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Asian Values

I always like to read IPA Review because it supports my beliefs and gives me some feeling of confirmation in a sea of government propaganda. I am also glad to see you, rather late admittedly, pointing out that AIDS is an infectious disease protected by a political lobby. I am also glad to see you agreeing with me about the need to privatize and about the badness of political lobby. I am also glad to see an infectious disease protected by a sea of government propaganda. I always like to read IPA Review because it supports my beliefs and gives me some feeling of confirmation in a sea of government propaganda. I am also glad to see you agreeing with me about the need to privatize and about the badness of political lobby. I am also glad to see an infectious disease protected by a sea of government propaganda.

Nevertheless, I think you have given Kevin Blackburn a free ride, in letting him remind us once again that fascism makes the trains run on time. J.S. Gregory, writing in Quadrant (October 1994), has another viewpoint on Asian values. He points out that liberal democracy implies dissent. That is what makes IPA Review possible. Personally I fear authority but respect the truth; some people fear the truth but respect authority. IPA Review is at least to some extent devoted to the expounding of the truth against central authority, but the space given to Blackburn's article might make one wonder about that. How can a press be both 'free' and 'responsible'?

The greatest event in the last 200 years was the discovery of the laws of electromagnetism, and their conceptualization and perfection by James Clerk Maxwell. Both the theory of relativity and quantum theory arose from a study of the electromagnetic field as described by Maxwell's and Newton's laws.

All this arose from Western values, and at that, not merely from the Protestant work ethic, nor from respect for scholastic nor ecclesiastical authority. The Asian tigers are growing on Newton's and Maxwell's laws.

This is not to deny that Australians are lax, nor that work is profitable. Having lived in Holland, I am particularly aware of these things.

Underlying all this are the two great commandments: love God with your all and your neighbour as yourself. They must be the real heart of Western values if Western values are worth anything.

Christopher J.A. Game
Annandale, NSW

Myth of Migrant Debt

Upon reading Graeme Campbell's and Fred Argy's criticism of my article, 'The Myth of Migrant Debt' (Letters, Vol. 47, No. 2), one is reminded of Christine Keeler's one-line demolition of Profumo's futile attempt at salvaging his reputation. "Well, he would say that, wouldn't he?"

Campbell's letter is a classic for students, with all the essential elements of the propagandist's art. He makes generalizations from lone specifics, extrapolates to absurd extremes and displays a perverse reluctance to move from the general to the specific.

Fred Argy provides a carefully worded defence, with just enough condescension thrown in to fool the gullible. But he cannot escape the fact that his 1989 paper allocated blame for over $10 billion (60 per cent of our capital stock) is still at record levels and has to be heavily sedated with high interest rates.

And five years after that substantial and sustained reduction in the migrant intake, housing construction (52 per cent of our capital stock) is still at record levels and has to be heavily sedated with high interest rates.

So if there is no evidence at all of Argy's claimed effects after five years, how long must we wait to see even a partial effect? Ten, 20 years perhaps? And how many years of working and saving must migrants do before Campbell and Argy recognize that migrants create much of their own capital stock through their own efforts, to the benefit of us all?

Ian Mott
Brisbane, Qld
Privatization

The two articles, which appeared in *IPA Review*, Vol. 47, No. 2, 1994, on the subject of privatization are interesting, but neither makes apparent that there is a principle involved upon which the advantages or disadvantages of privatization depend.

If private enterprise is always more efficient than public service, why is government required at all? If, to the contrary, the public services are always more just and efficient than private enterprise, what is wrong with communism and why is private enterprise tolerated at all? It is obvious that both public and private sectors are needed for maximum efficiency in a developed, free-enterprise system.

Henry George in *Progress & Poverty*, 1879, formulated the condition in which competitive private enterprise should give way to public enterprise. He wrote, “Where the freedom of competition ends, the sphere of the State begins;” in other words, “whatever is a necessary monopoly is a function of government.”

What are necessary monopolies? Here are some examples:

**Reticulated services:** It would obviously be most inefficient to have an unlimited number of competitive water mains passing the door of each residence or business premises. Roads would have to be disrupted for periodical maintenance and for new and changed connections. The same applies to gas, electricity, telephones and for disposal services such as sewage and storm water.

**Roads, railways, tramways and bridges, etc.:** It would be most inefficient for each land holder to be made responsible for the road strip passing his door. It would be equally inefficient and impractical for railways, tramways and highways, which require fixed installations to land, to be privatized — thereby granting monopolies at the public expense.

**Justice:** This is obviously a necessary monopoly. It would be quite ridiculous to have different and competitive standards of justice. However, there are many legal disputes which could be settled more cheaply and effectively by privately-organized arbitration, which should be availed of whenever possible.

**Defence:** This also is a necessary monopoly. It would be very dangerous to have private competitive defence forces which could be manipulated by vested interests.

There are, of course, many public activities which are not necessary functions of government, which have been monopolized by government for various reasons. Education is an example.

There has been a spate of privatizations in many countries during recent years which have been spurred by the increasing inability of governments to contain spending and balance budgets. Unfortunately, in many instances functions which are necessary monopolies have been privatized with disastrous results. In the United Kingdom, telephone services and water supplies have been privatized in some areas. Charges have been increased and rebates withdrawn, with enormous profits to the takeover companies.

The foregoing does not mean that competitive subcontracting to private enterprise cannot be used by governments for many of the construction and administrative functions. This, in fact, should be an obligation and we could thus have the best of both worlds.

Graham Hart
South Perth, W.A

**Biology vs Civilization**

Andrew McIntyre’s article (*IPA Review*, Vol. 47, No. 2) is one of the more interesting representatives of its type, but in the end it fails to convince.

Like other conservatives throughout history Mr McIntyre looks at the state of the world around him and calls it natural. If today women are under-represented on company boards and in the top ranks of the professions that must be because Nature planned it that way.

Fortunately all people in history have not thought like that. If they had, the aeroplane would never have been invented, smallpox would never have been eradicated and women would never have been given the vote. (Do I detect a “Hear! Hear!” from Mr McIntyre?)

Most of what we value in civilization is the liberation from Nature and biological imperatives. Sure, we still have to eat, but not even members of the so-called men’s movement feel impelled to kill animals with their bare hands before devouring them (do they?). Looked at in terms of biological imperatives there is nothing to separate the rapist from the love poet (except to say that the former is more successful); both are obeying the same biological imperative. It is civilization which distinguishes them. The more like the latter, i.e. the more civilized, the senior ranks of business and the professions grow, the more open to women they will become. I am optimistic that social evolution is heading in that direction.

L. O’Donnell
Wollongong, NSW
Visitor Visas issued by Australia

<table>
<thead>
<tr>
<th></th>
<th>1992-93</th>
<th>1993-94</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourists</td>
<td>1,443,291</td>
<td>1,696,079</td>
<td>17.7</td>
</tr>
<tr>
<td>Business</td>
<td>158,738</td>
<td>202,186</td>
<td>27.4</td>
</tr>
<tr>
<td>Close Family</td>
<td>219,847</td>
<td>238,203</td>
<td>8.3</td>
</tr>
<tr>
<td>Medical</td>
<td>2,173</td>
<td>3,445</td>
<td>58.5</td>
</tr>
<tr>
<td>Other</td>
<td>102,170</td>
<td>130,369</td>
<td>27.6</td>
</tr>
<tr>
<td>Total</td>
<td>1,926,219</td>
<td>2,270,282</td>
<td>17.9</td>
</tr>
</tbody>
</table>


Rank of Australia among 22 OECD countries in terms of industrial relations (1=best, 22=worst): 19


People assisted (1993-94) by the Society of St Vincent de Paul (a charity established in 1854 in Victoria)

<table>
<thead>
<tr>
<th>Percentage</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Singles</td>
<td>36.1</td>
</tr>
<tr>
<td>Single parents</td>
<td>31.0</td>
</tr>
<tr>
<td>Couples without children</td>
<td>25.6</td>
</tr>
<tr>
<td>Couples with children</td>
<td>7.3</td>
</tr>
</tbody>
</table>

Increase in assistance given compared with previous year: 14.7 per cent

Source: The Society of St Vincent de Paul.

Growth in General Government Workforce 1989-90 to 1993-94 (full-time equivalent)

<table>
<thead>
<tr>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>States</td>
<td>-40,000</td>
</tr>
<tr>
<td>Commonwealth</td>
<td>+5,200</td>
</tr>
</tbody>
</table>


Births per 1,000 population

<table>
<thead>
<tr>
<th>Country</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>10.0</td>
</tr>
<tr>
<td>Japan</td>
<td>11.2</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>13.9</td>
</tr>
<tr>
<td>Australia</td>
<td>15.1</td>
</tr>
<tr>
<td>New Zealand</td>
<td>17.4</td>
</tr>
<tr>
<td>Malaysia</td>
<td>28.6</td>
</tr>
<tr>
<td>India</td>
<td>29.2</td>
</tr>
</tbody>
</table>

Source: Australia's Health, Australian Institute of Health and Welfare, AGPS, Canberra, 1994

Percentage of municipal solid waste disposal by incineration

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>85</td>
</tr>
<tr>
<td>Denmark</td>
<td>65</td>
</tr>
<tr>
<td>France</td>
<td>42</td>
</tr>
<tr>
<td>Germany</td>
<td>30</td>
</tr>
<tr>
<td>Australia</td>
<td>&lt;1</td>
</tr>
</tbody>
</table>

PETER DURACK warns in this issue of IPA Review against importing a Bill of Rights. He detects in the Human Rights (Sexual Conduct) Bill and the proposed federal law against racial vilification attempts to introduce selectively into Australian law Articles of the UN Covenant on Civil and Political Rights. It is almost a decade since an attempt by the then Attorney-General, Lionel Bowen, to introduce a 'complete' Bill of Rights based on this Covenant failed.

There were several substantial problems with this 1985 Bill, some particular to it, others intrinsic to the very concept of a Bill of Rights. One of the latter was the framing of rights in absolute, abstract terms. Article 7 of the Australian Bill, for example, ran: "Every person has the right to freedom of expression, including the freedom of the press and other media of communication, and the freedom to seek, receive and impart ideas or information of any kind in any form, without interference and regardless of frontiers." It is not hard to imagine situations where this right to publicize anything and everything would violate another person's right to protection of privacy (Article 12 of the 1985 Bill). In such a case, whose right should prevail?

Such conflicts of rights are endemic in society and it is a measure of a successful society if they can be resolved sensibly, peacefully and fairly. The wisdom and institutional arrangements to do that are not provided by a Bill of Rights. Indeed, by encouraging people to think of rights in absolute terms, a Bill may actually discourage the compromise often needed to resolve disputes. Claims of rights need to be modified against common sense and balanced against obligations. Applied without due regard for degree and context, rights can advance injustice or just seem plain ridiculous.

With these considerations in mind, I recall the publication a few months ago of the UNICEF report The Progress of Nations, a worldwide survey of health, educational attainment, safety and other factors that affect the well-being of children. Predictably, Australia scored very well on most indicators. But good news is no news, so UNICEF Australia chose to issue a press release headlined, "Australia rates badly in physical punishment of children says UNICEF report."

Australia, apparently, lags far behind 'enlightened' countries such as Sweden, Norway, Finland, Austria and Denmark which have outlawed the smacking of children by parents. The Progress of Nations declares that the smacking of children is a violation of the rights of the child and that governments which are signatories to the Convention on the Rights of the Child have an obligation to prohibit it.

UNICEF's press release quotes Mr Stephen Lewis, UNICEF's principal spokesperson on children's rights and Special Adviser on Africa to the United Nations Secretary-General: "While this report highlights many achievements for children, I believe we appear to be moving backwards. If anything, the growing public awareness clashes directly with the growing international reality of violence against children." From the press release one could easily conclude that Mr Lewis is referring to the physical disciplining of children. The remark, however, is lifted directly from The Progress of Nations. From its context there, it is clear that the "reality of violence" to which Mr Lewis is referring is the rape of young girls in Bosnia, the dismemberment of children by land-mines in Mozambique and Angola, the enslavement of pre-pubescent girls as prostitutes in Thailand, the murder of street kids in Brazil. This, and not parental discipline, is the real story of violence against children in the contemporary world.

But the story run by the daily newspapers was that headlined in the UNICEF press release. On its front page The Australian featured a woman who, worn down by stress, smacked her child and still feels guilty about it. Does an occasional smack amount to the violation of the rights of the child? Of course not, and this is patently obvious to most parents, even if it is not obvious to United Nations officials who, if they had their way and smacking was outlawed in Australia, would make criminals of most Australian parents.

If moderate and applied justly, physical punishment is not inhumane. It can prevent a confrontation between parent and child from escalating out of control. It can be less cruel than so-called enlightened forms of punishment, such as the prolonged withdrawal of affection.
The failure to differentiate between violence against children and the reasonable use of physical discipline is illustrative of the hysteria that has entered this and similar areas of public debate. 'Behind every wolf whistle is a rapist,' was a slogan of the mid-1970s. 'Behind every racist joke is genocidal intent,' is a view implicit in the Federal Government's attempt to outlaw racial vilification. We can now add 'Behind every smack is a child abuser'.

The same logic drives the campaign against war toys: 'Behind every water pistol is a potential serial killer or warmonger'. War toys, critics argue, teach children violent solutions to problems, just as smacking does: violence breeds violence. Banning war toys would lower the incidence of violence in society.

But this view overlooks important psychological and sociological truths. Male aggression is a universal problem. It is not confined to societies in which war toys are available. Indeed the availability of war toys — from pop guns to space cannons which flash and roar — is greater now than ever before; yet by world historical standards ours is among the least violent of societies — less violent than Europe in the Middle Ages, less violent than virtually all Third World countries today.

What is important in determining the effect of war toys, as of corporal punishment, is moral context. Punishment which is justly applied teaches morality. Toy guns are typically props in a morality play, a game — whether cops and robbers, earthmen and aliens, or knights and dragons — which is bound by rules and in which there are sanctions against rule-breakers and clear concepts of good and bad, courage and cowardice. Such games can help teach children how to control and direct aggression within limits set by external rules. They can help transmit virtues. These are valuable lessons in sociability.

Outlawing physical punishment by parents would be unpopular and difficult to enforce in Australia. It would involve an unjustified infringement by the state of the rights of parents, and would risk bringing the law into disrepute. It would dissolve the important distinction between moderate, just punishment and child abuse and thereby make us less sensitive to instances of the latter.

Nor would banning toy guns achieve the desired effect. It would not make boys less aggressive. Nor would a ban be as easy to enforce as it first may seem. It may be simple enough to prohibit the manufacture or importation of plastic guns. It is not as easy to confiscate all the sticks which boys then pick up and fashion as substitutes. But let's say that could be done; what about the boy who points and 'fires' his forefinger and cocked thumb? Would the vigilant regulator recommend amputation?

Ken Baker
further afield

LESS MEANS MORE

IT seems almost a truism of public policy debate that we need to conserve energy and that the way to do it is to encourage or force the use of more energy-efficient technology. But a group of economists is questioning this. They hark back to the work of the father of mathematical economics, Walter Jevons. One hundred and forty years ago, at a time when fears were being expressed in England about the depletion of coal reserves, Jevons observed the effects on coal consumption of the replacement of the highly inefficient Savery steam engine with the energy-efficient Watt engine. He calculated that coal consumption was initially reduced by one-third, but that this decrease was followed by a ten-fold increase. The dramatic improvement in energy efficiency with the arrival of James Watt's steam engine lowered the cost of engine use which led to a huge increase in the use of coal.

The same pattern occurred in the United States following the OPEC-initiated oil-price hike in the early 1970s and the subsequent introduction of the Energy Policy and Conservation Act in 1973, America's first explicit national energy-conservation law. American cars certainly became more energy-efficient: throughout the 1950s and 1960s they averaged around 14 miles to the gallon; by the end of the 1980s they were averaging just over 20 miles to the gallon. But at the same time, with the falling cost of driving a mile, Americans drove more (62 per cent more miles in 1992 than in 1975) and they bought 75 per cent more vehicles. Legislating for energy efficiency had not led to greater conservation.

Only a few years before Jevons made his astute observations about coal, Karl Marx was predicting that the continuing technological revolution, by increasing industrial efficiency, would create mass unemployment. Double the efficiency, he argued, and employment is halved. The energy conservation argument is based on a similar premise: double the efficiency of technology and energy consumption is halved. The dramatic improvement in energy efficiency with the arrival of James Watt's steam engine lowered the cost of engine use which led to a huge increase in the use of coal.

The renewed interest stems not just from advancements in genetic science, but also from the relative failure of social engineering. In light of the persistent problem of lawlessness in the United States there is a pressing need to discover the causes of violent behaviour. This is controversial, not least because black men make up only six per cent of the American population but half of the imprisoned one.

BIOLOGICAL explanations of human behaviour, not popular since the 1940s, are returning to the scientific mainstream, although they still encounter opposition from those who associate them with Nazi experiments in eugenics, or see them as an excuse to give up trying to improve the social conditions of minorities.

The renewed interest stems not just from advancements in genetic science, but also from the relative failure of social engineering. In light of the persistent problem of lawlessness in the United States there is a pressing need to discover the causes of violent behaviour. This is controversial, not least because black men make up only six per cent of the American population but half of the imprisoned one.

Saying that aggressive behaviour has a genetic component, however, is a long way from claiming that a 'crime gene' exists. Evidence does exist that people who commit violent crimes impulsively have low levels of the brain transmitter serotonin. But a proneness to aggressive outbursts need not lead to criminal violence. It may produce a military hero or a public campaigner prepared to pound the table and demand justice. Nor should we forget that most violent delinquents are simply under-socialized, a product of parental neglect rather than genetic disposition.

Studies of identical and fraternal twins have been crucial in establishing certain traits as genetically rooted. Hans Eysenck, a pioneer of the modern biological study of personality who has conducted research in 36 countries, believes that there are, to varying degrees, three basic emotions at work in all people: fear, which helps us avoid danger; aggression, which enables us to fight it; and extroversion, or sociability, which enables us to face it with equanimity. The relative strengths of these three orientations form an individual's temperament.

Contrary to previous assumptions, temperament can be modified by experience. Scientists believe that serious chronic stress, particularly early in life, can permanently alter the way the brain neurons function. Genetic explanations and environmental explanations, therefore, are not necessarily contradictory, but may complement one another.


CALIFORNIA'S Proposition 187 — a proposal to bar illegal immigrants from receiving non-emergency social welfare, which voters passed in November — has stimulated a vigorous debate in America on immigration, one that has divided conservatives.

O’Sullivan believes that the United States is often, but wrongly, depicted as an idea rather than a nation: that is, as a collection of immigrants united not around a common history or sentiments, but solely around a set of liberal political principles, notably liberty and equality, outlined in the Declaration of Independence and embodied in the Constitution.

It is true that in America the Constitution has almost religious status, but if America is nothing but different peoples with very different understandings of what is virtuous, sensible and noble, and united only in their allegiance to liberty, equality and prosperity, then they will eventually wage wars over the proper definition of the first two terms and over the proper allocation of the third. A culture is infinitely richer and more complex than a political philosophy, and it is the entire culture (from Hollywood to Halloween) that shapes national identity. Much of culture consists of rules, conventions, habits and practices that are taken for granted, but that could not be defended rationally.

High immigration, particularly when linked with a policy of multiculturalism, juxtaposes American culture to the cultures of immigrant groups and underlines the former's arbitrariness and irrationality. It thus threatens to delegitimize it. High immigration also accentuates ethnic differences and creates cultural ghettos, such as Miami (known as the ‘capital of Latin America’).

A multiethnic society, O’Sullivan concludes, can only succeed if it is also monocultural.


OVER the last decade, Mexico has embarked on one of the most ambitious privatization and deregulation programs of any country. In 1982 there were 1,155 state-owned enterprises; by 1993 there were only 206.

Change was forced on Mexico by dire circumstances. Nineteen eighty-two was the year Mexico suffered its worst economic crisis since the 1920s: inflation reached an annual rate of 98.8 per cent; its currency depreciated by 70 per cent in the space of a month; its external debt increased by 57 per cent in 1981 alone. By 1993 public finances were under strict supervision; inflation fell below 10 per cent; foreign investment rose to US$33,331 million from $22,404 million the year before; the exchange rate was almost stable.

There are important lessons from Mexico’s successful privatization program.

Selling public enterprises during a recession, although the money may be needed then, makes obtaining a good price difficult. The Mexican Government concentrated on getting the macro-economic environment right (inflation down, growth up, currency stable, etc.), and lowering the risk faced by foreign investors, before launching any major privatization sales.

A high degree of certainty should be ensured about the regulatory situation, including the conditions that the privatized entity will need to fulfil. Privatization should not be linked to any nebulous social objectives such as ‘cleaning up the environment’ or ‘protecting employment’ because these are impossible standards against which to measure a privatized entity’s performance.

Restructuring an entity to render it more attractive to private investors can prove arduous and cause major delays; so long as its long-term improvement potential can be factored into an entity’s price there is no reason why a government should restructure it before privatization.

Mexico learnt by privatizing sugar companies and copper mines — the ‘easy’ cases — before the more demanding, strategically-important cases of banking and telecommunications.

The elimination of cross-subsidies should precede privatization. If subsidies need to be introduced to modify the impact of price hikes or to provide retraining, it should be made explicit that they are temporary.

The Mexicans also found that dispersed shareholding among many can weaken accountability and the quality of management, which are the keys to successfully-run enterprises. In the sell-off of Telmex, two categories of shares were created to enable control with a relatively small block of shares.

Should trade unions have the power to veto the public funding of research, regardless of its scientific credentials?

At Worksafe Australia they do.

"Truths are more likely to have been discovered by one man than by a nation."

René Descartes

WORKSAFE Australia is an arm of the National Occupational Health and Safety Commission, set up under the Occupational Health and Safety Commission Act 1985. Its role is to enhance health and safety in the workplace. Entailed in that role is the allocation of research funds through the Worksafe Australia Research Grant Scheme.

The traditional sources of research grants in this country are the Australian Government Research Commission and the National Health and Medical Research Council. Worksafe differs from these two bodies in one crucial respect: it is a tripartite body consisting of the ACTU, the Australian Chamber of Commerce and Industry (ACCI) and government, both federal and state. The significance of this is indicated by the fact that its very first two grants, of around $500,000 each, went not to research scientists but to the ACTU and the Confederation of Australian Industry. It would appear that considerations of scientific worth must bow to new circumstances.

In July 1992 a research scientist with the Department of Minerals and Energy in Western Australia, Greg Hewson, submitted a research proposal to Worksafe to investigate the effect of radiation emitted by mineral sands on mine workers.1 It was assessed by Worksafe as being of very high academic merit and a grant of $90,296 was approved. There was a condition, however: Hewson had to show that he had consulted with relevant industry unions.

In spite of apparent unanimous support for the grant from the Worksafe Research Standing Committee, this condition was applied more stringently than at first indicated. Hewson was required to produce actual letters of support from the key unions involved. It was known at this stage that the Australian Workers' Union (AWU) opposed the research, alleging, in a letter to Hewson, that the topic was "deliberately chosen to further a political agenda run by...

Andrew McIntyre is a Melbourne-based writer and social commentator.
HEWSON HAD GONE DIRECTLY TO THE WORK-FORCE AND OBTAINED FULL SUPPORT.

HIS MISTAKE, IT SEEMS, WAS TO BY-PASS THE UNION HEADS.

the Chamber of Mines and Energy to convince our membership that no radiation hazards exist in the industry”.

