraser years. Policy paralysis since the 1993 defeat seems nearly total; not least because the grossly mendacious overkill of Labor's campaign has effectively sterilized some quite significant areas of policy. (Labor is, of course, paying a high price for this: in the light of its severe fiscal problems, for instance, closing off the option of a new broad-based consumption tax must now seem pretty stupid. Its inability to affect the rate of unemployment by even a smallish amount of labour market deregulation must now, too, seem a very high price to have paid for the ACTU's support.)

Lacking other, more formal means for arriving at that consensus, and with serious tensions not only between 'wet' and 'dry', but also between 'progressive' and 'conservative', the traditional way of achieving policy unity — essentially to impose it from the Leader's office — still seems to be the obvious resort. With Hewson a seriously weakened leader, the obstacles were apparently insuperable. It is still too early to tell how Alexander Downer will cope; but it does seem likely that the desire to avoid the *Fightback!* dilemma, and thus to deal only in very broad policy generalizations, may serve the second purpose of avoiding too much internal policy squabbling. That, of course, can only be a temporary strategy.

Very much the same difficulties apply to the Party's organizational problems. Indeed, in terms of the Party's long-term needs, John Hewson's greatest failing may turn out to be not that he lost the unlosable election but that he failed to use his immense personal authority, in 1990-91, to force reform of the Liberal Party's structures.

Personality — not being all that amenable to the normative theoretical constructs of standard political science — does not play much of a role in Jaensch's book. This makes for a curiously bloodless tone throughout. It also leads him, perhaps more importantly, to overlook the key difficulty of the last few years. For while the Federal Liberal Party does have to reconcile its ideological problems, and to settle on a credible and appropriate ideological identity, the root cause of its instability since 1983 has been in personalities. In this sense, the Party's essential task has been to find a way of burying forever the apparently irreconcilable rift between Andrew Peacock and John Howard. It may well be that the elevation of Alexander Downer marks the completion of that task.

There are other, fairly basic, problems with book.

It is not well edited, nor adequately proofread. A faint air of second-hand fact pervades it, as if there was too much hasty recourse to old newspaper files. The grasp of fact is not always sure. (Western Australian readers will be surprised to learn — on page 199 — that a 'wet' Liberal Reform Movement emerged in that State in 1991.)

It is not at all clear at whom the book is aimed. It comes equipped with Harvard references, and an academic superstructure of models and taxonomy. But it seems, on the basis of style and seriousness, to be directed at a more or less popular audience, perhaps even including concerned members of the Liberal Party, who might want to find some answers to the obvious questions. The difficulty is that the academic models are descriptive, and far from being prescriptive of success. The academic camouflage tend to hide from the reader the fact that Jaensch has no more good advice to offer the Liberals than most commentators, and somewhat less than a few.

Like many, he barely conceals his distaste for economic rationalism and has considerable difficulty in separating the technocratic rationalism of *Fightback!* from any more authentic version of liberal market economics. And like many, he seems unable to see that his advocacy of the politics of inclusion is a poor substitute for a policy framework which actually does something about our major problems such as unemployment. Of course the Kehrent ALP is better at cuddling up to every conceivable interest group and at locking in their votes, but the resulting policy paralysis — all too evident in Labor's impotence on unemployment — carries with it the implications of much more serious failure.

Tony Rutherford is Director of the IPA's Federalism Project.
JAMES Q. WILSON is a distinguished American public philosopher writing on crime, bureaucracy and many aspects of social behaviour. His work reminds one that, despite the corrupting effects of the audio-visual media and of university cliques almost at war with the sentiments of ordinary citizens, the United States can still produce writers of a spacious and commanding integrity. The title of Wilson's latest book, *The Moral Sense*, is almost misleadingly modest. He might have more appropriately adopted a Lockean title such as *An Enquiry into Human Conduct*. Wilson has produced a very wise book, lucid in both argument and language and rich in well-digested reference and anecdote.

