What’s fair about FAIR TRADE?

Books you must read

Lessons from Mad Max
Alan Moran

Loving the corporation
Scott Hargreaves

Falling in love with a Swedish model
Chris Berg

Will your next trip overseas be for a new kidney? Peter De Luca

Candy shop regulators
Julie Novak

Polar Bear Politics
Jennifer Marohasy
From the Editor

Mariah Carey never said this:

When I watch TV and see those poor starving kids all over the world, I can't help but cry. I mean, I'd love to be skinny like that, but not with all those flies and death and stuff.

It was lifted from a satirical Web publication called Cupcake in 1996, was erroneously placed in the music and culture magazine VOX, from there into the British newspaper The Independent, eventually getting indelibly stamped into the mid-nineties pop diva's reputation. Perhaps it points to a deeper truth—that she's an idiot—but the fact remains that it entered our culture as a fabrication and took up a life of its own. It is not rare to see it still quoted as an example of celebrity stupidity and callousness.

Myths like these are relatively harmless, unless, of course, you are concerned about Mariah's feelings. But when myths enter the political realm and become part of ideological dogma—in other words, taken as gospel—they can be extremely harmful.

In this issue of the IPA Review, Tim Wilson looks carefully at the 'fair trade' phenomenon. Centred, at least for the moment, around the international coffee industry, the fair trade movement argues that free trade is not sufficient to ensure development and growth in the Third World. Instead, we need consumers to make socially conscious purchasing decisions which ensure that producers get what they deserve.

This is a superficially appealing message, and certainly consumers are free to consume whatever goods they prefer. But fair trade is fraught with problems. As Wilson argues, fair trade coffee has devolved into a bureaucratic, unresponsive and, ultimately, burdensome process. Rather than the social good that its supporters claim it is, fair trade provides no incentives for producers to innovate and increase productivity—the real keys to increasing prosperity.

Fair trade is a myth, propelled along by the apparent appeal of its message, just like Mariah Carey's insensitive comments. Like her insensitivity, it needs to be investigated further before being universally accepted as true.

A similar myth, and one which is heard just as often, is the myth of a Scandinavian utopia. Peddled by social democrats across the world, this myth claims that high taxing and spending welfare states can remain as vibrant and dynamic as the liberal democracies of the Anglophone. But, upon further investigation, this turns out not to be the case. ‘Scandinavian Idol’ investigates the case for and against Swedish exceptionalism, and argues that, despite its apparent prosperity, the Swedish model has little to offer Australian policy-makers.

Also in this issue, Michael Evans looks at Australia’s strategic culture and argues for a rethink of our priorities as an island continent. Peter De Luca sheds light on xenotourism, the practice by which Australians travel overseas for a vital medical procedure not yet approved in Australia, namely, the transplantation of animal tissue or organs into humans.

Jennifer Marohasy takes us up to speed with the survivability of polar bears and how they could be affected by global warming. Richard Allsop urges renewed debate over public transport to recognise the reality of how people actually use the service, and how best to proceed.

Rohan D’Souza looks at what is really at stake in bias in academia, and Alan Moran asks one of the most important questions of our time—what can we learn from Mad Max?

Scott Hargreaves clears up a thing or two about the legendary management consultant Peter Drucker, Tony Cutcliffe wonders where the real unemployment figures for indigenous populations went, and Julie Novak looks at the new 'parental socialism'.

And finally, in a special feature for this issue, we present a list of what we consider the top 20 free-market books—essential reading for liberals and conservatives in Australia.
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Editor: Chris Berg. Associate Editor: Hugh Tobin. Executive Director: John Roskam.
Printed by: Pinnacle Printing, 288 Dundas Street, Thornbury VIC 3071.
Published by: The Institute of Public Affairs Ltd (Incorporated in the ACT) ACN 008 627 727.
Level 2, 410 Collins Street, Melbourne Victoria 3000.
Phone: (03) 9600 4744. Fax: (03) 9602 4989. E-mail: ipa@ipa.org.au Website: www.ipa.org.au
Production and design by Chris Berg.

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There's a big difference between governments giving people what people actually want, and governments giving people what governments believe people want. Similarly, there's a big difference between writing books about how people really behave, compared to writing books about how people should behave.

In simple terms, the first alternatives are the attitude of the liberal and conservative tradition. The second alternatives are the attitude of the socialist and Marxian tradition.

The twenty books ‘You must read before you die’ featured in this edition of the IPA Review are works that sit firmly in the liberal and conservative tradition. They are books that take individuals as they are—they don’t strive for the regeneration of the human race. In this sense, many of the books are quite modest in their ambition.

Reflections on the Revolution in France is a speculation about what could happen when such a regeneration is attempted. Animal Farm is a simple story about farmyard animals. The Road to Serfdom is a warning, not so much about the effort of human regeneration, but about the consequences of allowing those who wish to undertake such an exercise to accrue as much as is necessary to achieve their objective.