Vetoed In December 1993, the peak union body in Western Australia, the Trades and Labor Council, vetoed the research on the grounds that ‘employee consultative mechanisms’ in the industry were not to the satisfaction of the unions. This was an indirect way of saying that the Council objected to research on non-unionized sites.

Hewson’s research, amongst other merits:

- had been one of only three projects in 1992 approved by the Executive of the National Occupational Health and Safety Commission out of a total of 49 submitted;
- had been identified in national and international symposia as a high priority project;
- would have involved only a small component of direct testing of workers;
- had the full support of workers in the industry through legally-constituted health and safety committees at all sites; and
- had gained workplace entry agreements at all sites.

In spite of these facts, Worksafe withdrew its support from the research project. Edward Emmett, Chief Executive of Worksafe, in attempting to explain the decision, confirmed that the condition of “appropriate consultation” attached to the grant had been changed, when Hewson asked for clarification, to the requirement that “letters of support” be produced. In justifying the decision, Emmett talked about “feasibility”. The Commission, he said, did not wish to waste its meagre research funds on unviable projects. But, clearly, it is not the project’s scientific viability which he is questioning, but its political viability. Hewson says that Worksafe is, in effect, “condoning social censorship of research”. He believes that the union veto had nothing to do with the value of his proposed research. “The simple fact of the matter is that the AWU (through the TLC) is unwilling to discuss radiation research of any kind for the mineral sands industry.” He points to the factors listed above to dismiss the claim that the project was unviable.

Because of the strong initial support for the research proposal amongst members of Worksafe’s Research Standing Committee, an independent mediator was called in to see if a solution could be negotiated. This, according to Emmett, was an unprecedented step by Worksafe. That it nevertheless failed suggests the depth of union opposition to the research.

In attempting to explain the ultimate rejection of Hewson’s grant application, both the ACTU and ACCI members of the Research Standing Committee, along with the Chief Executive of Worksafe, emphasized the importance of preserving the ‘social contract’ as a key to understanding the rejection of the grant.

They also pointed to Worksafe’s ethical guidelines. Ensuring that research projects funded by Worksafe are consistent with these guidelines is a responsibility of the Committee. The guidelines cover statutory obligations between employers and employees, questions of confidentiality if information gained could affect the livelihood of participating employees, and safety in the conduct of research. They also insist that a formal consultative mechanism be established between researchers and representa-
NO TICKET, NO RESEARCH

Workplace Support  Hewson, who was quite aware of the guidelines' insistence on consultative mechanisms, had gone directly to the workforce in the places he was intending to study and obtained full support for the project, including from shop stewards, unionized workers and the on-site health and safety committees. His mistake, it seems, was to by-pass the union heads.

A relevant union official talking to the present writer about the matter inferred that Hewson had not consulted the union in a sufficiently deferential manner. He also said that science was only one ingredient in researching the workplace, which, he said, was not a laboratory, but a "socio-occupational context".

Dr Yossi Berger, director of Health and Safety services for the AWU in Victoria and author of the AWU's mine safety booklet, complains that miners work in "an environment where risk, danger, isolation, explosives, shiftwork, pressure, anxiety, and repeated deaths in mines make for a combination that requires special attention from mining companies and governments which they are not getting at the moment." He is an irony that Hewson's research, by uncovering the facts about the radiation effects of mineral sands, may actually have allayed some of these anxieties; it was for this reason that the workers themselves wanted the research to go ahead. As Hewson points out: "The non-conduct of this research will mean that uncertainties about the nature of internal radiation exposure in the mineral sands industry will remain, as will uncertainty about past exposure."

Gersh Major, a fellow of the Australian Institute of Occupational Hygienists, interprets the chain of events leading to the rejection of Hewson's grant in this way: "I have in mind that some employee of Worksafe [may have] exceeded his/her authority in the interpretation of 'evidence of consultation with relevant unions' and the issue mushroomed from there into the ultimate veto." He fears that the credibility of past and future research sponsored by Worksafe has been diminished by the knowledge that such grants are not judged on their intrinsic merits alone, but on the way in which they are likely to please one or another pressure group.

Continuing Threat Worksafe is now attempting to clarify its policy of consultation in regard to non-unionized workplaces. However, the tripartite system will remain, meaning that the power of veto by one of Worksafe's three 'social partners' will pose a continuing threat to the funding of valuable research.

Understandingly, occupational health and safety research arouses the suspicions of employers as much as it does unions; the vested interests of either can be adversely affected by research findings. But for that very reason neither should have the power of veto in determining research allocations. The scientific merits of a research proposal must prevail in the determining of grants. Certainly, it is reasonable to expect that if workplaces are to be studied then the researcher must gain the co-operation of the employers and employees directly involved. But Australian occupational health and safety has a very serious problem when unions are in a position to veto the public funding of research regardless of its scientific merits, its value or its international credentials.

As long as the tripartite structure is allowed to determine the allocation of public funds for scientific research, there is no reason to suppose that this will be the last occasion on which the 'viability' of a project was decided by its industrial relations compatibility rather than its scientific merits.

Its political support waning, its scientists mistrustful of its Board, low morale widespread among its staff: what has gone wrong at Australia's élite scientific research organization?

Troubled Waters at CSIRO

Brian Tucker

LAST September the Chief Executive Officer of CSIRO, Dr John Stocker, announced that he would not be taking up an offer of a second five-year term as head of Australia's scientific flagship. He joined in 1990 and soon won the hearts and minds of the scientific staff with his enthusiasm and with leadership qualities that had been honed in private industry. He was a young, energetic, articulate achiever who believed in the value of a strong scientific base for Australia's future, and was an advocate of the philosophy under which the Organization had operated. His decision not to continue caused a stir in the scientific establishment. Yet it did not come as a surprise to those at divisional (laboratory) level who had noticed over four years a decrease in the vibrancy of his character and an increase in the lines on his face. His dignified silence on the reasons for leaving the ship, apart from vague 'family circumstances', has resulted in speculation that he had not received the support he had expected from government, the CSIRO Board or upper echelons of management in his attempt to steer the Organization through troubled waters and inclement weather.

The present farrago that is CSIRO may be the result not only of maladroit upper-level management but also of mistaken policies, both general and scientific. At least this is the broad consensus of opinion amongst working scientists responsible for the Organization's enviable worldwide reputation. A main concern is the perceived inability of the current Board to cope with a decline in political support for an élite agency that necessarily relies heavily on the public purse for funding. Other matters of disquiet include the funding mechanism itself, associated policy settings and external institutional jealousies of CSIRO's past autonomy. The latter arise because there is no clear and recognized distinction between the principal functions of different types of public-funded...
scientific agencies (research institutes, university and government departments), all competing for declining resources.

**Interference** Political interference in CSIRO is, of course, denied. But, on the face of it, why shouldn’t there be some political influence when some 70 per cent of the funding comes from the public purse? To do otherwise might appear to contradict the requirement of accountability. The answer lies not only in the degree to which the Organization should respond to emerging national requirements but also in the question of who is in the best position to assess the most tractable line of scientific effort and to judge performance.

Progress in science is not achieved by simply directing and increasing staff effort into fashionable and often transient problem areas. For best practice, informed assessment is required of what topics are most likely to be fruitful, in light of the current state of knowledge. The long lead time in achieving progress in many areas makes this difficult. The CSIRO philosophy has always been that such assessments are best made by the scientists themselves, and administration has been moulded to suit endeavour rather than the reverse.

While much of the new political hegemony was effectuated by departmental influence and allowed by a certain lack of fortitude in the CSIRO Board, some benefits were gained at corporate and divisional levels. Notable was the tenure of Barry Jones as Minister. He was recognized as someone who was genuinely interested and who cared about the role CSIRO could play in developing a ‘clever country’; although he was not particularly adept when competing with his Ministerial colleagues for Treasury funding. Similarly, Neville Wran as Chairman of the Board — once the Organization had recovered from the shock of a non-scientist at the corporate helm — had some success in maintaining the political image of CSIRO.

By contrast, Wran’s successor, Professor Adrienne Clarke, despite the attributes of scholarship and gender, seems to have been unable to hold the line. Indeed her limited success is a major pointer to the new era in which political influence is vitally important.

Since the early stages of its formation in the late 1920s, and up until the early 1980s, CSIRO was largely unencumbered with political baggage. There is a belief in national and international scientific circles, not without a tinge of envy, that this had allowed the Organization to achieve unique levels of scientific distinction. At the same time much of the scientific potential so gained had been successfully applied to national problem solving, particularly in the area of primary industry. But in one particular field of science the head of a division, perceiving over 20 years ago the looming clouds of political interference and bureaucratic proceduralism, was moved to adopt a defensive mode, justifying his career and philosophy in CSIRO with a treatise subtitled *Practical Contributions of a Fundamentally-Oriented Group.*

The bureaucratic load imposed upon CSIRO increased enormously in the late 1980s in response to politically-inspired demands to demonstrate accountability and relevance. Also it became *de rigueur* to have a politician on Divisional Advisory Committees; and indeed many of these turned out to be of good value. The problem lay not here but rather in the game being played by upper-level bureaucrats who deemed it necessary first to guess the whims of their political masters, then to ‘advise’ the Organization to cater for these; as a result, CSIRO seemed to become increasingly like a government department. Discipline orientation of research was out; problem orientation was in. A saving grace to scientists was that what mattered was the *wording* of ‘visions’, strategies, objectives and associated falderals, together with the organizational facade.

Satisfying these scientifically unproductive demands, together with the paraphernalia of modern management styles, was an impediment to what the scientists felt was their most productive role. Sadly the need for an enlarged superstructure became self-fulfilling because success in competing for funds, both internally and externally, was increasingly influenced by appearances rather than scientific reputation and achievement.

**Declining Morale** It is this combination of intrusive political influence and uncritical compliance by executive authority, as much as large and seemingly continuous paring of resources, that has caused a widespread decline in morale. Previously, the role of the Executive in CSIRO had been to shield the scientific effort from interference and to extol achievement. In quite a short time this seemed to have changed to one of conveying down the line unnecessary bureaucratic demands and an apparent ready acceptance of unfair criticism. This is the reason so many members of the Organization at the divisional level are critical of the performance of the Board and of executive and institute management, and have expressed this to a Senate Inquiry. There is a feeling that the umbrella of protection has been closed, and the Board imposed upon the Organization in the mid-
1980s has turned from supportive to insensitive critic. Certainly the level of trust accorded by rank-and-file scientists to the Board seems lower now than at any time in my 23 years in CSIRO. I am loathe, however, to give credence to some of the Machiavellian interpretations of the Board’s motives. Nevertheless, there is some justifiable uneasiness at consideration being given, for example, to abandoning the role of Chief of Division — although this appears to have originated from self-exaltation within the Executive Committee. To make such a change would be to sacrifice the basic principle of CSIRO philosophy: that top-level research is best guided by top-level scientists. But the Board has already undercut this principle in several ways, for example, by appointing other than first-class scientists as Chiefs of Division. Indeed, the wording of the current advertisement for a new Chief Executive Officer suggests that scientific ability is a minor consideration.

**Board Problems** The concept of a Board to oversee policy aspects of a government agency derives from business. There is, however, a difference. The Board of a business enterprise generally comprises members who have a direct pecuniary interest in the performance of that business. Sometimes, of course, high-profile outsiders are invited to join the Board but, in general, the performance of Board members carries a component of self-interest over and above the directors’ fees. This is not true, indeed cannot be true, for government enterprises; the discipline of self-interest is not present. This carries the danger of exercising authority without responsibility, particularly when, as in CSIRO’s case, no Board member has had the unique experience of running a division — which is quite different in management style and scientific leadership from running a university department or an industry laboratory.

An associated aspect, perhaps unperceived by those outside the scientific community, involves Board members whose primary affiliation is to an institution which benefits from some government science funding in broad competition with CSIRO. Such people have the additional constraint of having to guard against a possibly subconscious conflict of interest. This might conceivably involve, as well as funding, other aspects of organizational policy, given the indistinct institutional roles endemic in Australian science.

I have argued elsewhere that science policy in our country has been too indecisive, and has resulted in an institutional muddle. The result is that posturing, superstructure and feuding consume a significant proportion of resources. This, combined with the stultifying bureaucracy created in the name of relevance, may mean that as much of a diminishing resource is being profitlessly squandered as has been lost from government cut-backs. Universities, scientific annexes in government departments, CSIRO and other (smaller) research institutions are competing for funding sometimes for quite similar research projects. And the two-year-old Co-operative Research Centres have introduced an extra complication into an institutional system that desperately needs simplifying or at least genuine rationalization. Government doesn’t seem to realize that there are horses for courses when it puts our money on science.

While much of the recent discussion about CSIRO has focused on the ridiculous reporting requirements imposed on the Chief Executive, there seems to be little recognition of the continued achievements at the divisional (laboratory) level, despite some inflated upper-level management often out of touch with the science. To accuse the Organization of not adapting to changing national requirements is ludicrous; it had done this to a far greater extent than any of the competing agencies. It was the Board’s function to ram this home but they do not seem to have done so. Further, their decision to transfer the office of the Chief Executive Officer from Canberra to Melbourne was widely regarded within the Organization as politically inept.

It is ironic that one of the possible solutions being canvassed is abandonment of the Board concept and a return to the small, full-time Executive Committee of two decades ago with Chiefs of Division much more masters of their own fate — in line with the current business fashion of flatter management structures. In any event, active proselytizers with political influence will be necessary to ensure both CSIRO’s future and the maintenance of a scientific potential from which can be drawn solutions to national problems. Also essential will be a rationalization of the institutional muddle that characterizes science policy.

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1. Yet we have the strange case of Ms Pat Kennedy, a Labor Party stalwart and former adviser to Barry Jones when he was Minister for Science. Ms Kennedy had been for many years a strong and effective lobbyist in Parliamentary circles for CSIRO. But she declared that she was told by the CSIRO Chief Executive Officer that the Minister’s office wanted her “kicked out of Parliament” because she had been providing information to MP’s — especially Opposition MP’s. The implication was that she had incurred the wrath of the previous Minister, Senator Chris Schacht, who had attempted a peremptory first step in a dismemberment of CSIRO. The current Minister, Senator Cook, denied this and said that she had become a nuisance — presumably for doing her job and extolling the virtues of the Organization, as she had for the past 10 years. *The Australian*, Tuesday 13 September, 1994.


3. CSIRO’s problems became a significant part of the Inquiry into rural research in CSIRO conducted by the Senate Standing Committee on Industry, Science, Technology, Transport, Communications and Infrastructure. The Committee reported in December 1994.

health insurance
in need of a remedy

Figures released in late November indicate a further worrying decline in the membership of private health insurance funds. Can the trend be reversed?

Nick Renton

RECENT announcements by the Federal Minister for Health, Dr Carmen Lawrence, foreshadow still further changes to the Australian health-delivery and health-insurance systems.

Politicians from both sides of the fence in Australia have long shown little understanding of some basic health issues. They frequently get confused as to the total cost of providing health services — which clearly depends on the money flowing to the providers of such services (doctors, hospitals, pharmacists, and so on). They tend instead to focus on the bookkeeping arrangements for paying these costs — general taxation, special levies, insurance contributions, co-payments, and so on.

They see no difference between true insurance — which involves an actuarial assessment of risks and the charging of contributions accordingly — and flat rate (or 'community rating') schemes which are misleadingly labelled 'insurance' for purely political reasons.

Adding to these difficulties are:

- limitations under the Australian Constitution — for example, the Commonwealth can provide benefits such as refunds for medical services but lacks the power to control the price of such services;
- a desire by the two main political parties to be different from each other instead of developing a bipartisan policy in the community interest, despite the fact that substantial long-term capital expenditure is involved (for example, it would make little sense for one party to encourage the building of new hospitals and for the other to close down existing beds);
- frequent rule changes for reasons unconnected with advances in medical science and technology — these are wasteful of administrative resources and cause confusion for the general public;
- the long training periods for medical professionals;
- State Governments with agendas of their own — the divided responsibility results in gaps in services, in duplications in the bureaucracy, in buck-passing and in non-uniformity despite the large involvement of Commonwealth-collected taxpayers' funds;
- a powerful, intransigent and highly-organized 'trade union' in the form of the Australian Medical Association, which (as in the case of the bar) is reluctant to see changes in existing practices and which in the absence of a corresponding patients' association tends to dominate the debate; and
- escalating costs, as further discussed below.

In addition, the general perception is that the nation's total health bill is only about one-tenth of its actual figure.

For some time now there has been a tendency for Australians to drop out of voluntary health insurance and correspondingly to increase their dependence on the publicly-funded health system.

Could this trend be reversed if contributions to health funds attracted a worthwhile tax deduction or rebate? Or would it be better, as some commentators have suggested, if a Medicare surcharge of some sort were to be imposed on those not paying an acceptable level of contributions to a private fund of their choice?

Benefit costs per health-fund member and thus fund contribution rates have risen at a much faster rate than the
cost of living in recent times. There have been three main reasons for this:

- the increased use of modern technology, which — while marvellous for the well-being of the patient — is relatively expensive;
- the ageing population; and
- the vicious circle stemming from the increase in rates itself.

The total cost may rise further in the future if Australians become more litigious and start to adopt the American habit of suing their doctors for malpractice.

As rates go up, the younger and healthier lives find their contributions less bearable or they assess them, rightly or wrongly, as no longer attractive in cost/benefit terms.

Furthermore, health expenditure incurred directly attracts a 20 per cent tax rebate (above a $1,000 threshold each financial year) whereas health expenditure incurred indirectly (through a fund) rather illogically attracts no corresponding rebate on the contributions.

The existence of the public health system is widely regarded as a safety net, and the recession and unemployment have no doubt also helped to make insurance genuinely less affordable for some people.

As the better lives drop out the claims cost per remaining member rises further, leading to even higher contribution rates and more drop outs ... and so it goes on.

As a by-product, the number of empty beds in private hospitals rises, representing a waste of community resources, while simultaneously the total costs in the public sector go up and the waiting periods for elective procedures lengthen unbearably.

In theory this latter feature should act as a stimulus to increased fund membership, but the length of the queues is not at all visible to citizens not currently in need of treatment.

Furthermore, people in the higher income groups often feel that it is better to pay for a private hospital stay out of their own pockets if and when the need arises rather than to pay a relatively high contribution ‘just in case’. The normal perception is that illness strikes only the other fellow.

**Tax Concessions** In any opinion poll proposals for tax concessions always score highly. But people always overlook the ‘zero sum game’ aspects — less tax for one group automatically means more tax for everyone else.

However, test figures indicate that despite this general proposition, in the special case of health contributions some tax deductibility might actually reduce the overall costs to the revenue. This is because the contributions (net of any tax concessions relating to them) really represent a sort of voluntary tax paid into the national pool.

To illustrate, assume that a particular stay in a public hospital costs $1,000. An equivalent stay in a private hospital may cost more than this — say, $1250 — because, even allowing for possible greater efficiencies in the private sector on a ‘like or like’ basis, the condition for not having a waiting list is to have a stock of empty beds ready until called upon and also because many private hospitals are expected by their users to provide a more de luxe service.

On the other hand, an estimated 15 per cent of all private patients will still utilize ‘free’ $1,000 public hospital beds even if they are insured (or wealthy), because such institutions are likely to have the best facilities for their particular complaints. The remaining 85 per cent will occupy private hospital beds.

The health insurance fund contribution required to meet the above-mentioned $1,250 cost in 85 per cent of all cases will thus be around $1,060 net (85 per cent of $1,250). This will require a gross contribution of about $1,220, because the management expenses in a typical fund are around 13 per cent of gross contribution income.

The cost of a tax deduction at the top marginal rate of 48.4 per cent will then be about $590, as against the $850 public hospital cost for uninsured patients (85 per cent of $1,000). For persons on lower marginal tax rates the benefit to the revenue will be even better. The lower ‘after tax’ cost of insurance will no doubt encourage much greater participation from those with sufficient disposable income.

On the surface this looks like a ‘win/win’ situation for everybody (patients, fund managements and the government). However, the total health costs for the community, both absolutely and as a proportion of gross domestic product, will actually have gone up. The cost of the surplus beds to avoid waiting lists in the private sector and the administrative cost of processing insurance contributions and claims need to come from somewhere. This is why the net cost to contributors was described above as a sort of voluntary tax.

However, an income tax deduction (or rebate) may break the psychological barrier for people who believe that the current contributions are too dear and who can be swayed by the promise of an apparent ‘something for nothing’.

Instead of the carrot — a tax concession for those willing to insure themselves — it is possible to have a system involving the stick — no concessions in respect of the contributions but a tax penalty for those who choose to stay uninsured.

For this to work the extra levy would have to be relatively steep — for example, it might require a $500 tax penalty to make people believe that a non-deductible $1,000 premium really represented better value. In political terms this makes the approach suitable only for the higher income groups. However, the government would benefit — either from the penalty for those opting out or from lower public hospital costs from those opting in. 


a nice drop on the rise

Jeffry Babb

OTHER primary industries have attempted — and often failed at — large-scale downstream processing, but the wine industry has triumphed due to a rare combination of commercial initiative, research and innovation in both processing and growing, and so far a relative lack of burdensome government regulation. It has an enviable record of producing good-quality, value-for-money wines.

The wine industry's growth as an exporter is instructive. While about 70 per cent of Australian production is consumed locally, a target of $1 billion in exports by the year 2000 now looks feasible.

There have been other bursts of export success for the wine industry in the past. Last century Australia was known as 'John Bull's Vineyard'. But in the 1880s and 1890s the industry was virtually destroyed by the dreaded vine disease phylloxera. After recovering and with the help of Empire preference schemes the wine industry became a major exporter to Britain once again, only to fall into a heap during the Second World War.

Jeffry Babb is a Melbourne-based freelance writer and researcher.
Labels Matter In the past, Australian wine has often been marketed overseas as a cheap generic product selling almost exclusively on price. The problem with this strategy is that as soon as a cheaper competitor comes along, the market is lost, as happened with the Emu range of wines once exported to the Empire.

Modern winemakers have not made this mistake. They have built their success on developing labels with quality reputations that are beginning to match those of traditional producers such as France and Italy. Orlando's Jacob's Creek, for example, is the biggest selling wine label in the United Kingdom. In some markets, such as New Zealand, Sweden and Holland, Australia still mostly sells wine that would otherwise go into 'bag-in-the-box' casks, but the fact remains that it is recognized — quite correctly — as better quality wine than much of that gushing into the European Union's wine lake.

Educated palates in Britain have not always been receptive to Australian wines. A piece of popular advice used to run: "Australian wines should be put down and cellared for a long time. With any luck, you will eventually forget your purchase and be spared the experience of actually drinking a bottle." Now the United Kingdom is the destination for 44 per cent of Australia's wine exports by value.

Australian winemakers have also been successful in entering markets such as the United States, now the second most valuable for Australian wine with 16 per cent of total export sales. Again, the importance of selling labels has been demonstrated by Mildara Blass's success with its Black Trilo- gy of brands — Black Opal, Black Marlin and Black Silk.

Just to put the US market in context, California-based Gallo produces more wine than the whole Australian industry combined. Given these economies of scale, for Australian exporters to compete on price alone is not a realistic option.

Apart from companies listed on the Australian Stock Exchange and relatively few foreign-owned enterprises, most of Australia's wineries are family-owned and family-operated. Former large co-operatives such as Kaiser Stuhl now survive as brand names alone in much larger stables. Berri Renmano, the last surviving major co-operative, is now part of the listed BRL Hardy group. Co-operatives have lacked the marketing expertise to develop prestigious brand names.

It is no accident that the European Union wine lake is largely the responsibility of subsidized co-operatives with little interest beyond processing the grapes supplied by their members. The output is substandard 'plonk' shunned by discerning drinkers. This provides Australia with a competitive advantage.