Alas, it is hard to do justice to an analysis which leaves so few elements of our moral and social behaviour unexamined, except to note that *The Moral Sense* achieves the rare feat of evading both undue Panglossian optimism and a Hobbesian pessimism. It shows us that there is hope for the development of social decency, moral principle and some sense of warm social affinity in most people. Both nature and social conditioning provide the moulds in which our plastic human clay is shaped, but the essence of that clay still defies our categories. Wilson demonstrates that only the most damaged of men and women lack potential for a moral response. While whole societies may periodically display psychopathic tendencies, as in the case of Nazi Germany or contemporary Yugoslavia, only a minority of individuals can be persuaded to behave amorally for more than short periods, and usually under strong outside pressure or inducement. Wilson carefully considers the nature of these warping pressures and how far they can extend.

From a personal perspective I am convinced that tension between individual autonomy and the demands of social conformity can only be resolved by realizing that the poorly-developed individual also comes to be a corruptible and unreliable citizen. Only the sufficiently mature in judgment and moral sentiment can serve the family, institutions and the state in a sound and fairly consistent manner. In either sharply-polarized or indolent social situations the mature citizen is forced to be a non-conformist whose aloofness is often condemned by the herd as unfriendly. The vital distinction then to be made by society and peers is between the disruptive and criminally-alienated trouble-maker and he/she who has the courage to be solitary while working within 'the system' to leaven the communal lump. Usually lacking any strong moral sense, political messiahs are often in a hurry for a transforming upheaval. The true redeemer has no illusions about the capacity of mass society for rapid change or high vision and works on a spiritual or psychological plane with the responsive few. Otherwise the world would experience no difference between Jesus and Marx, Confucius and Pol Pot.

James Wilson tackles the typical relativist habit of trying to smudge over the whole concept of morality with that of 'clarifying values'. From that point it is only a short distance toward believing that one system of social values is as good as another and the modern absence of commonly accepted transcendent absolutes allows us to justify any sort of behaviour which renders us socially approved. In this the author quotes Adam Smith: Man naturally desires not only to be loved but to be lovely. How true. Here lies a basis for both expedient immorality and a paradoxically ashamed return to morality.

**sympathy:** Wilson also agrees in part with Smith that the ancient origin of most practical moral conduct is in sympathy, of imagining ourselves to be in the position of others. When we sympathize we judge, reacting to the worthiness of other persons and their behaviour. From this comes not only respect, but, more vitally, comparative self-respect, something which so many people in urban admass cultures never fully attain. Self-respect, of course, has its roots in primary associations, in families and in close friendships. From this root- edness in solid early affinities the child moves from the primitive tit-for-tat reactions of the playground to more careful judgments of human need and value. Again, an erosion of primary sympathies and early kinship loyalties tends to preserve the tit-for-tat mode of morality into adult life. Our prisons are full of morally primitive people who have known only how to menace others out of their lack of self-respect.

The author deals fairly but sceptically with the social Darwinist morality of necessity. Darwinian explanations simply do not show why so many people behave altruistically in a manner contrary to their genetic programming or biological self-preservation. Saving a grandmother who is elderly, disagreeable and long past need and value. Again, an erosion of primary sympathies and early kinship loyalties tends to preserve the tit-for-tat mode of morality into adult life. Our prisons are full of morally primitive people who have known only how to menace others out of their lack of self-respect.

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which linger in those traditional communities that unregulated procreation can produce.

Wilson moves to the other separate sinews of moral conduct, such as fairness, duty and self-control. 'Fairness', of course, brings us back to the tit-for-tat privileges and forfeitures which underpin our modern clamour for 'rights'. Rights must be in balance with duties.