Other books such as Milton and Rose Friedman’s Free to Choose and David Friedman’s (the son of Milton and Rose) The Machinery of Freedom appear radical only because government has already imposed so many limitations on our liberties.

The criterion for the ranking of books from one to twenty was the degree to which the works deserve to be influential, whether according to the strength of argument, or according to the fact that they should be better known than they are.

Plato was one of the first to remove himself from the grubby reality of everyday existence. He presented a vision of how a society could operate if only everyone acted in a way that Plato thought best. For him it was more important to ponder the nature of utopia than to consider the problems of the present—and people were secondary to his overall objective of achieving that utopia. Plato, as Karl Popper argued in The Open Society and its Enemies was the first in a long line of philosophers, writers, and hacks each of whom had their own version of heaven on earth. And as Popper also identified, when those philosophers, writers and hacks attempt to impose their own views on the rest of society, the problems begin.

The British author Michael Burleigh, in his recent book Earthly Powers: Religion and Politics in Europe from the French Revolution to the Great War, documents the consequences of putting Plato into practice. (Burleigh was recently in Australia and an exclusive interview with him and review of Earthly Powers will appear in the next IPA Review.)

Burleigh examines the way in which, beginning with the French Revolution, revolutionaries attempted to replace the traditional beliefs of religion with an adherence to the secular and the political. This was done in order to create a ‘new man’ from the old Adam, ‘an exercise that presumed that human personality is as malleable as wet clay’.

Alexis De Tocqueville noted the capacity of such recreations to create a particular fervour:

Because the Revolution seemed to be striving for the regeneration of the human race even more than for the reform of France, it lit a passion which the most violent political revolutions have never before been able to produce. It inspired conversions and generated propaganda. Thus, in the end, it took on that appearance of a religious revolution which so astonished contemporaries. Or rather, it itself became a new kind of religion...
The GST: Good try, but no banana

Mike Nahan

It has been six years since the introduction of the Goods and Services Tax—the tax that was to revolutionise the Australian tax system and state-federal relations in a single bound.

And the prognosis is not good. Indeed, Peter Costello’s claim to have been ‘scarred for life by the GST experience’ is understandable.

The GST deal gave the States more money, with less responsibility, and they have predictably squandered much of it. The GST, which was supposed to be ‘revenue neutral’, resulted in a sizeable increase in the total tax take. While the GST did replace a number of particularly onerous taxes, it did not go far or fast enough, or even as far as originally agreed. And, the deal was done in such a way that it cannot be changed.

It stands as a warning to tax reformers of how good ideas can so easily be perverted by the political process. From the start, the GST was promoted as providing a ‘growth tax’ for the States—a tax base that grew in tandem with, or at faster rate than, the economy as a whole. This the GST did. What is more, the Commonwealth quarantined the States against down-side risks, but gave them the unconditional access to up-side risks. That is, the Commonwealth offered a set of guaranteed minimum...

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payments so that no State would in any year be worse-off financially from the introduction of the GST, but was silent on whether the States could raise other taxes or what they would need to do if the GST turned out to be a bonanza.

The process was further undermined by the Australian Democrats. Despite the Coalition Government winning the 1998 Federal election with a mandate for its GST package, the Australian Democrats insisted that the tax reform package be altered according to its idiosyncratic whims, and the Howard Government, desperate to get a GST passed, did a deal. The deal included exempting a range of goods and services—fresh food, education and health—as well as additional spending, much of which had no relevance to the GST. To fund these changes, which were estimated to cost $15.4 billion over the first four years, tax cuts were themselves cut back. This included dropping the promised reduction in the top marginal income tax rate from 47 per cent to 40 per cent and the slower phasing out and, in some cases, the deferral, of cuts to State taxes.

As such, the GST increased the tax take and generated more funds for all levels of governments—and it did so in spades.

Since the tax was introduced in 2000–01, GST collections, which are expected to reach $38 billion in 2005–06, have grown at an average annual rate of 9.1 per cent. This is over twice the growth rate of the economy as a whole and is significantly faster growth than initially projected.

The GST therefore delivered the States a huge sustained boost in overall revenue when introduced in 2000–01 and a subsequent further windfall of just over $11 billion.

Peter Costello has now forced all States to eliminate the agreed set of taxes, though not before 2011. The States, however, will keep the revenue repeated from postponing the cutting of those taxes. Moreover, even assuming that these taxes are eliminated, the GST is expected to provide the States with $14 billion more than they would have received from the system that prevailed before the GST.

The GST has not been the State sector’s sole or even main source of windfall revenue. At the start of this decade, the States predicted that their own-tax revenue would decline over the next five years because of the GST deal and slow growth. As it turned out, the States reneged on their tax cuts and the economy boomed, particularly in those areas in which the States tax most heavily—housing, jobs and capital purchases. This resulted in the States receiving $28 billion more in own-tax revenue than they expected at the start of the decade.