The success in overseas sales of individual labels is almost entirely the result of private commercial initiative. However, in maintaining the success of the industry as a whole, co-operation with public enterprise and government has been important. A relative lack of government regulation does not mean a total lack. Most regulation has been imposed with the active involvement of existing winemakers. These regulations have often originated in response to market pressures.

Public enterprise has aided the industry's success in ways ranging from education to marketing, but the effect has not always been obvious.

Research Roseworthy Agricultural College — now part of the University of Adelaide — has long been a nursery for Australian winemakers, as is Charles Sturt University. An impressive 20 per cent of research papers on winemaking published internationally originate in Australia and even the French have sought the advice of Australian winemakers. Some wines made in Italy — the world's largest producer by volume — are now labelled "made in the Australian style."

Australian wine research, along with that of other pioneering New World academic institutions such as the University of California at Davis, have effectively demythologized wine production. The individual characteristics of each vineyard, or terroir as the French say, are no longer seen as the result of some arcane formula involving rustic buildings and dirt floors, but rather as the outcome of winemaking techniques which can be described and passed on.

Where government agencies have worked in conjunction with the industry, results have often been beneficial. Research by the CSIRO into mechanical harvesting in the early 1970s has led to wide acceptance of this technique, and now over 300 harvesters are in use. Similar research into mechanical pruning has been so widely accepted that it is estimated that by the year 2000, 90 per cent of pruning will be done by machine.

The ability to innovate, and the alacrity with which new techniques are accepted, gives Australia an edge over some of its competitors. In both mechanical harvesting and pruning, the results have seen a reduction in the need for expensive, unreliable, seasonal labour. Harvesting by machine at night allows fruit to be picked when it is cool, allowing for better control over processing and fermentation. Australia is, and is likely to remain, a relatively high-wage economy compared with most other New World producers — such as the United States, South Africa and Chile — and the ability to accept and exploit technological advances is important in retaining a competitive advantage.

Government bodies involved with the marketing of wine include the Australian Wine Export Council and Austrade. Both these organizations promote the generic advantages of Australian-made wine.

The Australian Bureau of Agriculture and Resource Economics is an important source of data for wine producers. Its recent report on wine-grape production and winery
intake for 1996-97 has highlighted significant trends such as a potential shortfall in premium grape varieties over the next six years, with the potential to lower profits due to increased wine-grape costs.

**Entering Europe** While markets like the US and Asia show great potential, most of the world's wine is drunk in Europe, and in terms of consumption and prestige it remains the world's most sought after wine market. Most recent developments in Australian wine marketing and regulation can best be explained as a response to this marketing imperative.

Australia is the first nation to reach specific agreement with the European Union on labelling, allowing comprehensive access to the European market. Some wines, such as botrytis-affected sweet wines, will now be marketed in Europe for the first time. While the new regulatory regime will increase market access, it will also impose further restrictions on labelling.

Some labelling requirements will be relatively painless. Most table wines, for example, are already widely known by varietal names such as pinot noir, cabernet sauvignon or chardonnay and changes required will be minimal. What was previously called Rhine riesling will now be known as riesling; Grange Hermitage will drop the hermitage, and so on.

Other changes will require more thought. A 'traditional method sparkling wine' just does not have the same impact as champagne, with its connotations of celebration and festivity. A 'champagne moment' might not be the same without the champagne. Fortified wines are harder: what is sherry if it is not sherry, and port if it is not port?

In all these negotiations, the wine industry has a representative body with statutory powers, and that body is the Australian Wine and Brandy Corporation, established under its own Act of the Commonwealth Parliament in 1990. Under this Act, the Corporation is required to control and promote the export of wine. The Corporation is funded from various sources, including State and Federal governments and agencies, and an industry-wide levy on production. Its powers and legal status were welcomed by growers, who wanted a representative to act on industry-wide issues. The result is that wine is an export controlled by a statutory corporation, indirectly the government. Export wines are tested and licensed by the Corporation. It has inspectors to enforce its rules and regulations and can levy substantial fines, including in relation to its labelling-integrity program.

Free-market economists would say that it is almost inevitable that producers would seek some form of economic rent from these regulations. Rent in this case means a price advantage derived from exploiting market power and gaining advantages denied to other producers or potential producers due to the costs and difficulties complying with these regulations.

These regulations are generally accepted by existing producers, and have been framed in consultation with them. They relate to fundamental issues for the industry. Under the Geographical Indications Committee regulations announced in October 1994, for example, wine and grape growing regions will be determined. The results could have a profound effect on individual producers. If, according to the official map, a vineyard can claim to lie on part of Coonawarra's famed terra rosa soil, for example, this will likely ensure a high value for its grapes. If, on the other hand, it falls just on the other side of the border, the value of the produce will be considerably less.

Individual growers are already annoyed by some aspects of the new regulations. One Victorian winemaker claims that his property will be included in the Bendigo region, which due to some lapse (intentional or otherwise) will be known as Bendingo — as in Australia's native dog.

Some latitude is allowed for blending and sourcing out of the region. In a bad year, this could mean the difference between scrapping the whole vintage and producing a saleable wine. For a country as prone to drought as Australia, this is a valuable concession. Remy has estate-grown and estate-bottled lines, and it has blended wines. Its premium Blue Pyrenees wines will not be available if the vintage is not up to scratch, but its blended wine, Fiddler's Creek, may have a variety of sources.

**Imposts** While these regulations will be accepted, grudgingly in some cases, as being 'good for the industry', many government impost are not. Compliance costs, especially for small family-owned and family-run wineries, can be high in terms of income forgone and sheer clerical drudgery. The trifling amounts of superannuation deducted from the wages of casual pickers must all be recorded, and serve to do little more than deter workers in an industry where labour is notoriously unreliable and hard to attract, even in times of high unemployment.
Applying various government taxes, including income tax and sales tax, to the winemaking industry is a cause of concern. It is normal, for example, for a winery to carry three vintages of red. If the owner is an individual, his heirs must pay income tax on all wines in stock. This inevitably leads to massive costs that equate to a de facto death duty. Of course, by using a great deal of money and smart accountants to set up private companies, family trusts and so on, it is possible to minimize this liability. Yet it would be far better for producers and, in the long run, the taxpayer if this capital were put to use expanding the wine producer’s business. This and other related imposts have caused the virtual disappearance of vintage Australian brandies, for the simple reason that it is not economic for producers to hold them any more.

Where governments can see some justification for imposing taxes they usually will, and the wine industry has been unfortunate enough to attract both State licensing fees and Federal sales taxes, quite apart from other more normal imposts on the industry. Regulations prevent deductibility of expenses related to samples and tastings, which are a primary marketing tool for winemakers, especially smaller family-run enterprises which rely on cellar-door sales to a large part of their income. Many producers consider that the sales-tax regulations applying to wine verge on being incomprehensible and that time spent complying with government regulations could be better spent on expanding their businesses.

**Lifestyle Taxes** The wine industry is also at risk from so-called lifestyle taxes, which governments justify by paternalistic health arguments. The heavy taxing of tobacco is an obvious example. To counter this threat the wine industry has been active in advocating sensible alcohol consumption and has presented conclusive scientific evidence that drinking moderate amounts of wine is beneficial for health. But producers of other alcoholic beverages have argued that wine, particularly in cask form, produces more ‘bang for the buck’ than beer, for example. The idea that wine was getting a free ride was one motive for increasing sales tax on wine (now at 24 per cent).

Travellers who have visited other countries such as France and Italy where wine is regarded as an integral part of daily living point out that wine is much cheaper there than in Australia because of a relative lack of taxation and other burdens imposed by governments. It is hard to see high taxes on wine as anything other than a manifestation of Anglo-Saxon wowserism and the notion that it is the role of the State to protect people from themselves.

Many taxes and imposts do not take account of the particular circumstances of the wine industry, such as long lead times for investments in vines and the need to hold stocks for years before they are sold. Perhaps when the Industry Commission releases its draft report into the wine industry in February 1995 some of these issues will be addressed.

As a relatively new export industry in its current incarnation, the stance of one of the world’s most innovative economies and dynamic exporters — Hong Kong — might be kept in mind. Hong Kong aims at minimum intervention in the market: to support industry, but not to subsidize it; to promote, but not to protect; to build on the strengths that already exist and not to take decisions that are best left to private individuals and companies. If one of the world’s most successful trading economies can be built on a barren, rocky island, how much more successful can Australia be, with all its natural advantages?
Australia needs a great leader, an idealist with the determination to pursue his vision of a new and better nation single-mindedly. Or maybe that’s the last thing we need.

Great leaders, like interesting times, are a curse, from which Australia has been not entirely spared. Great leaders are men of vision, who set out to transform their countries to conform with their ideal.

Most leaders profess to be idealists. Most, fortunately, are lying. Ideal was a buzz-word before the term buzz-word was invented. If it means anything as a political concept it means a hideous totalitarianism, and the wholesale slaughter of those who do not conform to the ideal.

To effect such a social cleansing requires a great leader, with very special qualities. First of all, he must be ignorant. Some education is, of course, permitted and indeed necessary. Perhaps a seminary, for a while, or an intense course in the writings of Karl Marx, or a military academy to learn about efficiency. Above all, he must not be schooled in the traditions of Western civilization, with its centuries of agonizing over the role of the state, the obligations of rulers, and the rights of individuals.

Then the ignorant great man must be highly intelligent. High intelligence when set upon conventional paths produces wisdom and tolerance. These are not qualities associated with greatness. A wise and tolerant leader does not seek to transform his country from what it was when he was born into it into something else altogether. Ignorance is necessary to protect high intelligence from wisdom, and preserve it for greatness.

Then the great leader must be charismatic. I would prefer to avoid using this word for the same reason that I would prefer to avoid using idealism, because they are many splendoured cloaks for evil; but it is not possible to write about greatness without writing about charisma and idealism.

Great leaders are men of vision, who set out to transform their countries to conform with their ideal.

GREAT leaders, like interesting times, are a curse, from which Australia has been not entirely spared. Great leaders are men of vision, who set out to transform their countries to conform with their ideal.

David Barnett is a Canberra-based press-gallery journalist and a farmer.
Charisma Without charisma, that is to say without some magical and quite accidental quality of appeal impossible to define, the great man cannot rise to the top where his destiny awaits.

All those possessed of charisma are not, of course, great, or dangerous lunatics. Indeed, modern mass entertainment has turned charisma into a commodity. It is an essential part of show business. The film and television industries are built on it. Ray Martin has it, and Jana Wendt. Madonna has it, and Shirley Maclaine and John Laws. Such lovely charismatic people are not evil, or any sort of menace to their fellow countrymen. Charisma is politically significant not when it is used to boost the ratings, but when it belongs to hands which are on the levers of power.

The troubles in the Royal Family are an interesting example of the workings of charisma. The Princess of Wales has a touch of it. She is pretty, appealing and intriguing. Diana has a weapon in the media's fascination with her which she has been able and willing to use. It would be ridiculous to suggest that Diana is a great leader. She is near the top only because she was invited there. But she does have this one quality of charisma, and she is uneducated. As her husband gracelessly observed, "My wife has never passed an exam in her life."

Idealism We may dislike acknowledging it, but Adolf Hitler was intensely idealistic as well as being one of the greatest leaders history has ever known. He conquered Europe and North Africa. He caused the death of 25 million people, about half of them in cold blood in concentration camps, of whom six million were Jews and Gypsies who were killed for no other reason than to achieve the ideal of a pure race of paganized Christian Germans. Hitler carried idealism to its furthest extent, with little in his intellectual armoury except the skull shape theories of a 19th-century French crackpot named Gobineau.

Josef Stalin was another supreme idealist. In pursuit of his vision of an homogenous society of workers and peasants, possessed of jobs but not of property, he caused the death of an estimated 15 million Ukrainians. He transported dissident nationalities such as the Tartars and Chechens by the hundreds of thousand to Siberia, to be worked to death in the snow.

The truly great leader knows that his people must make sacrifices, or be sacrificed, if the country he leads is to fulfil the destiny he has chosen for it, and to achieve the ideals he has set for it. What great leaders lack in wisdom they make up in high-mindedness.

Mao Tse-tung was a great idealist. Nobody knows just how many people perished in the pursuit of his dream, but during the Cultural Revolution which was his political death throes the estimate is five million.

Ho Chi Minh was another. To send all those hundreds of thousands of young men to be ground into mincemeat by the American war machine, until the Americans were so sickened that they stopped,
took all the qualities of determination, ruthlessness and high
ideals which characterize the great leader.

The times in which we live have been particularly rich
in great men. Pol Pot shared with Hitler, Stalin and Chair-
man Mao the desire to purge and purify. With Hitler it was
Jews; with Stalin it was kulaks; with Mao it was intellectu-
als; with Pol Pot it was just people who lived in cities.

**Basilisk-stare** A benign colonial power may stop great
men by popping them into prison for 10 or 20 years, to
cool down. Britain had a great record in gaoling bloody-
minded red-handed revolutionaries until the venom had
gone out of them.

I once made the mistake of approaching the
Mau Mau leader and future president of Kenya,
Jomo Kenyatta, at a reception. He had written a
book, *Facing Mount Kenya*, in which he invented
a religion for his tribe and a destiny for his peo-
ple. His terrorist movement had been defeated,
but the winds of change had blown in the right
direction. Britain decided to dump its colonies
and move into Europe, and Jomo Kenyatta was
there, ready to play ball.

I had attended his press conferences for some
months, beginning with the first which he gave
while still in custody. I had asked him questions
often enough. He read the Nairobi newspaper for
which I wrote. We had not been introduced, but
he knew me.

The reception was part of the independence
celebrations for the neighbouring state of Tanganyi-
ka (now Tanzania). Kenyatta, out of detention but
not yet president, was still without status. I
approached him, greeted him, introduced myself
and explained that I wished to introduce the man-
aging director of the newspaper group for which I
worked. Kenyatta said nothing. He glared at me,
although glare is not a word which does justice to the steady
basilisk-stare of two strangely pale eyes in an expressionless
face, which focused on me like two Buck Rogers disintegra-
tor guns while their owner said not a word. He had no reason
to hate me personally, but I was white, and I had been free
while he had been in detention for eight years. Well perhaps
now was not the best time to perform this introduction, said
I continuing my one-sided conversation, and taking my leave.

Kenyatta was President for some years. His deputy,
Tom Mboya, who was a member of another tribe, was assassinated
by a person of no account, who said before he was executed,
that he had done it on the orders of "the great man".

A leader can always use luck, or should one rather say
such quirks of fate as an illness or an assassin’s bullet which
removes a predecessor, or the outbreak of a World War, which
turns a has-been into the man of the moment.

**Yardage** To create that magical quality of 'presence' it
helps if the great leader is very tall. In the television age it is
possible, like Bob Hawke with his blocky face and his full head
of hair, to look big on television, without actually being big.
Nevertheless, a high proportion of the world's leaders have
been remarkably tall. Even the ladies have often been hefty.

A leader must be interesting. He must command
attention, which towering over all those about him helps
him do. Demeanour is all important. A leader never dis-
plays any concern about the impression he might be mak-
ing on those about him. He can charm, but he is not eager
to please. At best, he is gracious to those who please him.

As I write this, I am thinking about Charles de Gaulle,
whom I recall on Bastille Day in 1964 proceeding down the
Champs Elysées on the back of a Landrover, standing
solemn, erect and utterly unmoving in his uniform. He was
about two metres tall. He might have been the tallest man
in France. Winston Churchill said of him during the Second
World War that of all the crosses which he had to bear the
greatest was the cross of Lorraine. De Gaulle believed in his
own destiny and the destiny of his country. As he moved
majestically past at the head of parading troops, it was easy
to believe that those destinies were one and the same, and
that it was through no accident that his name was de Gaulle.
Kenyatta had changed his name from Kamau, as Stalin had
from Djugashvili.

De Gaulle was clearly the sort of man who could invent
the Free French, and thus convert a defeated and occupied
country with a quisling government into an ally of the eventual victors, with its own sectors in occupied Germany and its own seat on the Security Council.

US Presidents Gerald Ford and Lyndon Baines Johnson were both big. So was the Israeli Prime Minister at the time of the 1973 war, Golda Meir, and the Prime Minister of Ceylon from 1960 to 1977, Sirimavo Bandaranaike, who was the world's first woman prime minister. The Indian Prime Minister Indira Gandhi was tall and imposing. And so too were Gough Whitlam and Malcolm Fraser, both above 190 centimetres.

Fraser always stood very erect, as if he had served in the US Marines. But Whitlam also used his height. I can recall a conversation with Whitlam in the garden of the Lodge, in December 1974, in the shade of a handsomely grown fir tree whose gnarled roots protruded from the earth which rose to meet the trunk. Whitlam positioned himself on the high ground with his back to trunk, so that he loomed over both myself and another tall journalist, John Lombard. He was responding to my casual inquiry as to what was the principal problem facing his Government. "The trade unions," he breathed in his characteristic way, so that his voice seemed to boom, without being raised. And leaning over us: "They're so greedy."

Whitlam was an exception to another generalization. He was, indeed is, likeable. By and large successful leaders although they can be charming are not likeable. They are people you respect, but do not get along with. They are often particularly hard to talk to, because they cannot be bothered, and because they tend to lose the social arts and graces. Mainly, though, they are not likeable because they are ruthless in the service of their own ambition. The Field Marshal's baton which they carry in their knapsacks is something with which they are always prepared to stab you in the eye.

**Single-minded** Leaders are long-term, single-minded thinkers. They lead respectable lives, join mainstream political parties, watch their step, and they don't mind taking on the treasurership because it means that a year or two later they become president. They choose their party branch carefully with their eye on the age or vulnerability of the incumbent, cultivate the membership, and enrol their friends and relatives. When they speak they serve up what their audience wants to hear, and when the chance for pre-selection comes they go after it with every means at their disposal, from great and powerful speeches to great and powerful friends. They know there are no long-term friends in politics, only shifting alliances — people for a while. But they know there are enemies, and they keep track of them, remembering which way they voted on which issues.

One conclusion I have come to is that the qualities of ruthlessness, cunning and overwhelming ambition required to achieve high office are not necessarily the qualities needed to perform well there. Great leaders, of course, do not wish merely to perform well. They take the process a step further. They seek not merely to lead their countries but to transform them. Great leaders are great believers, not in their country, but in something bigger and better, a great ideal.

So by the definition I am using Winston Churchill and Charles De Gaulle were not great leaders. They sought to preserve their countries from a great leader. Noble, perhaps, would be the right word. But they served their countries, and while they may have been obliged by circumstance to discard a colony or two, they left their countries much as they found them.

**Greatness or Nobility?** There are some figures in Australia's history who deserve to be remembered more than they have been. Two premiers of New South Wales, Sir Henry Parkes and George Reid, were decisive. Parkes delivered the Tenterfield address in which he said, that on the basis of the withdrawal of the British garrison the Australian colonies should consider federating into one country. But our history has never made it clear whether Parkes was a true man of vision, seeking to transform the colonies planted by Britain in the antipodes into a nation, or whether he was merely, as he claimed, seeking to solve an administrative problem, which was how to finance the defence of this far-flung outpost of empire.

Reid was the Free Trade premier of New South Wales who came after Parkes. He supported Federation, but did it on terms with which he thought the States could live. He is the father of the Federation which Australia's coalition parties support, in which the States have rights. He was also the father of the major conservative party which has continued down through the years in various guises and under various names, and which was formed from parties quite opposed to each other on basic principle, the Free Trade and the Protectionist parties.

Reid saw that the Labor Party which had emerged as a class-based ideological party binding its members through the pledge to have no dealings with any other party had changed the nature of Australian politics. He was a fusionist, and to achieve that fusion he was prepared to cede the leadership of the Nationalists, when they were formed, to Alfred Deakin, the Victorian protectionist with a personal dislike of Reid. So he was noble, sacrificing personal ambition for the sake of his country.

That doesn't make him great by the definition being used here. Sacrificing country for the sake of personal ambition, or personal vision, is what greatness is about. Alexander didn't lead his army to India for the sake of Macedonia.

Australia has produced visionaries. They are not visionaries on the scale of Alexander or Napoleon, but Arthur Calwell was a man of vision who set out to transform Australia, and did so with remarkable success. Calwell's immigration
program, which nobody has ever suggested belongs to anyone but him, did transform Australia. He wanted to create another United States of America in Australia. He could not have had such a vision without an ignorance of geography and climate. Australia does not have the rainfall or fertility of North America. It lies in the same latitudes as North Africa. It can only ever be a country with fertile fringes around an arid interior.

Arthur Calwell, a papal knight who fell out with his own Roman Catholic church, did, through large-scale European immigration, break the Protestant Ascendancy, as Catholic intellectuals today describe that past Australia. Those who described themselves as Anglicans or as adherents of the Church of England have dropped from 60 per cent of the population to just over 20 per cent, while Roman Catholics have increased as a proportion of the population to become the single largest denomination or faith. Concepts of common law rooted in British empiricism now compete with concepts of natural law rooted in Catholic theology.

Calwell was never elected prime minister. An Australian electorate which didn’t much fancy immigration fancied him even less. He was certainly lacking in charisma. Few people have ever lacked it more.

But he does come close to the definition of greatness in leadership. He was ignorant. He had an obsession. He disguised it. He sold it to the community, and implemented it, changing his country, irrevocably from what it was to something else consistent with his own vision. Calwell transformed Australia.

If there is one other leader who has about him some of these qualities it is the present Prime Minister, Paul Keating, a man closer to Jack Lang than to Gough Whitlam and closer to Arthur Calwell than to Bert Evatt.

Keating became Prime Minister because he was an orthodox Treasurer who fought the good Treasury fight in Cabinet, just as Bill McMahon had fought it 30 years earlier. He acquired a reputation as a man of integrity, prepared to take tough decisions: cut expenditure, cut tariffs, balance the budget.

As Prime Minister, he has barely been bothered with all of that stuff. Instead he has been a man of vision, rewriting history to fit that vision of a persecuted country, victim of British imperialism. History’s verdict must await events yet to happen, but the decision to grant land under inalienable title to the remnants of the Aboriginal population has already produced talk of secession and self-government. The implications of the Native Title Act are enormous.

Keating wants a republic because Australia must have its own head of state. Never mind that the last Governor-General not to have been an Australian was Sir William Slim, the victor of the Burma campaign, and that there have been only Australian Governor-Generals for 30 years. He wants a republic under a new constitution, despite the great difficulty which countries around the world find in devising constitutional arrangements in the absence of a gelded constitutional monarchy which provides effective government without the potentiality for tyranny.

Paul Keating did not complete his secondary schooling. He does not read. His literary allusions are not to books but to television, often enough children’s television. His interest in Western civilization is in its clocks, not in its concepts. He is a man of high intelligence. He is a fascinating personality. As his friend Graham Richardson observed, who else could have won the last election for Labor?

He has a vision, some of which is being fulfilled, and some of which is in the pipeline. The Australia he wants is one which does not yet exist, and which he is proposing to create. Paul Keating has elements of greatness about him. We must wait to see what he does to our country.
Australia's national accounts contain some very worrying signs.  

John Stone

THE national accounts published on 30 November reveal an economy growing at the rapid rate of 1.3 per cent in real terms in the September quarter and, perhaps more meaningfully, at a rate of 6.4 per cent over the past 12 months. On the face of it, that must be seen as good news, and so, in one sense, it is.