The recently fostered social guilt which prompts liberally-minded white Australians to bow to every demand for Aboriginal rights, overlooks the duty of even black Australians to obey the law and accommodate to the structures of the European culture which now strives to offer them restitution for past wrongs. The recent bald assertion of an Aboriginal advocate that rights are intrinsic, they cannot be conferred, shows to what grotesque lengths the Jeffersonian assertion of 'inalienable rights' can now be taken. Even Rousseau, the philosophical father of this fallacy, had to admit in The Social Contract, that all rights must stem from social consensus.

Without a primary acceptance of personal and social duties (by rulers as well as ruled), no meaningful judgment about rights can be made. Civil duties thus have a deeper moral basis than civil rights, and also a longer history. Rights are mainly contractual and various governments and legal systems interpret them according to different cultural norms.

The United Nations Declaration was created by the Western powers in a fit of democratic fervour, but only a few member states have ever given more than lip service to its observance. Morality can only be demanded politically in limited situations, something which Mr Michael Lavarch and his Prime Minister appear not to have understood. As Tacitus long ago wryly observed:

"The more corrupt the government, the greater the likely number of its laws."

As Tacitus long ago wryly observed: "The more corrupt the government, the greater the likely number of its laws."

The family's role: Wilson's most important chapter relates to the role of the family and the moralities it both embodies and transmits to the wider community. He makes an all too common sweeping judgment against Freud. He is equally critical of the behaviourist amorality of J.J. Eysenck that the conscience is merely a conditioned reflex. Freud established the beneficial effect of studying infant pleasure-seeking (with or without sexual overtones) with remarkable accuracy for his time, and his notes on aggression in male children have since been amply confirmed. Clinically, it has been repeatedly established that self-control can be a double-edged moral demand. Too much control, as Carl Jung eloquently illustrated, and normal aggression can one day explode out of the nursery onto the battlefield. Meanwhile, too little self-control produces the unresourceful, media-dazed youth of today, often repelled by its own lack of moral reference points while secretly craving for the reasonable ethical boundaries and ideals its baby-boomer parents never learned.

Wilson himself sagely recognizes that dysfunctional families usually blunder along at one of two extremes or in the worst instances zig-zag wildly between the two. He remarks: "Though the human infant is a remarkably resilient creature, protected by redundant systems from many kinds of misfortune, it is vulnerable to the excesses of both rule-obsessed and laissez-faire parents." How well supported this is by research, but how often disregarded by ideological zealots or amoral slobs at either extreme of the parenting spectrum. Since the Greeks, we have admired moderation in theory, but so often flouted it in the most intimate of our personal transactions. Fortunately, as the author's well-stocked references establish, most children do grow up adequately, provided that they are not forced to accept from their mentors, moral and social banalities which are quite grossly at odds with emotional and spiritual growth.

Finally, Wilson gives some space to gender and moral response. It is true that men tend to construe moral conduct in terms of gestures, whereas women tend to embody this more in their basic attitudes. As spouses, mothers and latterly as civil functionaries women so often furnish the environment in which male moral activity can be advanced. But each is an ethical agent to himself or herself and gender roles can widely vary or overlap. In the Orient, businessmen often have a 'feminine' sensibility in which the politesse of the encounter must receive equal recognition to the urgency of the transaction — a useful trait which Australia's men might acquire. Often the truer morality is not in winning, but in worthily taking part. Meanwhile this book provides a cornucopia of material for reflection and should be in the library of everyone involved in matters of public policy.

Ronald Conway is a psychologist and the author of several books including Land of the Long Weekend and, most recently, The Rage for Utopia.
Regulation Review Unit Formed

Economist Geoff Hogbin has been appointed head of the IPA's new Regulation Review Unit.

Based in Sydney, but with a national focus, the aim of the Unit is to persuade people at all levels of government of the need for a more reasoned, prudent approach to regulation. As its first project the Unit will produce a document defining the principles for evaluating existing regulations and on which the design of future regulations should be based.

The proliferation of government regulations in Australia is of concern to many businesses and citizens. In the first 10 years after Federation the Commonwealth Parliament passed 179 enactments; in the three years 1990 to 1992 it passed 624.