What did the States do with their revenue windfall? One thing is clear: they did not use it to reform their remaining tax systems, or cut taxes in a meaningful manner, or begin a new round of economic reform.

While all States have fiddled with their tax systems under the banner of tax cuts, in reality they have at best
Instead of pursuing reform to tax and service delivery, the States have spent their tax windfall on more of the same: more highly paid staff, more services, more programmes, more studies, more publicity and more infrastructure.

done nothing more than give back a bit of bracket creep while at the same time clawing in more revenue through a widening of the tax base. At the same time, many have actually increased selected tax rates or introduced new taxes. No State has undertaken a systemic reform of its tax system, despite the urgent need to do so.

Arguably the main object of the GST was to reform the indirect tax base and specifically to eliminate a range of State transaction taxes. The GST has resulted in the cuts to some of these taxes.

Yet, despite these cuts, Australia, through the States, relies more heavily on transactions taxes than any other developed country. (See Chart. Note that the data in this chart are for 2003, three years after the GST was introduced with the expressed aim of reducing transaction taxes.)

Moreover, the largest and most destructive of such taxes—stamp duties on conveyances, insurance and motor vehicles—not only remain but have been made worse. Indeed, none of these taxes was ever included in the list of taxes to be cut as part of the GST deal—a serious omission.

What is worse, the GST has inflated these taxes. The stamp duties are levied on top of all other taxes and charges, including the GST. Thus in the case of all new vehicles, insurance products and new homes, the GST inflated the effective rates duty by 10 per cent through double taxation.

The GST also left the States with a smaller range of taxes. While the States have two potential ‘growth taxes’ in the form of payroll tax and land tax, they have decreased their dependence on them. Instead, they have increasingly relied on stamp duties. They have done so for all the wrong reasons. Stamp duties are less transparent, have a narrow base, are paid infrequently and as a lump sum, and are often simply added to the credit card rather being paid out of regular income.

The only economic reforms undertaken by the States over the last decade have been those directed and paid for by the Commonwealth through the National Competition Policy process. Led by Victoria, the States have recently begun to champion an ambitious but vague process of reform labelled the Third Wave Reform Agenda. Despite their riches and their claim that their reform agenda will provide massive gains to the economy, the States are demanding that the Commonwealth pay them to reform with an additional $10 billion over ten years.

Instead of pursuing reform to tax and service delivery, the States have spent their tax windfall on more of the same: more highly paid staff, more services, more programmes, more studies, more publicity and more infrastructure. Value-for-money has become a forgotten concept.

The failure of the States to use their taxing powers has become a major scandal. Australia’s financial system has long been the subject of an Inter-governmental Agreement which, in turn, is enshrined in Commonwealth law. Under this law, any change to the tax base, or to the rate, or to means by which it is distributed to the States requires the unanimous support of governments at both levels and of both houses of the Australian parliament.

The moral of the GST story—get the reform right or do not do it at all.
Since William Lane’s disastrous attempt in the mid-1890s to create a socialist Australia in Paraguay, Australian social-democrats have looked offshore for their idols. This year marks the twentieth anniversary of the trade union mission to Scandinavian countries which culminated in the Australia Reconstructed report, a report which extolled Sweden above all others as a nation of unsurpassed social-democratic virtue. Since then, it has been used as an aside in numerous speeches, op-eds and policy papers—‘If Sweden can do it, why can’t we?’

But does Sweden vindicate the Social-Democratic model? Sweden, and its Scandinavian neighbours, have long been touted as the archetypal well-functioning welfare states—stable, democratic, and, most indicatively, competitive.

Ericsson and Ikea, models of successful globalising companies, originate in Sweden. Both symbolise innovation and international competitiveness, Ericsson the high-tech mobile phone industry (joined by its regional competitor, the Finish Nokia), and Ikea, the radically consumer-centric model of low-price, semi-disposable furniture.

But competitiveness in global markets is clearly not the major appeal of these Scandinavian countries to those who lean left around the world. Instead, it seems to hold the holy grail of social-democratic politics—record-high levels of social spending, a ‘consensus’ model of democratic governance, and internationally incomparable levels of trade union involvement in the political process.

It is no surprise that the Scandinavian model is much referenced as the ideal. Australia Reconstructed, presented a contrarian case to boost welfare and labour market restrictions at just the time Australia was moving away from that model. In May this year, RMIT academic Andrew Scott presented a paper to Melbourne University’s Contemporary European Research Centre arguing that the Scandinavian model described by Australia Reconstructed still had much to offer Australian policy-makers.