But, just as the US Federal Reserve during this year has become increasingly concerned as the US economy displayed more and more signs that its growth was beginning to outrun its output potential, so Australians should be concerned at the manner in which our own economic growth rate is now far exceeding the growth in our output potential. Two facts are worth mentioning in that regard. The first is that the rate of growth of Australia's GDP has actually been depressed by the effect of the drought on the production of the farm sector. If we look at the figures for gross non-farm product, we find that it rose by 2.1 per cent (seasonally adjusted) in the September quarter alone, and by no less than 7.3 per cent over the past 12 months. These are already in the nature of 'boom' figures.

The second pointer to that developing 'boom' situation is to be found by looking at the figures for the growth in domestic final demand. By excluding the external account and the effect of the growth in stocks, this reveals to us the rate at which our domestically-generated final demand is growing. The rate in question is 7.7 per cent over the past 12 months; if the effects of drought were removed, that figure would be over 8 per cent. Quite clearly, these rates are unsustainable.

It is too easily forgotten that the 1990-91 economic downturn in Australia actually touched bottom in the June quarter, 1991, so that today we are already in the fourth year of our economic upswing; by the second half of 1996, if this upswing lasts that long (which I am now beginning to doubt), we shall be entering its sixth year, which by most previous standards would be an unusually long 'recovery' period. That fact in itself does not necessarily mean that we are, by that time, bound to be in 'bust' mode. Some other aspects of our present situation, however, do.

The recent national accounts figures show that the sources of Australia's unsustainable rate of growth are still heavily deriving from personal consumption, from investment in dwelling construction (itself a form of longer-term personal consumption of the services which dwellings provide), from

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government capital spending, and from a very large run-up in private sector stocks.

**Current Account Blowout** The factor which is most notably absent from the national accounts is any semblance of evidence that we are getting on top of our perennial balance of payments constraint. On the contrary, net exports during the September quarter actually detracted from the growth of domestic production, with real imports of goods and services growing by 8.5 per cent while real exports of goods and services actually declined by 0.4 per cent.

Further evidence of the manner in which the current account deficit in our balance of payments is again already ‘blowing out’ was also provided during the last days of November with the issue of the October balance of payments figures and the foreign investment data for the September quarter.

The former figures show that, in the first four months of this financial year, Australia has incurred a (seasonally adjusted) current account deficit of nearly $7.5 billion — an annual rate, if you like, of $22.4 billion. The figures for the ‘trend’ series over the six months to October give an annual rate of deficit which is only slightly less at $21.8 billion. Even this figure — which I in fact believe will understimate the actual outcome — would amount to almost five per cent of GDP; this is a very high figure, by anything but the debased and astonishingly complacent standards to which, over the past decade or so, most commentators in Australia appear to have allowed themselves to become accustomed.

It may be argued, perhaps, that the chief reason why this current account ‘blow out’ is again emerging is that, for the first time during this now quite lengthy upswing, private business investment (particularly in plant and equipment, which has a very high import component) is showing clear evidence of picking up. The national accounts do provide evidence of that: real private investment in plant and equipment during the six months ended September was 13 per cent higher (seasonally adjusted) than in the previous six months, although investment in non-dwelling construction rose by only 1.8 per cent between the same periods.

Yet even if we were to take the most optimistic view of business investment trends, which have a vital role in the task of increasing our potential output, we should not lose sight of the fact that whatever belated business investment recovery may now be occurring is doing so from an exceptionally low base. The slump in business investment over the three years 1989-90 to 1991-92, and the still sluggish recovery in non-dwelling investment, has led to a situation where productive capacity of the national capital stock has been seriously impaired.

All the signs now are that, no sooner has the long-delayed business investment recovery begun to emerge, than we can already see the prospect that it will prove to be extraordinarily short-lived by the standards of past experience.

If so, that will indeed prove to have been bad news for the over 800,000 Australians (9.5 per cent of the workforce) who, in November 1994, were estimated to be formally unemployed (I say nothing of the 500,000 others who, at that time, were categorized as ‘underemployed’, or the more than 100,000 others who had dropped out of the workforce). It is thoroughly depressing to find ourselves already talking about the prospect of a ‘bust’ in 18 months’ time or so when the unemployment rate remains so high.

During our last business cycle, the unemployment rate bottomed in the December quarter 1989 at 5.9 per cent of the workforce. By then, interest rates had been rising for 18 months; and the economy would keep on growing — but not sufficiently to prevent unemployment rising — for another six months or so. Moreover, although as noted earlier our level of economic activity actually bottomed in the June quarter of 1991, it was not until December 1992 that our unemployment rate stopped rising and began, at first very slowly, to fall.

To draw the obvious parallel — but without suggesting that history ever precisely repeats itself — that would suggest that, if our current upswing is to peak in, say, the September quarter of 1996, then the unemployment rate would, by that time, already have been rising from early 1996, and would go on rising until about the end of 1998. In that process, all the Government’s windy rhetoric about getting unemployment down to five per cent of the workforce by the year 2001 (in itself a most unambitious objective) would be blown away by reality. To say the least, any such outcome would be profoundly depressing, from a social as well as from any purely economic viewpoint.

How have we got ourselves into such a mess that this appalling prospect can even be seriously put forward, let alone taken (as I hope it may be) seriously?

It has for some time been blindingly obvious that the two most important problems from which Australia is suffering are an inadequacy of domestic saving and a labour market whose highly regulated rigidities keep on denying people jobs.

**Insufficient Saving** As to the first — the inadequacy of our domestic saving — that is the reason why, year after year, and even more in those ye...s when we have actually seen some rise in our level of business investment, the ‘gap’ between our total investment level and our total domestic saving level has had to be filled by calling on the saving of foreigners. As a result, we have today a (net) foreign debt level which has risen from only 13.4 per cent of GDP at the end of 1982-83 to 36.9 per cent of GDP at the end of September last.

Moreover, although most discussion of this matter tends to focus on the level of foreign debt, the true measure of our cumulative call upon foreign savings is to be found in the wider measure of (net) foreign liabilities as a whole —
including foreign debt, but also embracing all other forms of liability to foreigners, such as their ownership of Australian companies, shares, land or other physical property, and so on. Our total (net) foreign liabilities have risen from 27.7 per cent of GDP at the end of 1982-83 to 54.5 per cent at the end of September.

In short, we have not been paying our way in the world; and even such poor performance as, during those past 11 years, we have been able to chalk up, has been purchased at the heavy cost of incurring (net) liabilities to foreigners of no less than 27 per cent of GDP.

One major reason for the inadequacy of our national saving has been the poor budgetary performances of most of our governments, and particularly our Commonwealth Government. We have heard a lot of boasting about the quality of the Commonwealth's budgetary management under the aegis of the previous Treasurer, and now Prime Minister, Mr Keating. The truth is that at no time during the past eleven years has the Commonwealth Government ever reduced the real level of its 'own purpose' spending. Moreover, the Commonwealth Budget has now been in persistent deficit since 1990-91, and even on the Government's own unbelievable forward estimates, will still be in deficit as far ahead as 1997-98.

Another major reason for the inadequacy of our national savings is to be found in the deterioration of our personal (household) saving behaviour. The roots of this go much deeper than the experience of the past decade or so, important though those years have been in that respect.

As many of the European economies have found, the welfare states which they have all, to varying degrees, put in place are simply not working. The personal incentive patterns which those welfare States have 'bred' among their citizens — and particularly their younger citizens — have gradually led to the evolution of states which cannot meet their emerging liabilities, as more and more of their citizens look to the state to solve their financial problems for them, rather than setting out to provide for themselves. Moreover, the taxation levels to which those policies have led are themselves now rendering those states internationally uncompetitive, so that not only capital, but also many of their most productive people, are moving to more attractive locations.

Welcome to the world, Australians, now confronting us. Labour Market Rigidity The second important problem from which Australia is suffering today — and in some ways it may be almost more important than the first — is the nature of our labour market. There is nothing particularly new about this. The Australian labour market has for many years been growing more and more highly regulated, and more and more efficient therefore at doing what it does best — namely, depriving people of employment.

We now have an economy in which financial markets are almost completely deregulated; in which the market for traded goods has been progressively opened to competition from abroad; and in which on all sides we are told (quite rightly) that we must press ahead with further policies of micro-economic reform in order to raise efficiency, lower costs and allow us to compete in an increasingly competitive world. Within that now much more flexible economic environment, and with even more flexibility still to come, we have a labour market which, particularly in the sphere of federal awards, is now so centralized as to have become a threat to everyone affected, or potentially affected, by it.

The full horrors of the Industrial Relations Reform Act 1993 are, I believe, only just beginning to dawn upon employers. In short, the central purpose of that Act is to put the trade union movement in charge of the labour market. This approach, akin to putting the fox in charge of the fowlyard, is manifested in all manner of ways, but the most obvious are to be seen in the provisions which require any employer who has even one union member among his workforce to notify that union before embarking upon any discussions with his employees with a view to altering (including improving) their conditions of employment.

Then there are all the new potential penalties to which employers render themselves liable by taking on new employees — penalties for allegedly 'unfair dismissal', for alleged 'discrimination' on any of half a dozen fashionable grounds, and so on.

Next, there is the fact that the new Act, on the trumped-up grounds of giving effect to an ILO Convention, purports to cover not merely employees of corporations, but virtually the entire workforce, including unincorporated businesses, partnerships, sole proprietorships and so on.

Employers no longer have the protection of the 'secondary boycott' provisions (sections 45D and 45E) of the Trade Practices Act, which have been repealed. Nor can they now bring actions on industrial matters in the real courts of the land, unless they have been granted special leave to do so by the new so-called Industrial Relations Court, a kangaroo-like body now set up to dispense trade union 'justice' in what we all know to be its scrupulously impartial manner.

It is clear that as the full rigours of the new Act do their work — and are seen by their potential victims (otherwise known as employers) to do so — providing jobs in Australia is going to go increasingly out of fashion. Why would you bother? Why not, rather, take your skills, and your energies, and your capital, elsewhere, to countries not so far away where job-creation is still regarded as socially valuable, and those who engage in it (employers) are therefore still welcome as valued members of the community.
do we need an imported bill of rights?

Peter Durack

IN 1973 and 1986 the Federal Government of the day introduced but abandoned a Human Rights Bill based on the United Nations International Covenant on Civil and Political Rights. It now seems likely that there will be an implementation of bits and pieces of this Covenant as the Government responds to ad hoc pressures of the kind we have recently seen, such as that arising from the Toonen case concerning Tasmania's laws against homosexual activity between consenting adults in private.

As a result of Australia acceding to the jurisdiction of the United Nations Human Rights Committee, it seems most likely that there will be a growing problem with the application of the Covenant in Australia. The success of the Toonen complaint will only enlarge the problem. Already eight complaints including Mr Toonen's have been submitted. Three of these have been held to be inadmissible but there are still four more to be heard. No doubt there will be many more.

The pressure which has been brought to bear on the Federal Government and Parliament as a result of the finding of the UN Committee in the Toonen case has been quite extraordinary and highly effective. It has led to

The Hon. Peter Durack, QC, was a Senator for Western Australia from 1971 to 1993. He was Attorney-General from 1977 until the defeat of the Fraser Government in 1983.
the introduction and certain passage of the Human Rights (Sexual Conduct) Bill. Under the Bill, Article 17 of the Covenant — which states that “no-one shall be subjected to arbitrary or unlawful interference with his privacy” — itself becomes the guaranteed right in Australia, apart from the addition of an age limit of 18, for such private conduct. Accordingly, the High Court will have to interpret the meaning of the Article in its new guise as a guaranteed right affecting State and Territory laws as well as Commonwealth laws.

Article 17 of the Covenant was one to which the Fraser Government — which ratified the Covenant — added a reservation. A number of the Covenant’s broad guarantees of rights are subject to restrictions provided by law which are “necessary to protect national security, public order, public health or morals or the rights and freedoms of others”. Other articles have rather detailed qualifications of their own included within the article itself. However, there are some provisions such as those on torture, cruel or inhuman punishment, slavery and privacy which do not have any express qualifications. It was thought that Article 17 which relates to such a wide area of legal intervention by Government (both State and Federal) should also have the standard qualification I have quoted. At first glance it may seem surprising that Article 17 does not contain a qualification of some kind. However, the Article does not specifically guarantee a general right of privacy. It deals only with “arbitrary or unlawful interference” with a person’s privacy and requires the protection of law against such interference.

Incidentally this particular Article also extends to interference with “family, home or correspondence” as well as a person’s honour and reputation. As there are vast areas of law in any civilized country impinging on all these subjects, it is quite clear that the drafters of this Article placed very great reliance on the requirement that there should be no “arbitrary interference” with any of these matters. The word ‘arbitrary’ is used quite extensively in the Covenant and no definition of it is provided. However, it seems clear that it has a fairly limited meaning. The UN Human Rights Committee in the Toonen case gave it the meaning of ‘unreasonable’ but this seems to be far too wide a meaning and is certainly not according to the Oxford dictionary.

Another Article of the Covenant which has received a good deal of attention in recent years is Article 20 which prohibits propaganda for war and advocacy of national, racial or religious hatred which incites hostility, violence or discrimination. This was also a subject of reservation on the ratification of the Covenant which acknowledged the existence of some legislation in Australia on these matters and reserved the right not to introduce any further legislation. Interestingly, the Hawke Government — which in December 1984 withdrew most of the reservations which the Fraser Government had made — did not remove this reservation but stated that it would be reviewed when legislation proscribing racial hatred propaganda was introduced. Ten years later the Government is proceeding with legislation of that kind. It is again proving very controversial and is a good example of the selective way in which this Covenant has been treated by the Federal Government.

**Objections** There are major objections to this approach to protecting civil and political rights. In the first place, the Commonwealth’s power only arises under the treaties which it has entered into and it is confined to the straight-jacket of those treaties. It cannot implement anything in Australia which is not contained within the four corners of the treaty. The decision of the High Court in the Political Broadcasts case may well have provided a more satisfactory guarantee of freedom of public discussion than the guarantee of freedom of expression in the Covenant.

Secondly, the Covenant is deficient in a number of respects. It does not rule out the death penalty nor does it define when life begins. Its definition of the family is too contradictory, ambiguous and vague.

Thirdly, if Australia is to have a Bill of Rights, it should be adopted by the people of Australia voting at a referendum to amend the Constitution. It is not good enough to have a Bill of Rights introduced by a bits-and-pieces approach by only the Federal Parliament acting on a power which is not seen to have legitimacy by large numbers of the Australians.

Finally, the Federal Parliament may at any time repeal all or any such legislation.
DO WE NEED AN IMPORTED BILL OF RIGHTS?

The International Covenant on Civil and Political Rights should not become a de facto Bill of Rights for Australia. Whether Australia should have a Bill of Rights is a legitimate and important debate and it is in fact on the agenda for the reform of our Constitution which is already taking place as we move towards its centenary. It is vitally important that any Bill of Rights which may be adopted for Australia should be a homemade product and should reflect our own traditions of law and government.

That is not to say that the International Covenant should be ignored or that our own Bill of Rights, were we to have one, would not substantially accord with it. The International Covenant itself has been developed from those traditions of democracy and the rule of law which have animated our own structure of government. It was the incredible devastation of those standards and traditions by the dramatic events of the first half of the 20th century which led the new United Nations to proceed early in its life to prepare the Universal Declaration of Human Rights in 1948. The International Covenant was an attempt to put some flesh and blood on those basic principles of human rights.

The International Covenant came into force in 1976 and was ratified (i.e. adopted) by Australia on 4 August 1980. That does not make the Covenant part of Australian law. It has to be enacted as law through our own legal system. That may occur either by Acts of the Federal or State Parliaments or by the Courts in their development of the common law. In the latter case, of course, their decision may be overruled by a parliament with the authority over the particular question at issue.

Although the ratification of the International Covenant by Australia does create an obligation under International Law on Australia, the nature of that obligation is very different from the legal obligation which is created on all Australians by Australia’s own laws. These are enforced through the Courts and breaches of them can result in various sanctions. By and large, international obligations are not enforced in that manner.

An international agreement (treaty, convention, covenant, declaration etc) is likely to be couched in very wide terms with many qualifications added to these generalizations. There is, therefore, a good deal of room for debate about what should or should not be done by any State party to a covenant when giving effect to it in its own jurisdiction. The International Covenant is a good example of this and, indeed, despite its ratification in 1980, very little has been done to implement it directly into the law of Australia. This is partly due to the fact that Australian laws largely conform with the general principles of the Covenant. Australia makes reports to the UN from time to time on the observance of these principles in Australia and comments may be made to Australia from the United Nations Human Rights Committee to which Australia may respond.

Before the Fraser Government ratified the Covenant, it went to great pains, by consultation with the States, to ensure that Australia would be able to satisfy the international community that its laws were in conformity with the principles of the Covenant. Indeed, Australia was even more careful than that. As there were some doubts about the conformity of some laws and practices in Australia both at Federal and State level with certain provisions of the Covenant, Australia made a number of formal reservations as conditions of its ratification. That means that Australia declined to accept any obligation in respect of these matters.

The most important reservation made by Australia was to state quite explicitly that its obligations under the Covenant would be implemented in accordance with the division of powers in Australia between Federal and State Governments. The Fraser Government took this view because it was anxious to ensure that Australia’s adherence to the Covenant would not mislead the international community. Indeed, the United States took much longer than Australia to consider whether it was in a position to ratify the Covenant and only did so quite recently.

Complaints In September 1991 the Hawke Government acceded to the first optional protocol of the International Covenant which enables the UN Human Rights Committee to receive complaints from individuals in the State parties to
The Rights which are qualified by a standard restriction are marked with an asterisk. The standard restriction allows laws to be made which "are necessary to protect national security, public order, public health or morals or the rights and freedoms of others and are consistent with the other rights recognized in the present Covenant".

- The rights guaranteed by the Covenant are to be enjoyed by all individuals without any discrimination.
- Effective remedies must be provided for violation of rights.
- The right to life; but the death penalty is allowed on certain conditions.
- Torture or cruel, inhuman or degrading treatment or punishment is prohibited; so is medical or scientific experimentation without consent.
- No individual shall be held in slavery or servitude or required to perform compulsory labour. However, this does not apply to prison labour, military service, cases of emergency or work which forms "part of normal civil obligations".
- Right to liberty and security of person. However, arrest and detention under laws which largely follow those of habeas corpus are allowed.
- Prisoners are to be treated humanly and accused persons separated from convicted persons in prisons and juvenile persons to be separated from adults.
- No-one is to be imprisoned for breach of any contract.
- Freedom of movement and choice of residence for anyone lawfully within a country and freedom to leave it.
- Aliens can only be expelled according to law and due process.
- Equality before Courts and Tribunals. This article sets out an elaborate code of procedural fairness including the right to legal aid if the accused person cannot afford it.
- No-one shall be liable for any retrospective criminal offence.
- The right of recognition as a person before the law.
- No-one shall be subject to arbitrary or unlawful interference with his privacy, family, home or correspondence nor to unlawful attacks on his honour and reputation.
- Freedom of religion and religious practice.
- Freedom of expression.
- Propaganda for war and advocacy of national, racial or religious hatred is prohibited.
- Peaceful assembly.
- Freedom of association.
- Right to marry and found a family.
- Rights for children to be protected.
- Right to take part in public affairs "without unreasonable restrictions".
- Equality before the law.

The Covenant about alleged breaches to it. This committee is set up by Article 28 of the Covenant and has a major role to play in receiving reports from state parties and making comments on their progress or lack of progress about the development of laws and remedies to give effect to the Covenant. It can also deal with complaints by one state party against another state party if both have adopted its jurisdiction about compliance with the Covenant.

The committee has no direct powers of enforcement but simply a role of advising and making recommendations. Nevertheless the finding of the committee is no doubt an important event and, depending upon the quality of its finding, could be influential. The findings of this committee could be seen as the view of the international community about the conduct of one of its members and could be the foundation of severe criticism if action were not taken by the state party in default. A finding of the committee is not enforceable in domestic law and can only become so as a result of legislation in the domestic jurisdiction. How far a finding could itself be used by the Federal Parliament to enact a law under the External Affairs power is undecided. However, the committee's interpretation of the Covenant which is sought to be implemented into Australian law could well influence the High Court in giving its own decision on the question.

It is just as well that the United Nations committee cannot enforce directly in Australia its findings on the application of the Covenant to a particular situation. The committee's method of arriving at its views on any matter before it would breach the procedural fairness requirements of Article 14 of the Covenant which states "all persons shall be equal before the Courts and Tribunals". The committee does not sit in public (as specifically required by the Article) and it makes its decision on the basis of written submissions from the complainant and the state party concerned. In the case of a federal state, it does not receive any submission from the provincial government, even if it is the alleged offender. The committee does not receive any evidence from witnesses and therefore the allegations of fact are untested by cross-examination. Nor does it listen to any oral argument by counsel for either party. Finally, it is not obliged to give any reasons for its decision.

Bills of Rights in other nations of the world have been developed for the nation itself. The International Covenant on Civil and Political Rights was an effort of the international community after the Second World War to provide a standard of decent government for the many countries in the world which had never known freedom or had forgotten what it meant.

Australia, with its robust democratic traditions, should be capable of doing better than this.
Both the Federal Government and the Coalition have recently released cultural policies. One is worse than the other, but both should make us uneasy.

*Victoria State Opera Production, 'The Magic Flute'*
"Art, taken out of its narrow and isolated circle, again stands in the midst of the people and from there exerts its strong influences on the whole nation. To be sure, the political leadership has interfered in this, and today it still interferes daily and directly. But this occurs in a way that can only work to the benefit of the German artist: through subsidy, the commission of works, and a patronage of the arts, whose generosity is unique in the whole world ... Germany marches ahead of all other countries not only in art but also in the care which it showers upon artists ... They belong to us and we to them ..."

Dr Joseph Goebbels
Address to the Joint Congress of the Reich Chamber of Culture and Strength through Joy, 1937.

D R Johnson, I think, commented to the effect that it was difficult to express a preference between a flea and a louse. Similar difficulties arise when considering the Government's recently-released Creative Nation and the Opposition's 1994 policy statement, The Cultural Frontier. Both are depressing documents, though one is lousier than the other.

Creative Nation, at 102 pages, is longer, more lavish, and worse. It commences in a stream of flatulent and vaguely pernicious clichés from something called the Cultural Policy Advisory Panel:

"There has probably never been a better time than the present to re-assess our national cultural policy. Australia, like the rest of the world, is at a critical moment in its history. Here as elsewhere, traditional values and ideologies are in flux and the speed of global economic and technological change has created doubt and cynicism about the ability of governments to confront the future. What is distinctively Australian about our culture is under assault from homogenised international mass culture.

"Ironically, our culture has never been more vital than it is now. At every level of society Australians are engaged in cultural activities that are helping re-invent the national identity, and most Australians would agree on the need to enhance and enrich our culture. To achieve this, cultural policy must enter the mainstream of federal policy-making ..."

The introduction makes reference to "a distinct set of values and views reflecting a distinctly Australian experience". One wonders: what are "distinctly Australian values"? The professed ethics of mateship expressed by former Senator Graham Richardson, perhaps? It goes on:

"We have to engage with it and put the stamp of Australia on it ... the ultimate aim of this cultural policy is to increase the comfort and enjoyment of Australian life. It is to heighten our experience and to add to our security [sic] and well-being ..."

The author, apparently suffering a confusion of identity with the heroine of Gidget Goes Hawaiian, continues:

"We enable ourselves to ride the waves of global change in a way that safeguards and promotes our national culture."

'Austrobabble' The Cultural Frontier (22 pages) is written in not dissimilar 'Austrobabble' (the New Nationalism's dialect of psychobabble). Varying a limited vocabulary with rather less skill than a Dr Seuss reader, it refers to:

"Our rich indigenous heritage and vibrant multicultural society ... a unique Australian cultural tradition ... Australia's rich and unique cultural diversity ... our unique heritage and diverse culture ... our rich and unique cultural identity ... Australia's rich and diverse culture ... Australia's rich and diverse cultural identity."