Geoff Hogbin trained at the University of Chicago and has worked in higher education, investment banking and private consulting. He is the author of Free to Shop which put the case for liberalizing shopping hours at a time when governments and unions opposed it. Among his publications for the IPA is a Backgrounder on the regulation of child-care, published in November 1992.

A Board of Trustees will provide advice to the Unit. It consists of Tony Cole, former Secretary to the Treasury, Nick Greiner, former Premier of NSW, and Ted Seiper, David Trebeck and John Freebairn, all highly-regarded economists.

Environmental Expert Appointed

Dr Brian Tucker, who for 20 years until 1992 was the Chief of the Division of Atmospheric Research at CSIRO, has been appointed the new Director of the IPA's Environmental Policy Unit. He replaces Dr Ron Brunton who left earlier this year to establish his own anthropological and social research consultancy.

Dr Tucker has extensive experience in environmental science, in particular meteorological issues. From 1987 to 1991 he was President of the International Association of Meteorology and Atmospheric Physics, the premier international agency co-ordinating research into atmospheric topics. In 1989 he was elected a Fellow of the Australian Academy of Technological Sciences and Engineering. Since 1993 he has been Chairman of the Scientific Advisory Panel to the Environment Protection Authority (Victoria).

He has published widely on science and science policy, given many radio broadcasts (including a series of eight 15-minute talks on Robyn Williams's 'Ockham's Razor') and addressed groups as diverse as school children, farmers, businessmen and engineers.
Government Spends Beyond its Means

In the three years prior to the last Budget, while jobs were being lost and costs cut in the private sector, the Federal Government increased its running costs by 15 per cent in real terms.

According to Peter Walsh, ex Finance Minister in the Hawke Government and columnist with the *Australian Financial Review*, this is symptomatic of the Federal Government's lax fiscal policy. Spending relative to revenue, he said, is out of control.

Peter Walsh was the guest speaker at a function on 23 June organized by the Essington Lewis Speakers' Group and hosted by Philip Morris Ltd. Nerida White, Manager Corporate Affairs and Government Relations at Philip Morris, gave the vote of thanks.

International Treaties

In September, Senator Rod Kemp, Shadow Minister for Administrative Services and the ACT and former Director of the IPA, spoke to the Essington Lewis Speakers' Group about the implications of international treaties for Australia. Senator Kemp warned of some of these implications in *IPA Review* last year. The occasion was hosted by Arthur Robinson & Hedderwicks.

The convenor of the Speakers' Group is Peter Johnson. For further information, contact him or Helen Hyde on (03) 654 7499.

Two-parent Families Lose Out

Since the 1960s, there has been a reduction in assistance to two-parent families combined with a marked increase in taxes paid by those families. This is one of three dominant trends in government taxing and spending affecting the family which Dr Alan Tapper identified in a Dialogue at the IPA Melbourne office in early July.

Dr Tapper is a lecturer in philosophy at the Edith Cowan University in Western Australia and author of *The Family in the Welfare State* (Allen and Unwin/AIPP).

The other dominant trends since the 1960s, according to Dr Tapper, are a dramatic shift of resources away from the young towards the elderly and steadily increasing assistance to sole-parent families.

Submissions to Parliamentary Inquiries

Des Moore made a submission to the House of Representatives Committee on Banking, Finance and Public Administration on the subject of bank interest margins. Significant parts of the submission were included in the Committee's report. The submission is now available as an *IPA Backgrounder* under the title 'Are Banks Competitive Enough?'

In August the report of the Centenary of Federation Advisory Committee, chaired by the Hon. Joan Kirner, was published. It quoted from the IPA submission, 'Strengthening Liberal Democracy', in a chapter entitled 'Strengthening Democracy'.

The Education Policy Unit has also recently made a submission to the Civics Expert Group headed by Professor Stuart Macintyre.
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