As the report is, in Scott’s words, ‘still the most comprehensive policy manifesto ever published by the Social-Democratic left in Australia’, its influence in the union movement and left-of-centre parties in Australia more generally is still significant. Scandinavian idolatry has lasted well into the twenty-first century. In the past six months, Stephen Smith has used Sweden as an example to attack recent workplace reforms. Wayne Swan has used it to condemn Australia’s R&D policy. In a speech in Melbourne to the Australian Institute of Company Directors late last year, Kim Beazley argued that social-democracy can still work, because Nokia and Ericsson produce high-quality phones. Praise for the Scandinavian model is a regular feature of Parliamentary and intellectual debate around the country.

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Why is Swedish and Scandinavian idolatry so prevalent in Australian political debate?
But the tributes paid to the Scandinavian, particularly the Swedish, model by the ACTU researchers came at a peculiar moment in Swedish history. While not yet self-evident, it was clear that the Swedish model was in trouble. The Business Council of Australia, who replicated the ACTU’s Nordic retreat in October 1986, found that the Swedish economy was in dire trouble, having begun a slow but perceptible decline since the beginning of the 1970s and, even in the economic environment of the 1970s and 1980s, was more prone to stagflation than other comparable nations around the world. (A summary of the findings by the BCA, ‘Avoiding the ‘Swedish Disease’, by the head of the mission, Peter McLaughlin, appeared on these pages in April 1987.)

Less than five years after the debate over Australia Reconstructed, Sweden’s economy nearly collapsed. The economy went into deep recession, official unemployment figures skyrocketed, and the budget deficit rapidly increased. The economic crisis forced sharp cuts in welfare expenditure, and stopped to a halt the welfare expansion that had characterised the country over the previous few decades.

It is true that many other nations, Australia included, experienced economic crises at this time. But it is also the case that the source of these crises was more often than not the outdated social-democratic restrictions on the economy. The magnitude of the crisis in Sweden was therefore remarkable—the more inflexible you are, the less ready you are for the fall.

**A brief history of the Swedish Model**

Sweden is, surprisingly to outside observers, one of the great examples of liberal modernisation in the world.

From the 1860s onwards. Having shut down the old monopolies, strengthened rights to private property, and removed regulatory barriers and corporate subsidies, Sweden experienced one of the most rapid modernisations and industrialisations in the world.

With rapid growth, came calls for increased social regulations. In 1912, a universal workers protection law was passed, followed by a basic pension, universal accident insurance, new poor and unemployment relief system, and significant increases in health funding.

Out of this newly urbanised and industrialised state, was forged the famous Swedish ‘consensus’. Says Swedish Historian Emil Uddhammar:

> public expansion during the 20th century (has) taken place without any consistent opposition, on grounds of principle, by any party…. The expansion of public power has taken place without any significant controversies.

Sweden is, surprisingly to outside observers, one of the great examples of liberal modernisation in the world.

The consensus which grew out of the rapid growth of the late nineteenth century, it seems clear now, was fundamentally opposed to the reasons for that growth. Instead of embracing the liberal democratic model which had brought it such sudden wealth, it emphasised the role of the State in creating the preconditions for the best possible life, in organising the economy and society for common ends. This grandiose project was known by the motherly phrase **folkhemmet**, a combination of folk (people), and hem (home)—the all-embracing welfare state.

This consensus was only possible because the Social-Democrat Party, which held power in Sweden for most of the twentieth century, and whose vision of Sweden most informs the Swedish model, separated with its previous orthodox-Marxist ideals and co-operated with business, viewing its capacity for wealth-generation as the economic source by which it could construct **folkhemmet**. In co-operation with the strong trade union movements which guaranteed constant pay improvements, the Swedish consensus was born.

It was not until the Second World War, however, that the full force of **folkhemmet** could be mustered. Wrote Ernst Wigforss, the Finance Minister at the end of the war:

> The important thing is that we felt our experiences during the war had given us new and decisive arguments for a bolder social policy being both economically feasible and politically justifiable...While realising that the difficulties were greater in peacetime, one could still unhesitatingly make reference to wartime experiences. Our resources were greater perhaps than most people had suspected. Would it not be possible, with a completely different strength from previously, to appeal to people’s feeling for the greatness of a common peaceful task of construction?

Having a fully functioning industrial base and a largely unharmed civilian population within reaching distance of
the devastated continent turned out to be sufficient support to sustain record high levels of employment and steady, if not particularly impressive, growth. As the consensus, and the faith in the Swedish model, grew, the level of social spending and state intervention matched it. The historian Arne Ruth writes:

The planning mentality was accepted on a scale, which even its keenest advocates in the thirties could hardly have imagined. The already dead-straight highway of Swedish industrialism was asphalted into the condition commonly known as the Swedish model. It was so outstandingly successful that virtually all criticism was silenced for decades.

Through its very success it tended to exterminate all other options, all the objections great and small, which could have helped to correct its bearings in time. It killed history, not least. The planners extrapolated their graphs for decades ahead.