Just in case we have not got the message, we are then told, under the heading "Unashamedly pro-Australian" that: "The Coalition believes that we have every reason to be proud of our [wait for it] uniquely Australian heritage and culture." The use of quotes in phrases like the new 'electronic age'" gives one the odd feeling of having strayed into a Noddy book circa 1950.

While one of The Cultural Frontier's stated priorities is to "Ensure that decisions about financial assistance to artists are based solely on merit, and not subject to political and other forms of interference" (a concern which seems absent from the Keating document), no way of actually ensuring this is set out. It would, indeed, be interesting to know what, if any, mechanism the Coalition intends putting in place to bring about such a state of affairs.

Both documents, but particularly Creative Nation, have horrible and meaningless neophilic jargon. The pseudo-scientism seems particularly ironic when this huge grant to 'culture' from the public purse has apparently been accompanied by a cut-back to the CSIRO. An obsession with

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His most recent book of verse is The Stonehenge Syndrome (William Heinemann Australia).
What about the things that are not "uniquely Australian"? The things that connect us to the Western tradition? The things, to coin a phrase, that matter?

...
That Australia II be set to sail the waters of Lake Burley Griffin like the gigantic barges the ancient Romans once floated on Lake Nemi.

Government, elected in 1972, established the Literature Board of the Australia Council to provide support to writers and publishers. This fails to mention, in the context, that until then there had been the Commonwealth Literary Fund which had done the same thing and, if the quality of literature produced means anything, had apparently done it rather better.

Counted among government cultural activities in the Keating document is the taxpayer funding of not only the ABC and SBS, both of which appear to have political agendas in some areas at least, but also the sleazy radio Triple-J, which has nothing to do with culture and which is profoundly ideologized.

*The Cultural Frontier*, to give it a little credit, does not seem to think political control of culture would be a good thing, claiming: “Under no circumstances should governments use the arts community as a means of furthering their own political objectives or political agendas.” However, it also states: “A Coalition Government will encourage the media to be conscious of the importance..."
of portraying and reflecting Australia’s unique multicultural society.” Now how exactly would it do that, one wonders? The Coalition in government seems to have made a pretty poor job of encouraging the media to do its bidding in other more important areas. For that matter, should it have an ethic of “encouraging” the media in the political correctness of the day?

**Convergence** What is the view of Australia, and of culture, that underlies each document? Both take it for granted government involvement in the arts is a good thing: people have no right to withhold support from arts they do not wish to patronize and a guardian class should take their money and spend it on these activities for them.

They agree that subsidized arts create employment: the Keating document on this occasion claims that 336,000 Australians are employed in “culture-related” industries; the Coalition document more modestly says “many thousands” — one is reminded of the shoe-production figures for Oceania in Orwell’s 1984.

Both apparently believe contemporary rock music to be a cultural activity worthy of — and in need of — support from the public purse (part of that culture which is, to quote from the Keating document, “a measure of civilization, enhancing and ennobling human existence”).

They seem to be vying with each other in parochialism. *Creative Nation* invokes as cultural icons xenophobes like Henry Lawson, who wanted Asians exterminated and suggested they would plot with Jews to invade Australia, and Joseph Furphy, who also warned against the “slant-eyed menace”. Major premises are not examined but handed down like sacred wisdom: why are “traditional values in flux”? (Never was closeness of style and substance so well demonstrated as in the crude bureaucratic-barbaric literary style displayed here.)

Of the Coalition document, one might ask: what about the things that are not “uniquely Australian”? The things that connect us to the Western tradition? The things, to coin a phrase, that matter? The Western tradition is not something Labor’s cultural apparatchiks are particularly keen about, but might we not expect the Coalition to indicate some awareness of the fact that it exists?

Meanwhile, and even setting aside the directly political implications of the Keating document, the crude utilitarianism and philistinism underlying it — the hailing of culture as an industry — suggests that those artists who rush to embrace it may find they have entered into a Faustian bargain. ■

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Duplicitous Duplication

THE 1993-94 annual report of the Industry Commission (IC), which runs to a massive 416 pages, devotes a chapter and three appendices to the economic implications of existing Federal-State arrangements. The Commission does not directly pursue the standard line of proposing a reduction in the vertical imbalance between the States and the Commonwealth, as reflected in the extensive reliance of the States on Commonwealth grants for revenue (about 40 per cent). The resultant imbalance between States' expenditures and their own revenue-raising is often regarded as undesirable because it is perceived as making State governments less accountable to their electorates. The Commission does address the issue indirectly by pointing out that the States rely on inefficient taxes to raise their own revenue. Even there, however, it notes the not inconsiderable scope which is available to the States to improve the efficiency of their existing taxes.

The IC's general conclusion is that "a strengthening of cooperation between Australian Governments is necessary to improve Australia's economic performance," although it also observes that "competition between governments complements inter-governmental cooperation by establishing best-practice models of reform". Disappointingly, however, the IC does not explore those areas requiring national uniformity and those where inter-State competition might provide the best solution, contending itself only with the following statement of the obvious: "While some issues can best be dealt with by competition between governments, others cannot. Where competition detracts from, rather than enhances, community welfare, cooperation between governments is necessary." (!) When the nation's predominant exponent of the benefits of competition appears to dodge that important issue, this heightens one's concerns about pressures from Canberra to avoid being politically incorrect by identifying responsibilities which the Commonwealth should leave to the States.

The IC does, it is true, suggest, "there is an urgent need for a thorough assessment of the extent of duplication in service provision and administration between governments and its costs to the economy". But this limited suggestion is made in the face of an analysis of Commonwealth specific-purpose payments (SPPs)1 to the States which ought to have led to the conclusion that the majority of such payments serve no useful economic purpose and ought to be abandoned. The fact is that we don't need any more analysis of, or information about, most SPPs: what is needed is a recognition that, for the most part, SPPs only exist because they allow the Federal Government (and the Federal bureaucracy) to exercise political power.

Such a conclusion was derivable from the IC's own analysis of specific-purpose payments. That it failed to draw it must be attributed to a desire to avoid causing offence to a government whose centralist tendencies are becoming more evident day by day.

The key part of the IC's analysis comes at the end of the section analysing specific-purpose payments and their treatment by the Commonwealth Grants Commission under the fiscal equalization principles used in determining the distribution of general-purpose payments (GPPs) amongst the States. There the IC recognizes that about three-quarters of SPPs to the States — about $8 billion worth in 1993-942 — are treated by the Grants Commission as if they are GPPs. Thus the Grants Commission effectively takes the view that, if the Commonwealth Government distributes, say, a health SPP among the States differently from the distribution which it (the Grants Commission) assesses as necessary to achieve fiscal equalization, it must make an offsetting adjustment to the recommended distribution of GPPs. That then negates the distribution of the SPP. This procedure thus makes nonsense of Treasurer Willis's claim that "Tied grants offer a means of satisfying broader community demands for minimum national standards in program areas such as health and education and, where the Commonwealth has a role in determining strategic goals, of fostering the optional provision of public services by States from the available resources."3 To the extent that this statement purports to apply to the 75 per cent of SPPs which the Grants

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Commission treats as GPPs it is simply wrong. Indeed, in the two areas specifically mentioned by Mr Willis — health and education — levels of hospital and school services vary quite widely among the States and it is each State, not the Commonwealth, which determines the total amount spent on such services. **Tied Hospital Grants** This is not to suggest that the Commonwealth has no influence on the way in which State services are provided in areas which are the subject of SPPs. In the case of public hospital services, for example, the hospital funding grants (totalling $4.5 billion in 1994-95) are subject to the condition that States provide free treatment in public hospitals. This clearly has major implications for State budgets and policies. Indeed, total expenditure by the States on the provision of public hospital services far exceeds $4.5 billion. However, because Medicare Agreements prevent a State from charging middle- and higher-income groups for the use of such services, States are severely inhibited in their capacity either to divert resources from this to other areas or to reduce taxation.

A component of the inefficient and regressive State taxes about which the IC complains can thus arguably be said to be raised by the States to help them meet the cost imposed on them by the Commonwealth policy of providing free hospital services to middle- and higher-income groups — a strange 'strategic goal' for a Commonwealth Government to pursue, especially a Labor Government. Moreover, it is the State governments which bear the brunt of complaints about hospital waiting lists even though such waiting lists largely derive from the Commonwealth-imposed policy of free treatment.

However, while the free-treatment condition attached to the hospital funding grants has important implications for States' finances, there is no justification for the hospital funding grants to be administered by the Minister for Health; indeed there is no need for separate hospital funding grants at all. As was the case prior to 1988-89, these grants are, in essence, general-purpose grants with a condition attached — but a condition that does not determine the standard or overall level of such services.

As with a number of other SPPs, the hospital funding grants are what the IC describes as "fungible", by which it means that the grants simply displace States' funds (including funds derived from GPPs) which would have been used for the same purpose. It is relevant in this regard that the IC concludes, "if SPPs were found to be fungible, this would raise the question of why have them, especially if real costs are attached to SPPs arising from complex administrative requirements and larger bureaucracies associated with their administration" (emphasis added). What is puzzling is why the IC did not come straight out and say that the SPPs included by the Grants Commission in its analysis have no substantive economic justification as separate and specific grants.

**Exceptions** There may, of course, be circumstances in which the Commonwealth is (or would be) justified in economic terms in making SPPs to a State. Thus, there may be 'under-spending' by a State, because the benefits of higher spending would not all accrue to the residents of that State. That is why defence is a responsibility of the Commonwealth. Other examples where Commonwealth intervention may be justified because of 'external' benefits include inter-State highways and universities in small States. However, particularly given Australia's fiscal equalization system (which in a sense incorporates a 'spillover' component in Commonwealth general revenue grants for the less populous States that allows those States to take account of the potential for 'under-spending' because they have higher per capita costs in providing certain services), the economic cases justifying such SPPs are likely to be rather limited. Moreover, the much criticized fiscal equalization system runs directly counter to the notion that the Commonwealth Government should set a uniform national standard, or at least a minimum uniform national standard, because its very basis is to allow each State the autonomy to determine its standard of services and its burden of taxation without being disadvantaged in an overall fiscal sense.

The IC analysis of SPPs has produced little or no public comment, probably because the Commission's reluctance to follow its analysis to a logical conclusion left the situation rather obscure. Nonetheless that analysis may be an important step towards exposing the duplicitous and costly duplication which exists in the case of most specific-purpose grants to the States. To get any further will require the Federal Opposition to take up the cause of abolishing most Commonwealth SPPs. Given that this would involve a major forsaking of the potential to exercise political power and influence, I would not be rushing to place bets on such an outcome.

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1. Specific-purpose payments are those which have some condition attached to their use. General-purpose payments can be expended for any purpose.
2. The Commonwealth also made specific-purpose payments through the States totalling $6.3 billion in 1993-94, making total SPPs equal to $16.7 billion, excluding $1.3 billion of repayments.
4. Commonwealth Grants Commission data indicate that in 1992-93 current spending by the States on public hospital services was about $7.1 billion. Commonwealth hospital funding grants in that year totalled about $3.9 billion.
5. A State does have an incentive, however, to improve the efficiency of such services as any savings do not reduce its Commonwealth hospital funding grants or its share of general-purpose grants.
6. Of course, if they were to be eliminated altogether, that would pose significant financial difficulties for the States unless replaced by general-purpose grants.
Society is under pressure to recognize the right of homosexual couples to raise children.

But what about the rights of the children?

The Sum of Us Directed by Kevin Dowling & Geoff Buton

Is the nuclear family still the norm in our society? Is it ideal in some sense and, if so, would it follow that sole parents and their children must be deemed to be members of deficient families? Is it okay for homosexual couples to form families, either by means of the reproductive technologies currently available or through adoption? These are vitally important questions, but our efforts to answer them seem to me to be seriously hampered, rather than helped, by the currently fashionable thinking with regard to the complex issues they raise.

This new ‘orthodoxy’ may, I believe, be fairly summarized as follows: It is a mistake to regard the nuclear family as normative, or as representing some sort of ideal for humanity as a whole, for we know that it is just one of a vast number of family types that one finds in an endless variety of socio-cultural and historical settings. To talk of the nuclear family, or indeed of any other kind of family or social arrangement, as being ideal or the norm is an attempt to make all families conform to a narrow, rigid stereotype, stifle diversity and impede the emergence of new, innovative and creative family forms; moreover, it casts a slur on sole parents and the children they valiantly struggle to raise. Further, since everyone knows that the single most important ingredient in child rearing is the love and care that committed parents provide, and that homosexual couples are just as capable of providing loving care to children as heterosexual parents, then there is no reason why children should not be raised by homosexual couples — or, at least, no good reason, but only superficial objections motivated by homophobia.

In answering the question of the ‘normativity’ of the nuclear family, it is important to distinguish between the descriptive sense of ‘norm’, which refers to empirical or statistical frequency, and the prescriptive, moral-evaluative sense of ‘norm’ implied in the question, “Is the nuclear family the desirable form and pattern of family living in our society?” It is clear from data provided by the Australian Bureau of Statistics that the nuclear family is normative in

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the first sense. Of the 4,502,000 families in Australia in June 1991, there were 3,849,200 married-couple families, 383,500 single-parent families, and 269,400 'other families'. The overwhelming majority of dependent children lived in homes with two parents. The more complex and demanding question concerning the desirability of the nuclear family can best be answered, I believe, by briefly reflecting upon the historical origins of this modern family form.

**Affluence and Freedom** Outside of modern, affluent, large-scale industrial societies, there is a whole host of vastly different marriage patterns and child-rearing practices, though generally speaking, these widely diverse practices are functionally linked to the survival needs of the small-scale, traditional communities in which they are embedded. However, once a critical point of affluence is reached in any of these societies, one finds that the hold of traditional social practices (polygamy, arranged marriages, etc.), which were essentially geared to survival, tend to decline and to be replaced by freely-formed nuclear families. Whereas in pre-industrial societies there is a pressing necessity for marriages to be arranged for primarily practical, economic purposes, in modern, industrialized (or industrializing) societies, young 'marriageable' people are generally free to marry whomsoever they please, though the exercise of this free choice is frequently influenced by the advice of concerned parents. Thus, economic affluence facilitates or engenders the wish of young people to choose their own, lifelong, exclusive marriage partners (polygamy, in particular, seems to be unable to survive conditions of affluence) and to rear their own 'love-children', that is, the progeny of their freely-chosen intimacy.

I am not of course suggesting that monogamous nuclear families (and extended families of which the nuclear family is the readily identifiable 'core unit') are to be found only in more affluent societies, for the nuclear family form predominates both in affluent and non-affluent societies. However, I do wish to stress that a high degree of autonomy in choosing one's spouse for a lifelong, monogamous family-union does seem to be found only in more affluent societies.

My own view is that conditions of affluence generate not just a 'freer' but also a more 'natural' society. If we define 'natural' as 'that which comes (freely and spontaneously) of itself under appropriate conditions', then the desire of young marriageable persons to enter into a lifelong, exclusive relationship with their freely-chosen marriage partners is eminently 'natural', and springs spontaneously, so to speak, from the human heart when conditions are ripe. Also perfectly natural in this sense is the desire of spouses to provide a stable environment or structure in which to rear and care for their children.

What is also natural (though this is a point that is seldom considered at the present time) is that children should wish to be raised in an atmosphere of love and loyalty provided by their own parents. This is not to say that those non-affluent societies where children are not reared primarily or exclusively by their parents and immediate kin, are to be condemned as 'unnatural'; it is, rather, to say that such child-rearing practices, though acceptable under conditions of subsistence, tend to be experienced as 'unnatural' once conditions of affluence begin to erode their point and functionality for survival. Thereafter, 'what comes of itself' is a desire on the part of parents to raise their own children and a corresponding and complementary desire on the part of children to be raised by their own parents and immediate kin. (I should perhaps note at this point that the 'liberation' enjoyed by members of more affluent societies from the functional necessities of subsistence is by no means an unqualified good, for affluence, in facilitating greater individual freedom, also affords more opportunities for the irresponsible exercise thereof.)

**Sole Parents** These considerations strongly support the desirability of the nuclear family (Mum, Dad, kids). One is tempted to ask at this point, "Who really doubts it?" The vast majority of sole parents don't doubt it; they would much prefer not to be sole parents and would be either bemused or insulted if it were suggested to them that they had deliberately chosen sole parenthood. Some are angry and resentful because they feel that they have been wrongly abandoned by their spouse; some are guilty because they feel that they have left their spouse for reasons which, in retrospect, appear flimsy and ill-considered; and others, again, have left because the pain of ongoing conflict and hurt was just too much to bear.

Only rarely is sole parenthood a deliberate lifestyle choice, and this is hardly surprising. Anyone who takes the time to listen to sole parents will know that raising children on one's own is incredibly difficult, time-consuming, lonely and emotionally draining. It is also 'impractical' in a sense understood only too well by sole parents, for being 'sole', they cannot be in two places at once (with one child in hospital, for example, and another who needs to be driven to school). Sole parents are, of course, to be commended for their steadfast perseverance and for a sacrificial love of their children that can only be described as heroic. However, those who know what it is really like to be a sole parent, generally don't recommend it.

The strongest challenge to the normative ascendancy of the nuclear family comes from quite a different source, namely, from the widespread view that it is perfectly legitimate and unexceptionable for stable homosexual couples to use modern reproductive technologies and surrogacy to have their own families, since what children need, first and foremost, is to be raised with love and care and, as is more frequently said, in a 'loving environment'.
Just as racists seldom see themselves as being racist, or sexists as being sexists, so, too, adultists avail themselves of an ideology which casts an aura of propriety over their own adultist attitudes and an aura of impropriety over the views of their opponents.

Admittedly, it is no easy matter for us to say precisely what we mean by a ‘loving environment’, but this much at least can surely be said with some degree of certainty: love wishes the best for, and acknowledges the authentic needs of, its ‘object’, and wishes whoever or whatever it loves to develop in accordance with its own nature. Loving a child, I maintain, means acknowledging that the child’s natural wish and deepest need is to be raised, where possible, by its own natural parents.

Adultism

Whenever couples insist upon realizing their desire to have a family by using reproductive techniques in a way that flouts the rights of the children-to-be-born, they are properly describable as ‘adultists’. What I call ‘adultism’ is in many respects more sinister and deplorable than other unsavoury -isms, such as racism or sexism, for it negates the interests and rights of those who are least capable of looking after themselves or of raising their voices in articulate protest.

Until recently, ‘adultism’ has been a vice exhibited, not by homosexuals, but almost exclusively by heterosexuals. Divorce is a case in point. (Is abortion another?) Whilst some divorces are justifiable in the best interests of the children involved, many take place as a result of a decision by one or both parents to put their own personal ‘needs’ (sometimes more aptly described as ‘whimsical wishes’) above the needs of their family and children.

In one sense (and, I believe, in essence), adultism is simply the willingness exhibited by certain adults to negate the interests of their children in their own, or what they perceive to be their own, interests, or to disregard the rights of children when they conflict, or appear to conflict, with their own alleged rights. However, just as racists seldom see themselves as being racist, or sexists as being sexist, so, too, adultists avail themselves of an ideology which casts an aura of propriety over their own adultist actions and attitudes and an aura of impropriety (of ‘political incorrectness’ or ‘ideological unsoundness’) over the views of their opponents.

This holds true for the currently emerging adultist variety of gay ideology, which endorses the ‘right’ of homosexual couples to have a family by means of reproductive technology as a legitimate lifestyle choice, and which regards any opposition to this ‘right’ as homophobic, anti-gay, based on narrow, traditional, heterosexual modes of thinking etc. This kind of adultist rhetoric leaves no room for a dispassionate consideration of what is in the best interests of children.

Adoption

The question of the desirability of homosexual couples forming families by adopting children is of course an entirely different one. The fear that is popularly expressed is that homosexual couples will parade their homosexuality before their children, and it is likely that homosexual parents of adopted children would use the same good sense.

Nevertheless I believe that heterosexual couples are preferable to homosexual couples as adoptive parents for the following reason. We, as a society, wish the best for our children. Under today’s conditions of affluence and freedom, it is possible for us realistically to expect that our children will, in general, develop into mature adults who will experience a depth of intimacy which is mirrored in the unity of sexual intercourse and that issues in the birth of a child — who is then reared by our ‘children’ (now husbands and wives!) as their very own. This is an important part of what we mean by ‘the best’ for our children. To achieve this it is important that our children be provided with appropriate role models; they need actually to experience a mother and father interacting with each other as husband and wife. If, for whatever reason, it is not possible for children to be reared by their own parents, then they should be raised in a manner which approximates the nuclear family model as closely as possible.

There are then good reasons for preferring heterosexual couples to homosexual couples as adoptive parents, particularly in a society such as ours in which the number of heterosexual childless couples wanting children far exceeds the supply of children available for adoption.

It does not matter in the least, incidentally, whether or not adopted children are, or turn out to be, homosexual or heterosexual. Homosexuals love their parents just as much as heterosexuals do, and very few, to my knowledge at least, regret having had the experience of a Mum and Dad who loved them dearly. What does matter is that every child should have the real, lived experience of a mother and father, so that they will have the opportunity, as well as the wherewithal and the role modelling, to do and to be the same. My intention here is not to pass any kind of moral judgment on homosexual relations themselves, but only to point out that the kind of role modelling provided by homosexual couples is inappropriate if, as we should, we wish the adopted child to experience our human nature at its best. ■

Consultation & the Capture of Government

Demanding to be heard in a democracy is legitimate; but pressure groups are now insisting on, & obtaining, compliance from government.

But the form that the once unexceptionable right to be heard has now taken is not the vital democratic right of access to publications, the press, the air-waves and television. Far, far more is now demanded. Governments are expected not only to take notice of every imaginable natural and self-styled interest group, but to act upon the views expressed by their representatives. Consultation, as the word is currently used, no longer refers to the right to be heard but instead to the right to be heeded.

The difference between the right to be heard and the right to be heeded is subtle. Who would take exception to the notion that good government is consultative government? Who would deny that modern democracy properly requires of its governments constant and thorough consultation with all relevant groups and bodies to inform and guide decision-making processes?

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It is surely axiomatic that a good decision is an informed decision. A bad decision can suffer from lack of consultation in at least two ways: it can be hasty and careless, and it can be autocratic. Thus, a consultative government avoids both pitfalls by ensuring that sufficient information is gathered from appropriate sources prior to any decisions being taken, and, in the process, shows itself willing to consider views which may conflict with its policy intentions and methods of implementation.

Nothing could seem more sensible, more enlightened, more democratic. But nothing, I shall argue, is more insidiously dangerous to sensible, enlightened and democratic government than the way in which consultation is presently being insinuated into governmental process.

The word has a seductively civilized connotation, being suggestive both of a socially-responsible political awareness on the part of its users, and their commitment to seeing that minority interests are given due weight. Their demands that the government consult them have come to seem like the voice of justice, of fairness, protecting the weak and powerless. They have usurped the moral high-ground with their use of this ostensibly unaggressive and enlightened word.

When spokespeople for Victorian teachers complained that "there has been no consultation" by the Government on its decision to close under-utilized schools and thereby reduce the number of teachers on the State's payroll, the implication was that the Government had made an ill-informed and immoral decision: that had the Government consulted Victorian teachers it would have reached a different, more humane conclusion, and taken different, fairer and more just decisions. A similar claim is implicit in the recent escalation of protests by health-care lobbyists against the Government's rationalization of the hospital system, and the protest against the Government's decision to develop Albert Park to accommodate the Grand Prix.

Control What passes unnoticed is that the meaning of the word 'consultation' has, in the context of all these cases, been expanded to include the right to participate in government. The teachers were in fact demanding that they be consulted in the amount and shaping of the education budget, and that such consultations take the form of a briefing; a briefing not by the Cabinet Minister, but to the Cabinet Minister by teachers' representatives. And more recently, the health-care lobby has been intent to impose upon the Government its assessment of how much the State should spend on health care. Even the self-styled 'community' group opposing the development of Albert Park can surely no longer claim merely to be asserting its right to be heard; its members are manifestly intent on thwarting a planning decision taken by an elected government, a decision which has long-term economic and social implications for Victoria and which is part of an overall strategy for economic recovery.

When interest groups protest that they have not been consulted on one or another policy decision, they are not saying that the government has not discussed the matter with them; they are saying that their wishes have been disregarded. Only try to imagine representatives of the Victorian Teachers' Union saying, when interviewed by the press that, yes, the Minister has consulted them, that he knows their reasons for opposing his proposals, and that now they will be content to leave the matter in his hands. Or consider the likelihood of Victorian Trades Hall Secretary John Halfpenny saying that he has had talks with the Government, has been consulted as to his position and will now be content to abide by the Government's decision.

There is an obvious threat to democratic process in this; that unelected people are appropriating decision-making power that should reside solely in the hands of elected governments. And, on a more prosaic level, a political and social climate wherein every group with an axe to grind considers itself entitled to a constant and productive influence on government, renders the business of effective government impossible.

True, we have lived with this situation, in some measure, for a considerable time; since the rise to power of the trade union movement and the less organized but still powerful business and money-market lobbies. Yet in the past we all knew that it was wrong. While those on the left of politics would defend the trade unions' usurpation of government power, they condemned the same activities by business and money interests. And likewise, even if those on the right had nothing to say when governments bowed to the demands of wealth and big business, they were vociferously opposed to the unions' successful infiltration of government power. We all knew it was wrong; we were just reprehensibly prepared to turn a blind eye when the inroads were effected by those on what we thought of as 'our side'.

What is relatively new is that the demand for government consultation, and government acquiescence to that demand, has become not only socially accepted but, not to exaggerate, enshrined in our ideas as to what constitutes good government. These days governments that fail to act upon the wishes of unions, church leaders, welfare agencies, professional associations, ethnic groups and a myriad of such others, are accused of arrogance and insensitivity to the needs and concerns of the community. The present Kennett Government in Victoria is a striking example of a government besieged by pressures of this sort; one which has nonetheless so far managed to stand firm on its legitimate decision-making authority. By contrast, the previous Kirner Government met its demise in part because it was unable to withstand the immense pressure to apportion decision-making power to groups outside the legitimate arms of government.
The debilitating practical implications of this rejection of the authority of legitimate government are easy to demonstrate. The government has, by and large, a fixed income. From that income it must meet the needs of society by allocating sums on a scale of priorities. The more it spends on transport, the less there will be for education and health care. John Dawkins' claim that a good national budget is possessed of a certain integrity is perfectly correct; tamper with one allocation and you throw out the entire calculation. If the government yields to pressure from the health-care lobby, then education and transport will feel the pinch. And the same would apply if the government bends in any other direction. Add to this all the other interest groups clamouring for special consideration — homeless youth, the mentally disadvantaged, the aged, the disabled, the various ethnic groups, environmental lobbies, just to mention the more obvious — and it is readily apparent how unmanageable and ungovernable this society has become.

Why should it be accepted as an instance of democratic principle that health-care workers, for example, or even patients, should have a greater say on what proportion of the nation's or State's budget be spent on hospitals than any other group? It simply will not do to argue, as such groups do, that because they are involved in the business of health care they are in a better position than others in the community to make such judgments. That argument does not address the question of why health care needs should take priority over other community services.

The business of deciding such relative priorities is, in large measure, precisely what the business of government is about. By their nature, competing priorities of this sort have no clear ranking order. How, for instance, does one decide whether the needs of the disabled should have a higher priority than those of homeless youth? Neither the disabled and their representatives, nor homeless youths and those who speak for them, are in any position to decide. It needs a third party, a disinterested arbitrating party, with sufficient and legitimate power to give the decision authority, to make a judgment on behalf of the general community. And that third party can only be the government.

**Representing Whom?** There is also the question of whether spokespeople for interest groups are always legitimately so described. I have often shuddered when the media reports a spokesperson’s opinion as being held by the legal ‘community’, this latter being an entity which simply has no existence and the so-called ‘community’ opinion being one which it would be difficult to get a gathering of even half a dozen lawyers to agree upon. Once interest groups have their existence formalized into associations, it is only a matter of time before the connection between the formal body and the informal group for which its representatives purportedly speak becomes tenuous. So, governments that fail to act upon the wishes of unions, church leaders, welfare agencies, professional associations, ethnic groups and a myriad of such others, are accused of arrogance and insensitivity to the needs and concerns of the community.

Not only is democracy compromised by an illegitimate right of decision-making power being yielded to an unelected interest group, but the power has in fact been yielded not to the broad membership of the group but to the individuals who claim to speak on its behalf with the moral force of a unanimity which does not exist.

A fashionable defence advanced by those upon whose lips the word ‘consultation’ is most frequently and demandingly heard is that if you did not vote for the political party incumbent in government office, then you are not obliged to accept the legitimacy of its governmental authority; that since the office holders of government are not of your choosing, they do not represent you and consequently you have up your sleeve, as it were, the right to install yourself at the cabinet table. Mr Halfpenny has just-
tified his attempted disruption of the implementation of the Kennett Government's election platform on the grounds that he and 'the workers' did not vote that party and its platform into office.

Yet they did, if one understands the full ramifications of our electoral process. When we go to the polls on election day we go as individuals. But, when the votes are counted and the results are announced, we have voted as a body. So that even if, as an individual, I voted for the unsuccessful party, I have, as a member of the electorate, voted into office the successful party. On election day we are the body politic. The final decision is a communal one, and on that day, and on that day alone, the needs and desires of the individual are subsumed into the electoral result. Paradoxically, polling day is the day that we have the most say on how we are governed, and also the day that, as individuals, we have the least.

**Social Contract** A social contract of the most profound and sophisticated sort underwrites this democratic procedure: perhaps this is why democracy so sadly fails to transplant beyond the Western culture in which it emerged full-fledged. The contract is that participation in the electoral process entails acceptance of the result. Mr Halfpenny's vote was as much a part of the electoral process that carried Mr Kennett's party into office as that lodged by Mr Kennett himself. On the same reasoning, Dr Hewson's vote carried precisely the same weight as Mr Keating's in the return of the Keating-led Labor Party to Federal Government office. And both Mr Halfpenny and Dr Hewson are democratically obliged to honour their part of the contract upon which our democratic system of government rests.

This should not be misunderstood to mean the same sort of sporting principle that requires (usually unsuccessfully) that when one's football team loses one must acknowledge the superiority (temporarily) of the other side with good grace. The democratic contract demands of us a far more complex and difficult discipline of our emotional and intellectual faculties. The result of the football match cannot be considered as one to which we have contributed. We are never more than spectators, and in no sense participants. No contract is involved and the event always remains at the simple and elemental level of straight competition the sole object being to see which is the better of competing teams.

In the democratic poll both candidates and voters are participants. And the objective is not to see which team is best but is instead that of resolving the primal communal problem: the problem of maintaining our fragile grip on social stability and order. In that sense there are no losers, only winners, because without peaceably settling the question of who is to assume the office of government we would be faced with chaos in the form of civil war.

In recent times minority factions in the Senate have held the government to ransom over certain of its Budget provisions. What the Western Australian 'green' Senators achieved in 1993 by their admittedly legitimate, though unwise, tactics is a further step in the direction of antidemocratic government by negotiation. Even if it should be argued that the Senators themselves have a legitimate place in the business of government, they have opened the way for those outside the ranks of elected members to regard themselves as entitled to take part. For otherwise how could the Government have allowed itself to become embroiled in negotiations with wine industry representatives on the provisions of its budget legislation?

An unholy precedent has been set. Will it not now be thought a perfectly normal course of events, with or without minority Senators holding the balance of power in the Senate, for the targets of taxation policy to present themselves to the Government as negotiating parties? Might it not now become common practice for such groups to announce to the press that they will, or will not, 'accept' the Government's proposals for taxing their product? I happen to think that a large hike in wine tax was an incomprehensibly foolish move by the Government, but I am nonetheless appalled that the wine industry has been encouraged to think that it should have any say in the matter.

Similarly, on what democratic basis are representatives of Aboriginal people entitled to be elevated to a position of negotiation on the Government's legislative responses to the High Court's Mabo decision? How has it come to pass that Aborigines should consider themselves any more entitled than other members of the public to bargain with the Government on the nation's laws concerning the ownership of land? Neither they nor representatives of the mining industry should be privileged to occupy a position of negotiating strength on the legislation arising from that, or any other, High Court decision.

It is as if the sovereignty of our government is no longer in place; as if the population is divided into autonomous power groupings who demand, and very often get, a participating role in the business of government, the election system notwithstanding. Yet there is great difficulty in making the case for the sovereignty of democratic government because the argument is so very easily misinterpreted as a defence of public apathy. But there are, consistent with the premises of the above argument, occasions upon which members of the public are democratically entitled to demand that a government desist on a legislative proposal. And one vital criterion for discriminating between legitimate and illegitimate interference is the absence or presence respectively of direct self-interest.

**Self-interest** Let us compare, as an example, the obviously self-interested rationale of the wine industry negoti-
part in government policy regarding deregulation of the transport industry. And, I hasten to add, the various Australian law societies should not be heeded as of right on the question of whether the professional activities of lawyers should be made subject to the rulings of the Trade Practices Commission.

If it should be thought that spokespeople for community groups often do not have a personal interest in the special considerations they are seeking — people speaking on behalf of disadvantaged groups, welfare lobbies and such — it would be as well to keep in mind that the administration of government beneficence carries considerable advantage. Are we really to believe that those who have a hand in administering government funding — usually the very spokespeople who call for more — do not enjoy more status, more influence, more power, the larger the amount of money involved? Or that when the public service unions demand a say on levels of staffing and redundancy plans, they are not fighting to retain the numbers from which their membership and hence their power base is drawn?

The success of the push toward government by negotiation has probably been in part a consequence of what would otherwise be a healthy public scepticism regarding the probity of politicians. The legions of spokespeople for 'community' groups seem, against this backdrop, to have emerged as a natural corrective to autocratic and irresponsible government. They coast on the same rationale as that advanced by the minority parties in the Senate in justification of their inordinately unrepresentative power of veto. Don Chipp has a lot to answer for with that deviously misleading little phrase of his, "keeping the bastards honest": there is precious little of concern for honesty in all this and a great deal of nest-feathering.

Many politicians, eager to appear to the public as responsive to the requirements of the electorate in general and their constituents in particular, participate enthusiastically in the consultative process and in doing so, positively contribute to the undermining of democratic government. Nor should the media's role in all this pass without comment. The fostering of public discord makes and sustains news; a case of the messenger being, at least in part, responsible for the message, and hence for the destabilizing of democratic forms.

We must all, and especially Australia's lawyers, be constantly on the alert for incursions by sectional interests on the functioning of democratic government. We must be vigilant in observing and resisting changes in practices and procedures which gnaw away at its vitals. Historically there are many precedents for dramatic and damaging social change being cloaked in the guise of attractive reforms; often, in hindsight, we find that practices which seemed innocent at their inception subsequently emerged as deceptive and ultimately destructive.
Don't Ask  In these times of anti-discrimination legislation, employers conducting job interviews need to choose their words with great sensitivity. To 'help' employers the US Equal Employment Opportunity Commission has recently issued guidelines on how to conduct interviews in accordance with the Americans with Disabilities Act. In hiring a word processor, for example, an employer (R) may wish to ask an applicant how he broke his arm. "This," according to the guidelines, "is not prohibited. However, R may not go on to ask how extensive the break is, when the arm is expected to heal, or whether the applicant will have full use of the arm in the future."

Similarly R may not ask "How many days were you sick last year?" He may ask "Do you eat three meals per day?" but not "Do you need to eat a number of small snacks at regular intervals throughout the day in order to maintain your energy level?" "Such inquiries are likely to elicit information about a disability" (whether suffered by the interviewee or the person asking the weird questions is not clear). Not to be unreasonable, the guidelines do allow the following line of (gender-inclusive) questioning: "R may ask an applicant with one leg who applies for a job as a telephone linesperson to describe or demonstrate how she would perform her duties, because R may reasonably believe that having one leg interferes with the ability to climb telephone poles."

Rock Bottom  "One of the great legacies of economic rationalism, many argue, was to give us something lower on the social ladder than working class; what is so often referred to as the underclass." So begins a report by Steven Carroll of The Age on a new play, Low.

The play examines the lives of two contemporary Bonnie and Clyde figures (called Emma and Jay) who turn from unemployment to armed robbery, partly for the money but, according to the author of the play, Daniel Keene, "mainly for the kind of excitement that it brings to them." Emma and Jay are not to blame for their lifestyle. (Keene says: "The thing I wanted most to avoid was to judge the characters.") Armed robbery is their adaptation to a deregulated economy; for they have been "sub-textually told that the forces of 'life', like the forces of the market place, will select only those who deserve to survive ..." Keane maintains that Emma and Jay are not nihilists, but are in the process of defining a private code of ethics.

Negotiable Law  In November, it was reported: "A student who is suing the State Government over the closure of Northland Secondary College has been offered a place in Melbourne University's law school as part of a proposed settlement of her discrimination claim." The Directorate of School Education allegedly made the offer to hasten a resolution of a long-running dispute over racial discrimination alleged in the closure of a school with a relatively high enrolment of Aborigines. Negotiators with the student acknowledged that the University would have the final say, but promised to "facilitate" her entrance to the law school. Should she hold out for a position on the High Court?

Marketing Mary  Mary MacKillop is spawning an industry as her beatification ceremony, to be conducted in Australia by the Pope, approaches. There are the predictable tea towels, cushions and tablecloths, and, of course, Mary the movie. More surprising, lest anyone associate the vow of chastity, poverty and obedience with dowdiness, fashion students are producing designer clothes from a special cloth depicting scenes from Mary's life. And, in an unexpected meeting of science and religion, a robot of Bishop Lawrence Shell (who excommunicated Mary) is being made by electronics and special-effects expert Tony Powell. Like a recurring bad dream, the robot is designed to excommunicate Mary every time someone walks past it.
In the 1930s, this century’s most famous economist and — at least until the late 1970s — its most influential, abandoned liberalism and found hope in Stalin’s Russia. He was not alone in doing so.

JUST as the true boundaries of the 18th century are said to extend from 1688 to 1789, and those of the 19th century from 1815 to 1914, so future historians may nominate 1914 and 1991 as the opening and close of the 20th century. That interval has a unity about it; it is dominated by the cataclysm which began in August 1914, and which only finally worked itself out 77 years later, with the final and astonishing end of one of its creations, the Soviet state.

If one accepts this delimitation of the 20th century, it is not premature to ask who were the most influential thinkers of that century. Who were our eminent Victorians? In the field of economics there seems no doubt of the answer; as Ricardo was the economist of the 19th century, so John Maynard Keynes was that of the 20th century. Not only was his economics produced by the 20th century, he also saw it as produced by that period. He saw his economics as supremely modern, as an effort in reason coping with the new chaos, hoping for the future, but ruthlessly shedding any nostalgia for an abolished past.

If this identification is correct, we might expect a waning in the influence of Keynesian economics. In fact, Keynes’ influence began to ebb several decades ago in the realm of pure theory, and has receded with great rapidity in the field of economic policy since the 1970s. A large number of economists remain content with Keynes’ conclusions; but those who engage in any progressive research do so from premises very different from that which Keynes used. Some theorists have pursued the research program initiated by Axel Leijonhufvud in the 1960s; but, whatever its merits, Keynes would find that program quite foreign. Other ‘New Keynesian’ economists in the 1980s (e.g. Blinder 1988) maintained ‘Keynesian’ conclusions about the macroeconomy, but based them on operations of labour markets; something which Keynes was uninterested in and hardly said anything about.
Curiously, this decline in Keynes’ influence in policy-making and research has coincided with a swell of interest in Keynes, manifested in a never-failing flow of new books. But, in keeping with the remarks of the previous paragraph, the focus of interest has shifted away from Keynes’ economics and towards his personal history, his ideas on probability, his ‘philosophy’ and his politics (e.g. O’Donnell 1989, Mini 1991). This interest in the non-economic Keynes is correlate with his persisting prestige with politicians and social commentators, even amongst those on the ‘right’.3

In light of this, it becomes interesting to ask what actually was Keynes’ political philosophy. I will not attempt to answer such a large question here. Rather, I will restrict myself to a single topic which makes contact with this question: Keynes’ views on Soviet communism. Keynes’ views on this are worth seeking. Firstly, Soviet communism was the distinguishing political event of the ‘20th century’, almost exactly spanning its boundaries as I have defined it. If we are interested in Keynes as a ‘social’ and ‘political’ philosopher we must be interested in Keynes’ views on this event. Further, we will find that Keynes expressed himself at length on the Soviet Union once, and more briefly many times. And we will find in these judgments a strange tale.

Before moving directly to examine Keynes’ views, it will be helpful to notice his opinions on two related, but distinct, topics.

**Keynes and Marxism**  
Keynes was pugnaciously anti-Marxist. This stance never altered, and he is at his most quotable when expressing it. “How can I accept”, he wrote in 1925, “a doctrine which sets up as its bible, above and beyond criticism, an obsolete economic textbook which I know not only to be scientifically erroneous but without interest or application to the modern world?” (Collected Writings — henceforth CW — IX, p. 258). Some years later he pursued, with George Bernard Shaw, the comparison of Marxism with revealed religion: “My feelings about *Das Kapital* are the same as my feelings about the Koran. I know that it is historically important and I know that many people, not all of whom are idiots, find it a sort of rock of ages and containing inspiration. Yet when I look into it, it is to me inexplicable that it can have this effect. Its dreary, out-of-date academic controversializing seems so extraordinarily unsuitable for that purpose” (CW XXVIII, p. 28). “I can see they [Marx and Engels] invented a certain method of carrying on and a vile manner of writing, both of which their successors have maintained with fidelity. But if you tell me that they have discovered a clue to the economic riddle, still I am beaten - I can discover nothing but out of date controversializing” (CW XXVIII, p.42).

I know of only one occasion where Keynes makes a favourable reference to Marx. In preparing the General Theory Keynes granted that Marx made the “pregnant observation” that money is the “first mover” in economic circulation, but “the subsequent use to which he put this observation was highly illogical” (CW XXIX, p. 81). Keynes opinion of Marxism is summarized well in his remark in *The End of Laissez Faire*: “Marxist Socialism must always remain a portent to historians of opinion - how a doctrine so illogical and so dull can have exercised so powerful and enduring influence of the minds of men” (CW, IX, p. 285) ... “[It is] together with theological literature, perhaps the most useless at any rate the most boring form of verbal creation” (CW X, p. 67).

**Keynes and Russia**  
Russia held a special place in Keynes’ emotional and artistic world. One of Bloomsbury’s novelities was its taste for Russian literature. Lytton Strachey was one of the first critics in the English language to appreciate and publicize the works of Dostoievsky, “whose work was known only by a few intellectuals” before the First World War (Holroyd 1968 p. 12).4 Some critics have claimed to observe “an extremely important influence” of Dostoievsky on *Eminent Victorians*, a book which has strong parallels to the biographical elements of *The Economic Consequences of the Peace*. “Dostoievsky’s extravagance, his exaggeration, his comic fantasy, his untraditional complexity, indifference to the commonplace ... strong psychology ... their complex ‘feel’ for life, their fondness for the abnormal ... greatly excited him.”5 These qualities would also excite Keynes. Keynes actually believed he had a psychological affinity for Russia; he once wrote I am not really English but — if looked at close to — a sympathetic Russian” (Hill and Keynes 1989 p. 312). Keynes married a Russian, Lydia Lopokova. And he visited Russia three times: in 1925, in 1928 and in 1936.

His strain of Russophilia and his conception of “Russianess” may have coloured his views, especially if held (as many have) that Soviet communism was as much Russian as it was Soviet.
**Keynes' First Views**  Keynes made his first trip to the Soviet Union in 1925, after his marriage to Lydia. The principal purpose of this unlikely honeymoon was to visit Lydia's relatives, but Keynes also gave a lecture on economic conditions in England to the Industrial Economic Council of the Supreme Soviet of the National Economy. On his return he published his judgment of what he saw: *A Short View of Russia*. It is his longest single piece on the Soviet Union, so it is worth concentrating on.

Keynes begins by presenting himself as being predisposed to judge Soviet Russia favourably, but being repelled by what he observes:

"I sympathize with those who seek for something good in Soviet Russia. But when we come to the actual thing, what is one to say? For me, brought up in a free air undarkened by the horrors of religion, with nothing to be afraid of; Red Russia holds too much which is detestable. Comforts and habits let us be ready to forgo, but I am not ready for a creed which does not know how much it destroys the liberty and security of daily life, which uses deliberately the weapons of persecution, destruction and international strife" (CW, IX, p. 258).

But Keynes' judgment is not entirely negative. He detects the deeds he sees, but not the purported ends of these deeds. What was that purported end? It is, according to Keynes, the delegitimation of the 'money motive':

"I do not mean that Russian Communism alters, or even seeks to alter, human nature, that it makes Jews less avaricious or Russians less extravagant than they were before. I do not merely mean that it sets up a new ideal. I mean that it tries to construct a framework of society in which pecuniary motives as influencing action shall have a changed relative importance, in which social approbation shall be differently distributed, and where behaviour which was previously normal and respectable, ceases to be either the one or the other" (CW, IX, p. 260).

To Keynes the delegitimation of the money motive was extremely significant since, "it seems to me clearer every day that the moral problem of our age is concerned with the love of money, with habitual appeal to the money motive in ninetenths of the activities of life, with universal striving after individual economic security as the prime object of endeavor, with the social approbation of money as the measure of constructive success, and with the social appeal to the hoarding instinct as the foundation of the necessary provision of the family and the future" (CW, IX, p. 268-269).

He ends with a call to tolerate the Soviet system until the results of this well-intentioned experiment are known. "So, now the deeds are done and there is no going back, I should like to give Russia her chance; to help and not to hinder. For how much rather, even after allowing for everything, if I were a Russian, would I contribute my quota of activity to Soviet Russia than to Tsarist Russia" (CW, IX, p. 271).

In summary, Keynes does not claim to find any essential failing in the Soviet System. His objections to the Soviet system are of a 'contingent' nature. The Soviet system was despotic, but there is no reason why it must be so. It may be inefficient, but there is no reason why it must be. Remarkably, he makes no theoretical objection to the efficiency of Soviet communism on the grounds of its removal of efficiency-inducing incentives and competition.

His one 'fundamental' consideration which he brings to his judgment is one which casts favour on the system: its removal of the money-making motive. What can we make of Keynes' thoughts here?

It is not out of place to point out that Keynes was not quite the person to object to money-making. Keynes devoted a good portion of his energies to making money, and the records of his audacious and energetic speculations occupy over 100 interesting pages of his collected works (CW XII, 1 -113). During his lifetime he, starting with almost nothing, made four fortunes, lost three, and ended his life with a net worth of £411,000 (excluding real estate), which amounts to about £6- £7m in 1992 values. But whatever the degree of effrontery in Keynes objection to money-making, the objection itself may still be a sound one. But deciding the justice of the objection requires a clarification of what he is objecting to.