By the mid-1970s, as the 1987 BCA report indicated, it was possible to perceive deep flaws in the Swedish economy. Industrial employment had declined since the mid-1960s, and was similarly declining in importance to the economy. Absolute employment growth in the industrial sector culminated as early as 1965.

The core of the folkhemmet, lavish welfare entitlements, began to show its flaws during the 1960s and 1970s—so much so that Astrid Lindgren, the children’s author of, among other things, Pippi Longstocking, in 1976 wrote Pomperipossa in Monismanien, a fable about how the title character Pomperipossa lives out her life on welfare payments and never has to write another book.

As Mauricio Rojas, author of Sweden after the Swedish Model: From Tutorial State to Enabling State, writes, Sweden’s progressive taxation and welfare policies had changed Sweden’s “basic distributive principle from “equal pay for equal work” to “equal pay (or income) regardless of work”.

What Australia can learn from Sweden

In the early 1990s, Sweden faced the fruits of four decades of social-democratic governance. Unemployment rocketed up from 2.1 per cent in 1990 to 12.5 per cent in 1993. The Swedish consensus, at least at this stage, was, however, largely intact—broadly supportive of an extensive, redistributive state.

This set of pressures—a devastating economic crisis, without a significantly reduced support for a large welfare system—inspired Swedish governments in that decade to institute a series of major innovative reforms to the government provision of social services.

In 1990, as part of a series of reforms to decentralise government services, the Swedish municipalities were given full financial control of the compulsory and the upper secondary schools. In 1992, this was followed by the introduction of what could roughly be described as a school voucher system, a major reform to the education system which has been advocated by liberal policy makers around the world for a long time. In Sweden, this consisted of an obligation on the municipalities to give independent schools 85 per cent of the cost of educating a child in the municipal schools, and giving parents the right to choose the right school for their children. Subject to maintaining certain educational standards, all independent schools are eligible for this funding.

For advocates of school choice in Australia, the empirical results from the adoption of such a system in Sweden have served as a vindication. A series of studies has found that competition between education providers has improved educational outcomes. As F. Mikael Sandström and Fredrik Bergström find in their paper ‘School Vouchers in Practise’:

Greater competition improves the standards of public schools. The wide scope of reform of the system for financing primary education makes the Swedish experience particularly interesting. Sweden has left a system with virtually no parental influence over school choice, and an almost complete dominance of public schools. A voucher system, where parents are allowed to choose any school approved by the National Agency for Education, has been put in its place. Independent schools receive funding on close to equal terms with public (municipal) schools. A widespread concern among opponents of school choice is that competition will hurt the public schools. The present study shows this fear to be without foundation.

For an Australian observer, it is interesting to learn that the school voucher system implemented in Sweden has been embraced by the teachers’ unions themselves. According to the head of the Swedish Teachers Union, Lärarförbundet, teachers were ‘a little suspicious at first’, but have come to embrace the new system—which not only gives parents choice of education institutions, but grants teachers greater choice of potential employers. Nevertheless, their Australian counterparts continue to oppose them, arguing that such an innovative policy model is a mere ‘smokescreen to avoid tackling real equity issues in schools … the best way to improve schools is to improve public schools’.

Although not as advanced, Sweden has also made significant inroads into health care reform. The mid-1990s witnessed a series of slow but unmis-
takable moves towards greater choice and competition in health care. By 2002, health authorities were utilising an extensive internal market, purchasing services from more than 2,000 medical providers in the Stockholm region alone. Most of these are medical practitioners.

Swedish health care analyst Johan Hjertqvist argues that given the unpromising state of international health care, these reforms ‘may represent the biggest privatisation of health care services production ever in the long history of socialised medicine’. Even emergency care is moving towards private ownership, as previously government-controlled emergency hospitals corporatise in preparation for their eventual privatisation.

Sweden has a pension scheme not dissimilar to Australia’s, where citizens are given ownership of part of the pension savings and the freedom to choose which funds to invest in.

It should be clear by this stage that the impression of Sweden as a social-democratic wonderland is incomplete at best. Like Australia, the nation is going through a long period of economic reform and rejuvenation. Privatisation has been a recurring theme. The postal monopoly was abolished in 1993, having been challenged in Stockholm by a private company, CityMail, which had been operating since 1991. Water services have been privatised throughout many municipalities since the mid-1990s.

In a setback in 2004, the national government banned the further privatisation of public hospitals. However, this year, the opposition conservative coalition has agreed to privatise a huge range of state-owned companies, indicating the continued appeal of liberal economic reform.

The harsh reality of the Swedish utopia

Many, but not all, of these reforms have been embraced by the Swedish public and have been integrated into the ‘consensus’. However, their history and the circumstances from which they were born make it clear that they were creations of necessity—possibly because of a public recognition of a crisis within the welfare state and the need for reform in services.

Despite these many changes, the welfare state remains largely intact, sustained by the largest tax burden in the OECD—50.6 per cent of GDP, down from roughly 70 per cent in 1993. The consequences of such continuing massive government weight on the economy are entirely predictable and unsurprising—Swedish exceptionalism has not expelled economic man.

Although growth is high compared with the rest of Europe, since 1998 the economic recovery has, unfortunately, been only partial, and accompanied by a number of disturbing trends.

The crisis of the early 1990s threw a much larger segment of the population from 20 to 64 years of age on to some sort of aid or social security, from just over 700,000 in 1994 to nearly 1,200,000 in 1999. Since then, however, despite a significant economic recovery over the last ten years, this has only dropped moderately—in 2003, more than one million out of a total of 5.2 million within that age bracket of people were the recipients of wealth transfers.

Similarly, a significant growth in absenteeism due to illness has coincided with the reduction in unemployment levels. None of these trends will be unfamiliar to those acquainted with general critiques of the welfare state, and despite the sentiments expressed by advocates of a similar model for Australia, are well in evidence in Sweden. Mauricio Rojas states that:

A country like Sweden that provides broad and generous social benefits, necessarily assumes that, on the one hand, its citizens are willing to work and contribute a high percentage of their income to the State coffers and, on the other hand, will not misuse or take advantage of the subsidy systems. It is simply assumed that the people and State build this relationship on a strong foundation of decency and social solidarity. However, this moral foundation is showing visible and worrying cracks. Sweden in general and social democracy in particular are currently suffering what can be called a widespread moral crisis…

Sweden is similarly held back by a series of regulatory fashions whose time is certainly past. For instance, much Swedish housing is governed by a unique rent regulation system characterised by a collective bargaining system analogous to collective bargaining in labour markets. While the 1990s saw significant migration into metropolitan areas, the combination of restrictive planning laws and this collective bargaining system saw very little growth in housing construction, as well as the rise of a

significant (although nearly impossible to measure) black market in rental contacts. Despite this, reform is opposed by the strong tenants union.

The effects of the still-strong Swedish model extend well past the predictable. The combination of the corporatist relationship between business and government and the expansive welfare state influences the structure of the nation’s industries, disincentivising certain industries over others.

For instance, by looking at job generation and the Swedish IT industry, the economist Dan Johansson has found that the nation’s large and centralised institutions systematically discriminate against innovative and small firms in favour of larger, older ones. Industrial subsidies and support have been confined to more traditional industries such as farming, construction and manufacturing; furthermore, even within these industries, the taxation system favours older, capital-intensive firms with strong institutional links to the state.

Despite highly visible and publicised international successes such as Ericsson, and record high levels of public R&D spending, the Swedish economy is not the innovative one presented by supporters of Australia Reconstructed. Ericsson itself, along with Telia (Sweden’s largest telecommunication network operator), dominate the IT industry within the country at the expense of smaller, independent companies. Indeed, out of the 50 largest private firms, not one of them was established less than 35 years ago. Thirty-one were established before the First World War. The ownership of these firms has been concentrated in a small group of banks and families.

The well-established link between a strong welfare state and low levels of entrepreneurship is, despite the protestations of Kim Beazley, clearly in evidence in Sweden. As the Swedish economist Magnus Henrekson notes, ‘the entrepreneur is largely an alien in the Welfare State’.

The Scandinavian idol
Sweden is as good a test case for models of the political economy as policy makers are going to get. Until relatively recently it has been ethnically homogeneous. Before the introduction of the welfare state it was small, yet highly industrialised and prosperous. It was not significantly affected by the wars which engulfed its European neighbours. It is untroubled by non-economic internal strife.

But despite all these advantages, the social-democratic model fares as well as theory predicts—unable to diminish the disincentives of universal welfare, unable, with a rigid and inflexible labour market and taxation system, to deindustrialise and reorientate the economy toward more entrepreneurial and technologically advanced sectors, and unable to increase productivity at the rate needed to maintain living standards in the long term.

Why is Swedish and Scandinavian idolatry so prevalent in Australian political debate? It is used by political ideologues as corroborative evidence that increases in state spending and welfare can work. Close examination, however, reveals it to be no exception to general political and economic principles.

It is also curious that its advocates neglect to mention its highly successful experiments in school choice and other market reforms.

But if social democracy doesn’t work in Sweden, few other nations present lynchpins on which to hang the dreams of social democrats in Australia—few, at least, with comparable social freedoms and democratic institutions, unlike the frustrating totalitarianism in Cuba. As the foregoing analysis has shown, Swedish idolatry is a chimera, little more than a rhetorical trick, and has little bearing on reality.
Xenotourism
Will your next trip overseas be for a new kidney?