By 'money-making' Keynes could merely mean 'income earning'. But it is obviously difficult to make a blanket objection to income-earning activities. In all societies there are activities which will earn incomes. We can easily think of cases where in earning an income a wrong is done (contract killing, the slave trade). And we can conceive of societies in which a large part of income is earned through wrong-doing. But liberal economists believe that in a competitive economy, under the rule of law, income is earned by using oneself, or the resources under one's command, in a way which other people consider useful to them. It seems hard to object to using your resources in a way which other people consider useful. And it seems hard to object to 'approval' of income earning, if this is in fact how people earn their incomes. Liberal economists may be wrong in making these claims, but Keynes makes no attempt in *A Short View* to refute them.

However, this criticism of Keynes may be missing its mark. Keynes is not actually finding fault with the consequences of 'money-making'. The focus of Keynes' objection is the 'money-making motive'. That is, the focus of Keynes' objection is the psychology which values only 'economic satisfactions'. Almost in the manner of religious moralists, he is objecting to those beholding to 'worldly..."
pleasures’. It is a plea to put away the false idols of material opulence, and to pursue one of those natural Bloomsbury lives: a ‘cottage’ in some agreeable rural stretch, painting, reading, walking.

The advocate of liberal society could reply in its defence that there is nothing in a liberal society which requires its members to prize materialistic satisfactions, and use their resources in a materialistic way. Keynes could reply in turn that, yes, liberal society could use its resources in a non-materialistic way, but liberal society in its current state does not do so. To put it another way, the artist (that Bloomsbury hero) could conceivably survive under liberal society, but doesn’t under the present one, or at least not enough of them do.

But such a riposte is a weak one. It is no easy thing to say what is the proper number of artists, or the proper amount of ‘uncommercial’ activity. But if there is an under-patronage of ‘uncommercial’ activities in liberal society the solution would not lie in the abolition of that form of society, but in the institution of some relatively minor reform; such as the subsidization of meritable ‘uncommercial’ activities.

There is another element in Keynes’ objection to money-making. Keynes seems to be objecting to the dominance and reliance upon egotistical motives in the existing social framework. But, contrary to popular myth, there is nothing in the constitution of liberal society which presumes or relies upon egotistical motivations; Adam Smith’s butcher may well be (and doubtless is) selling the meat for the well-being of his family as much as for his own interest. Whether liberal society nurtures egotistical motives is a nicer question. The usual liberal reply is that human nature in this regard is unmalleable, and the best way to cope with egoism is to create incentives which manipulate that difficult passion to secure useful ends.

Whatever the wisdom of his views Keynes closed his Short View unimpressed by the Soviet Union, but sufficiently hopeful to remain interested in its subsequent development.

The Five-Year Plans A Short View of Russia was Keynes’ longest single piece of writing on Russia. But he returned to the topic more briefly on many occasions later.

His ambivalent attitude of A Short View is seen several years later in a discussion of the Five-Year Plans. In a radio broadcast of March 1932 Keynes judged the Five-Year Plan neither a ‘realized success’ nor a ‘preposterous failure’ (CW XXI, p. 84).

In 1933 appears the first sign of a concern with political repression in Russia. In March of that year he rebuked Kingsley Martin, the editor of the New Statesman and Nation, for comparing political repression in Soviet Union and the British India (“I do not see how any one could read yours as otherwise than, in effect, an apology for the Russians.”) In July 1933 he expressed himself in the strongest and severest tones he ever used:

“Russia exhibits the worst example which the world, perhaps, has seen of administrative incompetence

It is not out of place to point out that Keynes was not quite the person to object to money-making.
the revolutionary stage, but also from the doctrinaire stage. There is little or nothing which bears any special relation to Marx and Marxism as distinguished from other stems of socialism. They are engaged in a vast administrative task of making a completely new set of social and economic institutions work smoothly and successfully over a territory so extensive that it covers one-sixth of the land surface of the world. Methods are still changing rapidly in response to mass of statistical material, something which Keynes enjoyed. Finally, it allots considerable space to "organisation and administration", something which Keynes was fascinated by, and

He may have found "hope" and "success" in Stalin’s Russia, but unlike Harry Dexter White, his American opposite number at the Bretton Woods Conference, he refrained from spying for it.

experience. The largest scale empiricism and experimentalism which has ever been attempted by disinterested administrators is in operation. It leaves me with a strong desire and hope that we in this country may discover how to combine an unlimited readiness to experiment with changes in political and economic methods and institutions, while preserving traditionalism and a sort of careful conservatism, thrifty of everything which has human experience behind it ..." (CW XXVIII 334, BBC, 1 June 1936).

This must be one of the more ludicrous judgments ever passed on Stalin’s Russia. How did Keynes find the state of the Soviet Union in 1936 such a source of “hope” for the rest of the world? How is it that the Russia of 1925 so disappointed, the Russia of 1933 dismayed, but that of 1936 “impressed”?

The immediate circumstance, as I have noted, was reading Soviet Union: A New Civilisation? But it is not immediately apparent how this dismal effort could be so influential; its 1,006 stony-hearted and evasive pages are not attractive material. But Keynes had a high judgment of Beatrice Webb (“That she is the most distinguished woman alive goes without saying”). Further, the book held certain special appeals to Keynes. There is no Marxist doctrine in it to speak of, and it brings news of a Soviet socialism free of it. (“There is little or nothing which bears any special relation to Marx and Marxism”, CW XXVIII, p. 334). The book does not even contain a “communist party line”; the Webbs do not commit themselves to the Revolution, and make little reference to the Party outside the Soviet Union. In addition, it contains a

on which he had judged the Soviet Union poorly before.

But perhaps another factor led him to adopt this new stance: a personal one. Keynes had noticed how many younger and (to him) appealing personalities had been attracted to communism. He expressed this opinion in 1939:

“There is no one in politics to-day worth sixpence outside the ranks of liberals except the post war generation of intellectual communists under 35. Them, too, I like and respect. Perhaps in their feelings and instincts they are the nearest thing we now have to the typical non-conformist English gentleman who went to the Crusades, made the Reformation, fought the Great Rebellion, won us our civil and religious liberties and humanized the working classes last century" (New Statesman and Nation, 28 January 1939).

Regrettably, it is not clear which persons constitute the “splendid material of young amateur Communists ... [with whom] in their ultimate maturity lies the future ...” (New Statesman and Nation, 28 January 1939). Keynes was aware that several younger fellow members of ‘the Apostles’ had adopted a far-left stance in the early 1930s.12 These included Julian Bell, Anthony Blunt and Guy Burgess, as well as Michael Straight, an American then combining the study of economics with Communist Party activism (Straight, 1983, p. 65). But Bell had been killed in 1937, two years prior to the quotation in question. Michael Straight had left England in 1937 to take up a job in the State Department. Keynes
I would say that the General Theory, published just a few months before Keynes found hope in Soviet civilization, is a manifestation of that same loss of hope in liberal society.

maintained relations with Guy Burgess after his graduation,13 but by 1939 Burgess, following a trip to Russia, was playing the role of the disillusioned communist who had 'gone fascist', and now enjoyed visiting Nuremberg rallies and Nazi sporting events. Complicating the whole question is Beatrice Webb's report of Keynes' "unmitigated contempt" of communist undergraduates (Moggridge 1992 p. 472). Evidently, there are some unanswered questions here, on which new biographers may shed light.

There is a tail to this story, which also I hope some future biographer will clear up. Shortly after the June 1936 broadcast, Keynes took a trip to the Soviet Union (Harrod 1951 p. 478). It would be interesting to know what he observed there of the "impressive smooth working of disinterested administrators". The Collected Writings, as far as I can see, yield nothing.

The Low Dishonest Decade There is a third factor which contributed to Keynes' strange attraction to Soviet communism at this period: the tenor of the times. The 1930s was the 'low dishonest decade', a period of low morale for liberal society; a time when the greatest examples of this form of society were beset by economic misery at home and menaced by fantastic evil abroad. It was the decade when liberal society was, in large part, abandoned by its natural constituency, people like Keynes, in favour of political forms far to the right and far to the left.

The infatuation of the left with Stalin's Russia is notorious and well-known. Edmund Wilson, Julian Huxley, G.B. Shaw, J.D. Bernal, John Strachey are some of the better known 'progressives' who adopted idiotic views of the Soviet Union (Hollander, 1981).

In comparison to some of these, Keynes was positively cautious. He may have found "hope" and "success" in Stalin's Russia, but unlike Harry Dexter White, his American opposite number at the Bretton Woods Conference, he refrained from spying for it.14

The left's attraction to Soviet communism was mirrored, if more erratically, by an attraction to the far right by conservatives. Wyndham Lewis, an early advocate of poetic modernism, later took upon himself to press Hitler's cause in Britain (Lewis, 1931). He was confident that Hitler in power "would remain peacefully at home, fully occupied with the internal problems of the Dritte Reich" and would duly honour such Jewish notables as Albert Einstein. Less grossly, Evelyn Waugh provided a half-hearted apology for Mussolini's conquest of Ethiopia in Waugh in Abyssinia.

This subornation of the right did not exclude all of its economists. Joseph Schumpeter was one of the great liberal students of society. But a recent biography has revealed how strong was Hitler's allure for Schumpeter. "We are confronting a powerful movement which is singular in our history," Schumpeter told his students in Bonn in 1932. "This powerful apparatus is like a monster of infinite impulse. But how important might it be if this colossus was to be counselled properly in economics? What enormous subjective individual possibilities there might be for a young man of today if there were any who, not deprecating economic techniques, felt like a National Socialist?" (Allen, p. 284).

Schumpeter's diary at this time records the tug of Hitler against his own better counsel: "I have to leave [Germany]. Everyone who is close to me and with whom I could work stand on one side [against Hitler]. And what I feel in my inner most self is around Hitler. But is it really so?" (Allen, p. 288).15

In the crisis of the 1930s even 'natural' liberals had an undeveloped appreciation of liberal society, and were liable to fall under the spell of extreme political forms.16 Keynes' own absurd remarks on Russia in 1936 are one manifestation of that. Keynes was a fairly representative member of the patriotic, establishment, English liberal-left, comparable to some degree in this regard to George Orwell.17 In normal circumstances he would be quite immune to visions of political utopia, but in the weakened and disorientated state of the time his immunity slackened.

I would go further. I would say that the General Theory, published just a few months before Keynes found hope in Soviet civilization, is a manifestation of that same loss of hope in liberal society. It is a bizarre irony that in the early 1990s, when socialism is experiencing almost total defeat, the General Theory, Keynes' counsel of despair in desperate times, has been proposed as a model of economic philosophy by those on the 'right'.

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Notes:

1. Patrick Minford (1982) gives an interesting account of the trend of British opinion from Keynesian precepts towards monetarist policies in the face of the policy failures of the late 1960s and 1970s.

2. Ironically, this project began with Axel Leijonhufvud's On Keynesian Economics and the Economics of Keynes (Oxford University Press, 1968), which had the self-proclaimed purpose of recovering the "true Keynes" from the deformations of his expositors.

3. For some reason this seems especially true in Australia. When leader of the Australian Liberal Party, John Hewson nominated Keynes as one of the 10 people he would wish to share a desert island with. John Carroll (1991) and C.D. Kemp (1991) have, as advocates of a conservatism, mentioned Keynes admiringly. Carroll praises Keynes' "clear eyed realism" and Kemp has virtually attributed the post-war economic boom to his existence.

4. Strachey read these in the translations of Constance Garnett, who supplied the English reading public with seventy volumes of Dostoevsky, Gogol, Chekov and Tolstoy. Her son, David ("Bunnie") Garnett, was an enduring Bloomsbury figure.

5. Holroyd 1968 p.114

6. Keynes attributed unemployment in England to an over-rapid population growth. This did not please his Marxist hosts. But despite his Malthusianism, Keynes enjoyed the relative favour of the Soviet economic 'establishment' for some years. Did not Lenin approvingly quote The Economic Consequences of the Peace, and order its publication? Only after the onset of the Cold War, did Keynes become an object of official wrath. The 1953 edition of the Great Soviet Encyclopaedia records Keynes as a "vulgar bourgeois economist, ideologist of imperialistic reaction and wars, unmasked by V.I. Lenin". A history of Soviet views on Keynes is provided by Turn-er's An Analysis of Soviet Views of John Maynard Keynes (1969).

7. In one speculation Keynes bought a quantity of wheat equal to one month's supply for the entire United Kingdom. He planned to store it in King's College Chapel, until it was discovered it would not fit (CW, XII, p.10).

8. In addition, it is held that resources are used in an 'efficient' manner; there is no alternative allocation of resources which would yield a 'free lunch' by its adoption.

9. Martin replied to Keynes "Dear Maynard, I am extremely grateful for your frank, friendly and abusive letter" (CW XXVIII, p. 19).

10. In its first edition the title possesses the hesistant question mark. In later editions the question mark was dropped.


12. In the 1930s Keynes was an 'angel' in this society. Paul Levy explains: "Election to the Apostles was for life. Whether under-graduate or don, every apostle was obliged to attend every meeting in term when he was resident in Cambridge. It was possible to be released from this obligation by undergoing the ceremony that came to be known as 'taking wings', after which the apostle became an 'angel' and was free to come to meetings whenever he liked. Some angels regularly availed themselves of the opportunity of meeting new members, or inspecting young men, 'embryos', who were being considered for membership" (Levy, 1981, p. 65).


14. According to a senior KGB defector, Oleg Gordievsky, White began spying for the Soviet Union in 1935-6 and became one of "the most important of several NKVD agents in the Treasury" (Andrew and Gordievsky, 1990, pp. 183, 229). Charles Kindle-berger, an associate of White, diminishes the importance of ideology in his actions. "He may or may not have been a Marxist - nothing I have ever witnessed would directly point in that direction - but he was a conspirator. He wanted to run the world" (Kindle-berger, 1991, p. 44).

15. There was another form of accommodation of fascism in the 1930s: appeasement. But the psychological basis of appeasement was torpor, rather than despair. Sir John Hicks observed this torpidity amongst his colleagues in Cambridge in the mid 1930s: "when I went to Cambridge in 1935 ... I remember how shocked I was to hear Pigou, a very great economist but curiously insular, remarking at that time that he supposed Hitler was going to "bomb the frogs" (i.e. the French). None of our business! The vogue of appeasement at Oxford during those years is notorious; but the sleep at Cambridge was still more profound" (Kregel, 1988, p. 9). Hicks also draws attention to The Economic Recovery of Germany 1933-1938, by the Cambridge economist Claude Guille- baud (1890-1971) and published in 1939. This book is essentially an attempt to show that the "remarkable achievement" of Germany's recovery rested on the mobilization of "all the resources of modern applied science and technique in the service of economic progress" (1939, p. 105), and proved the wisdom of Keynesian demand management.

16. Friedrich Hayek is one remarkable exception to this tendency. An intermediate case is William Beveridge. His biographer speaks of his "loss of political hope and conviction" in the mid 1930s, following "his visits to America in 1933-34, which destroyed his belief in the superior efficiency of free-market capitalism". Yet he was sceptical of Keynes' schemes for "managed capitalism", and was revolted by the Webb's apologia for Soviet "civilisation". (Harris, 1977, p. 307, 329).

17. The affinity between the outlooks of Keynes and Orwell would become clearer at the dawn of the Cold War, the years of Animal Farm and 1984. In 1945 Keynes fell out with the New Statesmen and Nation over its apologetic stance on the Stalinization of Eastern Europe. He expressed himself to be "deeply disturbed", "horrified" and "personally ashamed to have any connection with the New Statesmen and Nation owing to the "monstrous", "vile" and "shameful intellectual dishonesty" of its contributors' attitudes, which "passed all limits of decency" (CW, XXVIII, p. 207-213).

Republished, with additions, from The Salisbury Review.
There are 18,000 Avon ladies successfully selling Western-style cosmetics door-to-door in China's Guangdong province. According to this relentlessly upbeat book, the Avon army is symbolic of China's march towards a golden future of dynamic capitalism, national harmony and unprecedented prosperity.

Much of China: The Next Economic Superpower reads like an attempt to drum up investment business. Its sales-pitch tone may not be very surprising: William Overholt is the head of Bankers Trust in Hong Kong. While he has a long connection with China and is the author of several books on Asia, his complex subject deserves better than the simplistic treatment it receives here.

Overholt provides plenty of statistics and examples to underline the potential of China's economy. In examining the transition from a centrally-planned economy to a market system, he cites the success of the approach of economic liberalization within a framework of tight political control (a lesson, he says, China learned from watching South Korea, Taiwan, Singapore and Indonesia), and the failure of trying to implement simultaneously democratization and economic reform (as in the former Soviet Union). He predicts that democracy of an Asian rather than Western sort will inevitably follow prosperity, as in other countries of the region.

Untenable Views But there are severe problems with such a view. China's leaders, including those who will follow Deng, have never taken the view that representative democracy in a free-enterprise economy is the ultimate goal. Even in its authoritarian days, South Korea, by comparison, always saw democracy as essentially desirable: the questions were when and how, not if. But the hard men of Beijing emphasize that their system is not, nor is ever intended to be, capitalist/democratic, but socialism with Chinese characteristics. This always sounds like a socialist political system with enough economic liberalism to prosper materially.

Related to this are Overholt's forecasts on Hong Kong's future. He predicts few difficulties in the 1997 transition, mainly on the grounds that Hong Kong is too golden a goose for Beijing to strangle. Yet it may not be so easy: the attitude of China's leaders towards Chris Patten's democratic initiatives, for instance, has been consistently antagonistic. No worries, says Overholt; merely rhetorical bumps on a road inexorably leading onwards and upward. In fact, he believes that China's political and economic development would proceed even faster if there was less criticism about human rights and other distasteful matters from elsewhere, especially in the United States.

Overholt identifies the coastal regions as the engines of China's decade of explosive growth. Each of the three powerhouses are linked to external, capitalist partners: Guangdong/Shenzhen with Hong Kong, Fujian/Shanghai with Taiwan, Shandong/Tianjin with Japan and South Korea. Wealth is slowly trickling into the hinterland, but it is a slow and inconsistent process. Overholt believes that those at the bottom of the new economic order will be content with the crumbs that fall from the nouveau riche plates. Maybe they will; maybe not. The point is that the answer, like much about China today, is not clear. But it is a point that Overholt misses.

Central Challenge It is in the difficulties facing the central government that Overholt is most willing to gloss over China's problems, although the decentralization of power that helped to create boom conditions in the first place is now causing major problems for Beijing. The provincial governments, as well as fiefdoms within the administrative system, are proving reluctant to give up their new-found freedom. The result is
constant friction, such as the protracted battle between Beijing and Guangdong over taxes.

Similar problems exist elsewhere. Fujian is essentially conducting an independent foreign policy in relation to Taiwan. Even the People's Liberation Army (PLA) operates as an independent commercial entity, especially in the missile- and equipment-selling business, regardless of the views of Beijing. (The Next Economic Superpower notes in passing that one of the PLA's biggest earners is the manufacture and sale of high-powered speedboats used for smuggling.) It is no longer even certain that the PLA is politically reliable. Another Tiananmen Square-style crackdown would, above all, be bad for PLA sales.

The crucial issue is whether Beijing's political control, already substantially frayed, can continue. Can the centre hold? If not, then the path forward is far less certain and is certain to include some unpleasant twists and turns.

Overholt notes these problems only to airily dismiss them. China has a long history, he says, and internal dissension is a constant theme. The local chieftains will defer to the emperor in the end. In any case, other NICs have experienced disparities in the rate of growth but have still hung together.

Can it really be that simple? Will a combination of economic growth and historical habit suffice to keep the nation together? Overholt, with the bottomless optimism that only a banker with his eye on a billion-consumer market can muster, has no doubt about it. But the real world may be less agreeable.

Overholt has a good ear for an anecdote, and The Next Economic Superpower includes a wealth of interesting tips. For example, he suggests that anyone trying to set up a factory in China should lock in local support first, gradually working upwards through the political hierarchy rather than starting at the top. Useful advice from a successful China hand: but it is in the Big Picture that the book fails to convince.

The book is not without value, but it should not be the only work about China on the shelf. For a broader and more realistic view, a wise reader should also consider more analytical (if less accessible) books, such as Gerald Segal's The Fate of Hong Kong, a book which lays out a number of possibilities for China's future. By doing so it admits that China, above all, is not a country where anything should be taken for granted.

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What They Don't Teach You in Australian History Courses

R. J. Stove

The Australian Nation: Its British and Irish Roots by Geoffrey Partington

Australian Scholarly Publishing

AT LAST those Australians whom banana-republicanism leaves sick with fear have begun to observe that, barring for the nonce a total Rwanda-type hell, our country's next war will be the culture war: and that the need to win this war gives the tag 'publish or perish' a whole new meaning. We now have one more obligatory item for our knapsacks: Geoffrey Partington's The Australian Nation.

Readers of IPA Review, Education Monitor, Quadrant and the late Encounter long ago recognized Dr Partington's significance in our intellectual life. Academics with his erudition are rare. Academics with his intelligibility are rarer. Academics with his erudition and intelligibility are so rare as, by rights, to belong on a World Heritage list. Moreover, it is almost unheard-of for any Australian-born or domiciled writer to command, as Dr Partington commands, great gifts at any prose-length. Neither 350-page staying-power nor the 1000-word straitjacket deters him. Some of his most devastating insights have taken the form of essays — among which his 1979 Quadrant contribution 'Morton's Fork, Or Having It Both Ways' ranks particularly high — and even letters to the editor. Here is a recent epistle of his (The Weekend Australian, 2-3 July 1994), which even in its unabridged state demolishes Malcolm Turnbull's pretensions with fewer words than it would take the average tenured Australian Trotskyite to address an envelope:

"I read with interest the article by Malcolm Turnbull alleging excessive British involvement with Australia before, during and after the enactment of the Commonwealth of Australia Constitution Act ('How Britannia Ruled Our Constitution,' The Australian, 29 June).

I had just been reading the opposite criticism from the pen of another leader of radical thought, Dr Henry Reynolds, who regrets that British governments did not intervene sufficiently in Australian internal affairs and veto land policies he considers were hostile to Aboriginal interests ... If British governments did not intervene at all, this shows Britain's irrelevance to Australia. If they exerted any influence at all, this shows Britain's irrelevance to Australia.

This conclusion summarizes everything Dr Partington deplores in the mindless Anglophobia (as distinct from valid reproofs of specific British individuals and institutions) typifying what passes for official Australian
Anglo-Peruvian comic Michael Ben-tine shared the intellectual confusion of Australian foes. Nineteenth-century Australia, but of Britain's eternalized in an anecdote by the New York cabbie who was antipodean malcontents bemoaned among these is the power that British had won for them. They doubtless will deny it, tour could (as only ideological ran-clear that one such genius discernible suppressio as from any outright suggestio falsi, and so useful that only ideological rancour could (as it doubtless will) deny it inclusion in undergraduate bibliographies.

Much too scrupulous a chronicler to impose Grand Themes on his material from outside, Dr Partington nevertheless takes justified pleasure in the patterns which his material reveals of its own accord. Most obvious among these is the power that British institutions have exercised over the imaginings not only of Britain's Australian friends, but of Britain's Australian foes. Nineteenth-century antipodean malcontents bemoaned British rule from positions which Britain had won for them. They shared the intellectual confusion of the New York cabbie who was immortalized in an anecdote by Anglo-Peruvian comic Michael Bentine. On first hearing Bentine's voice the cabbie realized that his vehicle was being contaminated by the presence of a British passenger, and he snorted "Great Britain! Hah! What's great about it?" Unruffled, Bentine asked "What language are you talking?" "English," admitted the driver. "That," responded Bentine, "is what's great about it."