Peter De Luca

Sick patients travelling overseas for revolutionary new medical treatments in countries such as Russia, China and Mexico. This isn’t the plot line of the latest Michael Crichton science fiction thriller. Instead, it is the stark reality for a growing number of Australians who have realised that their only option for a potential life-saving medical cure lies halfway across the world.

Xenotourism is where someone travels to another country for a xenotransplant, the transplantation of animal tissue or organs. Anecdotal evidence indicates that more people are choosing this option to treat conditions such as diabetes and then returning to live in countries where the procedures are not yet approved, rather than waiting for governments to legislate in favour of new treatments.

The use of animal cells in medical treatments is not new (see sidebar). In fact, pig insulin has helped treat diabetics for almost half a century. The genetic makeup of pigs is remarkably similar to humans and, as such, provides a valuable alternative source of insulin.

So why all the controversy? Xenotransplantation has had some bad press in the past and, therefore, regulators are keen to proceed with caution.

In 2004, the Australian National Health and Medical Research Council (NHMRC) recommended the banning of whole animal organ transplants for five years, although it said it was ‘undecided’ about whether to allow animal cell and tissue transplants into humans. The NHMRC did acknowledge the ‘lower potential risk of infection and higher expected benefit to humans’ of animal cell transplants.

In March 2005, however, the NHMRC released a report suggesting that xenocyte treatments would not go ahead until more evidence was produced which allayed their safety concerns. In the past decade, extensive research has been conducted, including an international study in 1999 which reported no transfer of pig viruses (porcine endogenous viruses) in 160 human patients treated with living pig tissue.

And so, in 2006, the moratorium in Australia remains, while New Zealand is making progress on the xenotransplantation issue.

Australia and New Zealand are working towards a joint trans-Tasman regulatory policy on therapeutic products. The joint Australia New Zealand Therapeutics Products Authority will replace Australia’s Therapeutic Goods Administration (TGA) and the New Zealand Medicines and Medical Devices Safety Authority (MedSafe). It will regulate prescription and over-the-counter medicines, complementary medicines, medical devices and blood products in both countries. There will be three phases of public consultation on the proposed regulatory scheme—begun in late May 2006, and continued in September 2006 and March 2007. It will be intriguing to see the joint policy outcomes on key biotech issues where the two countries differ greatly.

After extensive community consultation, the NZ BioEthics Committee released a detailed report in late 2005 which recommended xenotransplantation proceed on a case-by-case basis. NZ Government ministers have indicated that the legislation will be reviewed before the end of 2006.

What is cell therapy?
Cell therapy is the transplantation of cells (of human or animal origins) to replace or repair damaged tissue and/or cells. The goal is for the healthy cells to become integrated into the body and begin to function like the patient’s own cells.

How are cell therapies being used today?
- Bone marrow transplants
- To graft new skin cells to treat serious burn victims
- To grow new corneas for the sight-impaired
- Pancreatic cells implanted into diabetics to produce insulin
- To rebuild damaged cartilage in joints, repair spinal cord injuries and treat neurological disorders

What is xenotransplantation?
Xenotransplantation is the transplantation of living cells, tissues and organs from one species to another.

Peter De Luca is currently working for Living Cell Technologies, a cell therapy company operating in Australia, New Zealand and the United States, developing treatments for Huntington’s disease, type 1 diabetes and haemophilia.
News of cell therapy developments has emerged in the media recently. The Australian Federal Government recently announced funding of $30 million over four years towards the development of an Islet Transplantation Program. In 2006, approximately 50 patients will be transplanted with human islets under the Program. However, there are 130,000 type 1 diabetes patients in Australia alone and, in 2005, only 204 Australians donated their organs. Two to three donors are needed for each transplant. The equation just doesn’t add up.

While type 1 diabetes patients are sometimes able to manage their lives through a complex regime of multiple daily insulin injections, the sufferers of debilitating incurable diseases such as Huntington’s Disease are not so fortunate. With no available treatment, their impatience with the policymakers is understandable when a possible clinical trial in their home country is unlikely to take place solely because it uses animal cells.

With the introduction of genetic screening, people now know their predisposition to certain diseases. Who can blame someone with the incurable curse of Huntington’s Disease hanging over them for exploring every available avenue of treatment, here and overseas? Embryonic stem cell treatments are still years from becoming a readily available medical reality and xenotransplantation looms large as a potential solution to the critical cell supply problem.

Even though local research groups would prefer to conduct patient trials of xenotransplantation in the southern hemisphere, they, like their potential patients, are beginning to look offshore, conducting early-stage trials in China and the United States.

The US Food and Drug Administration (FDA) has already demonstrated a willingness to support xenotransplantation, allowing animal tissue treatments, such as one for Parkinson’s Disease, to proceed. Similarly, more than eight clinical trials using xenotransplantation are currently under way in Europe.

When it comes to cell therapy, Australia risks being left behind.