Insofar as such Victorian-era republicans as John Dunmore Lang and Daniel Deniehy bordered on philosophic coherence at all, they deprecating modern Britain principally because they thought it was not being British enough. They maintained as their ideals, not Marat's or Danton's eventual republican precepts, but Magna Carta, Hampden and Locke. (So much for the absurd thesis, pronounced at great fist-thumping length by Thomas Keneally, that Lang et al regarded himself as being trial runs for Thomas Keneally.) As the essence of good government Australian Catholic spokesmen invoked, not Bishop Bossuet's "Le roi, Jésus Christ et l'Église: Dieu en ces trois noms" or Metternich's Holy Alliance, but Britain's own Bill of Rights and Catholic Emancipation laws. Cardinal Moran, Archbishop of Sydney, affirmed in 1891 that "all our interests at the present day, and for 50 years at least, point ... to a closer union with the [British] Empire."

Catholic Welfare Between 1788 and the end of the 19th century Catholics fared, on the whole, much better under Protestant rule in Britain and Australia than they did in most nations where they formed a majority. This is not to suggest that their treatment always warranted applause: merely to note that their treatment elsewhere was far crueler. Dr Partington could have made still more of this point than he has, because — even if we discount nakedly Marxist terror campaigns — the anticlerical persecution which Catholics underwent in France, Italy, Portugal and Latin America continued well past 1900.

When the House of Savoy's troops conquered Rome in 1870, and Pius IX had good reason to fear that he would be murdered as his Prime Minister Pellegrino Rossi had been, he begged the Catholic powers to aid him. They all offered eloquent excuses for doing nothing. Gladstone, by contrast, despatched a man-of-war to Italy's western coast: not only to evacuate British subjects in Rome but to rescue, if necessary, Pius himself. When French Prime Ministers Jules Ferry, René Waldeck-Rousseau and Émile Combes hounded the religious orders, it was Britain which gave many of these orders asylum.

Nor did only monks and nuns find British law, quite literally, a lifesaver. The Catholic crowned heads whom Britain succoured in exile included Louis XVIII, Charles X, Louis-Philippe, Napoleon III, Eugénie, Louis the Prince Imperial (who fought and died for Britain in the Zulu War) and Portugal's Manuel II. Small wonder that the Osservatore Romano commented in 1893: "England, true to her principles of liberty, has accorded it to her Roman Catholic minority — in a way which must make many continental Catholics envy the lot of their co-religionists in England." Small wonder, also, that Leo XIII expressed "grateful thanks ... for the justice and protection which the Catholic Church has enjoyed during the reign of Queen Victoria throughout the vast extent of her realm."

Even the darkest chapter in 19th-century British history, Ireland's Great

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Famine, is illuminated by Dr Partington s eloquently restrained *aperçu*: "It is unlikely that deaths in Ireland from the famine would have been fewer had [Irish Nationalists] John Mitchel or Charles Gavan Duffy been in charge rather than Sir Robert Peel or Lord John Russell." British and Australian Catholic advocates of State Aid endured frequent ridicule; they were not, however, strung from telegraph poles or shoved before firing squads, as their Mexican counterparts — well within living memory — were apt to be. The manner in which these truths (so unpalatable to Leprechauns Anonymous and the other pressure-groups controlling Australia's education systems) are routinely suppressed illustrates the frightening parochialism of modish Australian thought: even, or rather especially, when it makes its most laborious attempts to seem global.

**Anglophobia** Just as impressive, and just as antipathetic to rent-a-mob republicans in 1994, is the breadth of 19th- and early-20th-century Australian Anglophobes' reading. The British heritage, as well as shaping such Anglophobes' political mentality and their notions of sport, coloured — indeed determined — their entire approach to literature. Dr Partington cites *The Bulletin's* carpet-chewing, almost proverbial wrath at Edward VII ("'Tummy ... The Fat Little Bacarat Man ... a bloated prince of parasites"), his mother ("blind and greedy as the grave ... that cold and selfish woman ... that dull and brainless woman ... that dull, yet gilded dummy") and his elder son ("'Twere better for his comfort that the Duke of Clarence died"); since this same pubescent invective marked the journal's utterances about Oriental races, any Martian who acquired the journal's back-issues would conclude that the House of Saxe-Coburg-Gotha's main 'sin' was to have been Chinese. But even *The Bulletin's* own A. G. Stephens never countenanced, as Donald Horne in our own Augustan age has advocated, penalizing the study of foreign authors. Stephens lectured on Marlowe, Sheridan, Thackeray and Molière; in print he eulogized (with every sign of expertise) Balzac, Maupassant, Théophile Gautier and Prosper Merimée; he once recklessly asserted that "Verhaeren [Émile Verhaeren, a then-renowned socialist scribbler] and Verlaine have far more poetical significance than the rabbits of the English warren like Kipling." Nor did Henry Lawson — whose successive attitudes to foreign climes resembled less an intellectual odyssey than the insensate careering of a dodgem-car — hate England enough to avoid praising Boadicea, Alfred the Great and the Virgin Queen in verse. In addition he read, with relish, Cervantes and Captain Marryat: hardly among the writers one first associates with blowfly-infested Australian literary jingoism.

**Aboriginals** To enlighten those who seriously equate Australian white settlement with the Holocaust, Dr Partington points out that the colonists had only three options in their legal dealings with Aborigines. They could adopt Aboriginal legal customs; they could ensure that British laws and Aboriginal laws coexisted and were kept separate; or they could ensure that British laws were "shared as far as possible with the Aborigines with whatever concessions to local custom" were mandatory. The second of these options, which would have lumbered Australia with apartheid, was rejected. The first option would in practice have meant postponing all legal judgments until each Governor and magistrate had acquired the requisite skill in such time-honoured indigenous punishments as mutilating genitalia and spearing villains to death. So the third option became — dread adjective — inevitable.

Taxpayer-subsidized activists who acquire vast personal wealth from cynical breast-beating over the 'genocidal' British 'invasion' should remember how easily Australia could have been a Spanish, Dutch, Portuguese, French or Japanese colony instead. If they continued to opine that the Australian Aborigine would have fared any better under those settlers than he did under the British, they would of course be entitled to their opinion. The rest of us — who actually have a nodding acquaintance with what befell the Aztec, the Inca, the Xhosa, the Angolan, the Egyptian Mameluke, the Algerian and the Ainu — would be equally entitled to ask themselves what were they smoking.

In short: everyone afraid of what Greg Sheridan once called "the lies we teach our children" should read Dr Partington's volume. Alas, for about the 58th time in recent literary history, a laudable Australian book has been disfigured by subediting which is not so much lax as nonexistent. The Eleusinian mysteries of computers' spell-check and grammar-check functions appear never to have been profaned by Australian Scholarly Publishing's keystroke operator: our PM from 1941 to 1945 is described as "Jhon Curtin" (p. xiii); early 19th-century NSW is said to have "consituted" a scene of oppression for Catholics (p. 75); Sir Henry Parkes is quoted as urging a Melbourne audience to "Make youerselfs [sic] a united people" (p. 112); the Christian name of artist Grinling Gibbons is spelt "Grindling" on p. 131, which also misspells Henry Grattan's surname as "Gratton"; Sydney University's first Professor of Science is quoted as affirming that the university's purpose is "not necessarily to give any large amounng of information" (p. 171); the Lawson poems that Chapter 8 discusses include "pacons" (pacans, presumably) to Cromwell (p. 224): p. 286 speaks of "South African" where the grammati-
The unthinkable happened when Mrs Thatcher started implementing free-market think-tanks, of which there were apparently 166 at the last worldwide count by the Atlas Foundation, this book is a must. Likewise, those desiring to win the hearts and minds of political parties will find Thinking the Unthinkable absorbing. As Richard Cockett makes clear, to win over the politicians you have first to convince the opinion formers; and to ensure the opinion formers are on your side, you may have to start while they are still at school. When Friedrich von Hayek founded the Mont Pelerin Society in 1947 he was well aware of the long-term nature of the task.

**Un underestimated Events**
As far as the general, non-British reader is concerned the book contains much detail which may seem tedious. Nonetheless, it raises a number of issues of wide interest. One which never ceases to fascinate historians is the relationship between people, ideas and events. Cockett sometimes gives the impression that circumstances were influenced overwhelmingly by people rather than vice versa. Admittedly he occasionally acknowledges the role of events as in the following passage from Milton Friedman's 1976 Nobel Prize lecture:

"Government policy about inflation and unemployment has been at the centre of political controversy. Ideological war has ranged over these matters. Yet the drastic change that has occurred in economic theory has not been the result of ideological warfare. It has not resulted from divergent political beliefs or aims. It has responded almost entirely to the force of events; brute experience proved far more potent than the strongest of political or ideological preferences."

On the whole, however, Cockett tends to play down the extent to which Keynesianism was a response to the depression of the 1930s and monetarism a reaction to the inflation of the 1970s. Little matters like the two oil shocks which rocked the world economy don't rate a mention. He is certainly entitled to give credit to the Institute of Economic Affairs for its role in predicting the inflationary outcome of Keynesian policies and working out "a coherent, intellectually satisfying alternative" so that, "when the time came for the change of tack in the mid-1970s, there was really only one alternative and, by implication, one philosophical position to adopt — that of the IEA." As the term counter-revolution suggests, however, it was essentially the product of the shortcomings of the revolution that preceded it.

**Counter-counter-revolution?**
And this leads to a still broader question raised by the book. Will the counter-revolution itself provoke a reaction? Early on Cockett observes that British economic history over the last two centuries can be interpreted in terms of the Hegelian dialectic (of thesis giving rise to antithesis which in turn produces a synthesis) and in his epilogue he suggests that "we are now at the point where the counter-revolution against economic liberalism will start, and the Hayekian campaign of intellectual persuasion provides the modern model of how to effect the next intellectual counter-revolution."

The likelihood of any such revolution against economic liberalism and the form it might take are yet to be determined. Cockett seems to feel that the failure of economic liberals in Britain to come to grips with Brussels is evidence of waning powers, but this is a somewhat parochial concern. (A common market is anyhow not necessarily inimical to a free market.) Already a number of possible challengers are lining up. Cockett sees Kenneth Galbraith with his emphasis on the inherent instabilities of capitalist systems as one such challenger. Another is the green movement with its prejudice in favour of centralist and interventionist solutions to the world's ills. A third, as yet perhaps lit-
tle more than a vague hankering, is the growing emphasis being placed on the supposed needs of the community as opposed to those of the economy.

The coming backlash could take many forms. It would be ironic, however, if economic liberals were destined to repeat the fundamental error of the Marxists in assuming the dialectic stopped with them and that the synthesis never gave rise to its own antithesis. As in so many walks of life one solves one problem to create another.

For those readers of a less philosophical and more entrepreneurial bent Thinking the Unthinkable offers some interesting scope for arbitrage due to its containing a quite sensational libel. Because the publisher has agreed to retrieve unsold copies in the UK, it is now a rare commodity there and copies (including the offending passage) are being re-exported from Australia. They can be expected to remain at a premium until the paperback (and expurgated) edition is eventually published.

John Brunner is a former Chief Economist at BHP, now resident in Perth.

A Personal Touch

Shaun Patrick Kenaelly

Elisabeth Murdoch, Two Lives
by John Monks
MacMillan, Australia

DAME ELISABETH Murdoch speaks of her 'two lives'. The first is of youth: prior to her marriage to Keith Murdoch and their years together. The second is of age, following his death in 1952. In this she is far too modest. She was no ordinary girl, nor wife, nor widow. In actuality, there have been many 'lives', and the biography, by John Monks, provides a splendid introduction to them and to her. She is gardener, traveller, patroness — and matriarch of a remarkable and far-flung clan. She is friend to many, a famed (and witty) conversationalist, and in her many years of public service has given to Melbourne, her own city, more than most of us would be able to give in the course of a dozen lifetimes.

At the age of 85 she might well have become an author, but was sensible, I think, to allow John Monks to interpret, following the clues as it were, through hours of conversation. The alternative, a narrative (like that of her great friend Joan Lindsay in Time without Clocks) would not have been worth the reading, but conversation seems very much her own natural medium. It is in the far-reaching talk — of gardening, family and friendships — that we learn the most about her and much else beside. More than once she speaks of 'the personal touch', a quality she found throughout her years of work for the Royal Children's Hospital: "I do think that the great joy for me in my time at the hospital was this close contact with everyone from cleaners to surgeons to management" (p. 127). Sir Keith Murdoch felt the same way, at The Herald. It is the loss of this human quality, the personal touch, which she regrets most in the indifference and haste of modern life.

Edwardian Born in 1909, Elisabeth Greene, as she was, qualifies comfortably as an Edwardian. This tells us much. She is anything but indifferent and recollects in her life the ingenuity and easy grace of her elder contemporaries in that remarkable period. There are few like her now.

Yet she is not so easily 'placed'. A child of an age, she is not fully of it — then neither is she immediately recognized amongst the succeeding 'Georgian' generation, among whom, lingering respectability contended with the opportunities produced from expanding freedoms. She tells of how, newly-married, she was introduced to George Lambert, who slapped her jovially on the back and insisted that he do her portrait. Plainly, he had no idea whom he was dealing with and nothing more was ever heard of it. She is yet to forgive him for the vulgarity. Much closer to the spirit of Elisabeth Murdoch than any Lambert painting are Rupert Bunny's 1930s' ladies — strong and self-possessed. Bunny rightly saw a new type of young woman, one very much her own self, but lighter in her gravity; modern, yet traditionally-minded; adventurous, but by no means in sympathy with the ephemeral changes of a turbulent age.

Reflecting on an imagined portrait takes us further into the lives, for it was Keith Murdoch, an undoubted connoisseur, who saw a coming-out photograph of Elisabeth in Table Talk and immediately fell in love with her. She was 18, he 42. He promptly wrangled an invitation to a dance where she was to be present — and proceeded to sweep her off her feet; or perhaps it was the other way around. What resulted is quite tactfully underplayed by John Monks, but told in a most charming way. For surely it is one of the great Australian love stories and one hidden until now from all but a few. Matches of this kind, spanning nearly a full generation, were unusual then and rarer now. They offend conformist morality. Murdoch was a millionaire and a distinguished public man, Elisabeth Greene's family was genteel but in reduced circumstances. Her father was given a hard time at his club and Dame Nellie Melba fell from the heights upon Elisabeth herself. To little avail. The couple persevered and much happiness came to them.

Anglo-Irish What was it that he saw? Really, we will never fully know. Her Anglo-Irish ancestry may have
had something to do with it. On both sides she comes from Anglo-Irish families with deep roots in Leinster. The Anglo-Irish occupied a curious position, mistrusted by the native Irish and the English alike. They formed a close caste and a tangled cousinhood. Over the centuries they proved to be a people who constantly threw up genius, illumining the qualities of both nations. A stubborn independence is on one side, a soaring imagination on the other. There is formality, civility — and not a little mischief. Lady Gregory, W.B. Yeats and George Bernard Shaw were of this stock; in politics there is Edmund Burke. They are not a predictable people unless in the capacity to startle. In his young bride, Murdoch found a woman able to walk with confidence in the spirit of her own times and who yet stood a little removed, always sure of her own way. One thing is quite certain: in time, as she gave more of herself to public life, more and more people were to experience the genius Keith Murdoch saw from the first, for she brings it to everything she undertakes.

Public Service Very late in the book, Dame Elisabeth says of herself: “I don’t think of myself as being young, but I can never relate exactly to what being 85 means. I can’t really accept that I’m really old. I like to imagine I’m ageless” (p. 300). A sense of belonging to both youth and age is perhaps the most potent quality she has brought to public life.

After her marriage she was summoned, as ladies were, to the respectability of good charitable works. Lady Latham invited her onto the Committee of Management of the Royal Children’s Hospital, something that might have earned her no more than a historical footnote but for the fact that she saw her work through the light of her genius. It was what she wanted to do. It was less a task than a way of life. The Hospital’s standing as the great institution it is now, owes a great deal to her. She had an intuitive eye for every contingency and always thought ahead. Again, it is in the small, personal touches we see her best at work. In the result she gave over 60 years to it. A simple example may tell. The Royal Children’s Hospital has been for years the favourite charity of ordinary Victorians. In pubs, for example, it is the major collection and fundraiser all the year round. That prominence owes much to her efforts. She brought the Hospital to the people. She was among the first to seize the possibilities presented by the new media, radio then television, in expanding the range of the Good Friday Appeal. She also managed to extract a lot of money out of the State Government, essentially by staring down Sir Henry Bolte across a table, no mean feat. He once told her not to ask for any more money for five years. We are not told whether she kept her side of the bargain or not.

Dame Elisabeth’s interests grew and continue to grow to this day. She was a founding trustee of the Noah’s Ark Toy Library, bringing toys to handicapped children. Again, it sounds elementary; but the toys need

The Hospital’s standing as the great institution it is now, owes a great deal to her.

S.P. Kenelly is a private scholar.
A Great Financier and Philanthropist

Leading Australian businessman Sir Ian Potter, who died at home on 24 October at the age of 92, had been a Councillor of the IPA since the Institute’s foundation.

A pioneering financier, in 1936 he established the sharebroking firm Ian Potter and Co., now Potter Warburg Ltd.

He was also a great philanthropist, setting up in 1964 The Ian Potter Foundation which, in the three decades since, has distributed gifts of $22 million. He was knighted in 1962.

In an appreciation, Charles Goode, Deputy Chairman of The Ian Potter Foundation and Past President of the IPA, wrote of Sir Ian: "He was one of Australia’s most visionary and internationally minded leaders in the period after World War Two. He played a leading part in financing the manufacturing industry and the semi-government authorities in the 1950s and 60s and the mining industry in the 60s.”

IPA news

Full Employment Is Achievable

Achieving Full Employment, a new book by Helen Hughes, was launched at the University of Melbourne on 30 November at the delivery of Professor Hughes’s inaugural lecture. Professor Hughes, Director of the Full Employment Project, is attached to the University’s Institute of Applied Economic and Social Research, joint organizers of the Project with IPA.

She writes in the new book: "Changes in any one economic area will not deliver full employment. Reform across the board is needed."

Helen Hughes also spoke at the end of October, along with Professor Richard Blandy and Gary Morgan, to IPA’s Essington Lewis Speakers’ Group. The evening function, hosted by Roy Morgan Research, dealt with the causes of unemployment.

Board Changes

John Calvert-Jones and David Brydon have resigned from the IPA Board. Mr Calvert-Jones joined the Executive Committee (now the Board) in 1984; Mr Brydon in 1986. IPA’s Chairman, George Littlewood, thanked both men for the wisdom each had brought to the Board and for their valuable service to the Institute. Both Mr Calvert-Jones and Mr Brydon will remain members of the IPA Council.
A recent Backgrounder by Des Moore challenges Mr Keating's claim that, because of poor economic management, the Menzies era was 'the bad old days' and Australia was "comatose." The Backgrounder, which was turned into a feature in The Australian newspaper, points out that "the structural changes in the Australian economy and society were at least as great, and arguably greater, in the Menzies era (than in the Hawke-Keating era)." And overall, argues Des Moore, the economy performed better:

"In particular, unemployment, inflation and interest rates were kept at much lower levels."

A recommendation in an earlier paper of Des Moore given to a major Victorian business forum on 'Victoria: Achieving Best Practice' appears to have been taken up by Victoria's Kennett Government. The Government has announced that it will legislate to require that future Victorian governments not run current account deficits.

On 11 October a new IPA book, The Burning Continent: Forest Ecosystems and Fire Management in Australia, was launched in Canberra by Dr Glen Kile, Chief of CSIRO's Forestry Division. The launch was attended by the media, fire trucks and foresters.

The book is a collection of three essays by four experts in forestry and ecology. It deals with, among other issues, the influence of the environmentalist movement on bushfire-management policies. Two of the authors, W.E. Hurditch and W.J. Hurditch, point out that bushfire control should principally involve limiting the amount of forest fuel available, not protecting its build-up with quasi-ecological arguments and then having to pump resources into suppressing fires once they are blazing.

Speakers in Perth

In late October, Brian Tucker, Director of the IPA Environmental Policy Unit, gave a luncheon talk in Perth on the Greenhouse Effect. A Backgrounder by him which critically discusses Greenhouse in the context of the available scientific evidence and Australian Government policy was released in late November.

Under the auspices of its Friday Club, the Perth office regularly organizes forums. Recent speakers have included Labor MHR Graeme Campbell, on the power of pressure groups, and Dr Ray Johnstone, on health warnings.

Regulation Unit Launched

On 6 December, a small function at IPA's Sydney offices, attended by about 30 invited guests, marked the official launch of the Regulation Review Unit. The Unit is headed by Geoff Hogbin.

Brian Scullin, Executive Vice President, BT Funds Management Limited, has agreed to join the Unit's Board of Trustees.

Not So Bad, After All

A recent Backgrounder by Des Moore challenges Mr Keating's claim that, because of poor economic management, the Menzies era was 'the bad old days' and Australia was "comatose." The Backgrounder, which was turned into a feature in The Australian newspaper, points out that "the structural changes in the Australian economy and society were at least as great, and arguably greater, in the Menzies era (than in the Hawke-Keating era)." And overall, argues Des Moore, the economy performed better:

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1994-95 Budget Backgrounder by Mike Nahan
This annual round-up compares budget performances among the States and the Commonwealth and awards accolades and 'lemons' accordingly.
(December 1994) $15.00

The Bad Old Days by Des Moore
Mr Keating has described the Australian economy during the period of the Menzies Government as “comatose.” He blames a “lack of political entrepreneurship.” This analysis shows, however, that, in key respects, the Australian economy performed better during the Menzies years than it has during the Hawke-Keating years.
(October, 1994) $4.00

Are Banks Competitive Enough? by Des Moore
The apparent inadequacy of competition among Australian banks is a product of government regulation and government involvement in the industry, including excessive ‘prudential’ regulation, the existence of government-owned and guaranteed banks, and the protection of existing major banks against takeover.
(August 1994) $7.00

ENVIRONMENTAL BACKGROUNDERS

Greenhouse: Facts and Fancies by Brian Tucker
Significant uncertainties remain in understanding the timing, magnitude and geographic distribution of the enhanced Greenhouse effect and its probable consequences. Biased selection from the highly-variable climate record over past decades has been used by well-intentioned, and less well-intentioned, pressure groups to boost both sceptical and alarmist prejudices. This has confused public opinion, and has induced something akin to panic reaction from some Government policy-makers.
(November 1994)

The Precautionary Principle: The Greatest Risk of All by Ron Brunton
The precautionary principle is currently enjoying great success among environmentalists and bureaucrats. In this Backgrounder, Ron Brunton argues that the precautionary principle embodies faulty ideas about the appropriate response to scientific uncertainty.
(May 1994)

The Basel Convention by N.R. Evans
Few Australians have heard of the Basel Convention on Transboundary Movements of Hazardous Wastes and their Disposal which Australia joined in February 1992, and which, on the surface, seems an innocuous and desirable treaty to control trade in hazardous wastes. Evans, however, points out that in the world of international politics, things are seldom what they seem.
(April 1994)

IPA Backgrounders: listed above are available individually for $5 (inc. P&H) unless stated otherwise. Ensure that you receive IPA Backgrounders, including Environmental Backgrounders, as soon as they are issued by subscribing now ($80 per year). Write to IPA, Ground Floor, 128-136 Jolimont Road, Jolimont, Vic. 3002; or phone (03) 654 7499 to pay by credit card.
CRA is a world leader in the production of aluminium. For example, CRA's Hamersley Iron Operations contribute 35% of all iron ore produced in Australia.