First-mover advantages in biotech are significant, particularly when Europe and the United States assume leadership. Australia and New Zealand are in a unique position. Some of the companies within their boundaries are considered among the world’s leaders in research and are rapidly approaching the human clinical trial phase after years of research.

Australia’s research capability is respected worldwide, but doubts have always arisen about the nation’s ability to commercialise its research and drive its innovations to the next phase of development. It seems that the process is set to repeat itself.

Waiting for other countries to give the all-clear and establish regulatory frameworks, rather than becoming an active partner in developing the appropriate checks and balances on xenotransplantation, will only see the relocation of investment dollars overseas. The cures for diabetes and neurodegenerative diseases are extremely lucrative, but companies and researchers located in Australia will miss the opportunity if they are not supported by policy makers. Their only option is to relocate if they want to advance their research into the human trial phase.

Let’s hope the cautious attitude of domestic policy makers doesn’t stall the commercialisation of new technologies such as xenotransplantation at a time when the biotechnology industry receives record levels of public funding. The industry is expected to deliver the benefits of this funding to the economy, investors and patients alike—will policy makers now make it possible?

A Short History of Cell Therapy
1536 Philippus Aureolus Paracelsus—German-Swiss physician and alchemist who believed that the best way to treat an illness was to use living tissue.
1667 Jean-Baptiste Denis—Attempted to transfuse blood from a calf into a mentally ill patient.
1912 German physicians tried to treat patients suffering underactive thyroids with thyroid cells.
1930s Blood transfusion established as medical procedure to replace lost blood.
1931 Dr Paul Niehans became known as the ‘father of cell therapy’ when he used parathyroid gland cells from a calf in a saline solution to treat a dying human patient. The patient lived for another 30 years.
1969 First human bone marrow transplant as treatment for leukemia by ED Thomas.
1978 Human insulin is synthesized in the laboratory as a treatment for diabetes. Until this breakthrough, people with diabetes relied on animal insulin, primarily from cattle and pigs.
1986 First human clinical trials of islet cell transplants in diabetic patients.
1991 Isolation of human stem cells by Weissmann’s group at Systemix Inc
1998 First intra-cerebral cell transplant to reverse brain damage caused by stroke.
2006 There are currently at least half a dozen clinical trials underway in Europe and China using xenotransplantation as well as a FDA approved clinical trial of an animal tissue treatment for Parkinson’s Disease in the US.
Academics keep left

Rohan D’Souza

Last August, Treasurer Peter Costello sparked outrage by suggesting that Australia’s high school history teachers peddled anti-American sentiment. In a subsequent interview with John Laws, he pointed to a left-wing bias in our universities, commenting that there was a very left-wing period in Australia in the ‘60s and ‘70s, and I think that could be a source of anti-Americanism which is lingering today.

In 1970, Lawrence Saha conducted a study that confirms the Treasurer’s recollection that ‘universities, particularly the humanities parts of universities were very left in the ‘60s and ‘70s’. Saha found that just over 50 per cent of academics at the University of Sydney identified their political ideology as ‘left’, compared with only 11.5 per cent of the general population.

There are no contemporary statistics about the political leanings of Australian lecturers and tutors, but it is safe to assume that left-wing academics still dominate Australian universities.

In the United States, the predominance of left-leaning thinkers is confirmed by research. In 2004, The New York Times published the results of a nation-wide survey involving 1,000 academics. It found that Democrats outnumbered Republicans by a ratio of seven to one in the humanities and social sciences.

In a separate study of voter registration records for professors from a range of disciplines at Berkeley and Stanford, the ratio of Democrats to Republicans was nine to one. That study included academics from the hard sciences, engineering and professional schools.

Is there a problem?

As well as generating data about the proportion of left-leaning academics at Sydney University, a study by Professor Lawrence Saha evaluated the impact of ideology on the quality of teaching. He found that left-wing academics were more ‘research oriented and concerned about academic freedoms’.

Saha found that they spent more time in committee meetings, assisting students outside of class, and preparing lectures. Based on these findings, there is no cause to impugn the qualifications or dedication of left-wing academics.

Today, our universities are among the best in the world. According to the most recent annual study by The Times Higher Education Supplement, Australia has 17 of the world’s top 200 universities. Of these, Melbourne University performed best—it was ranked nineteenth overall, and eighth in arts and humanities.

Without detracting from the success of our tertiary institutions, there may be problems that flow from an ideological imbalance.

Think-tanks do not emerge in a vacuum—they are created to meet social and political demand. Because the majority of academics are left-wing, there is a dearth of conservative or liberal thought at universities.

This means that the community is forced to look elsewhere for ideas that challenge the dominant academic paradigm. Think-tanks provide these ideas, in an environment where conservative and liberal thought is encouraged.

The strong demand for alternative thinking highlights the problems that flow from ideological imbalance at our universities.

Look Left

Left-wing and right-wing thinkers are not enemies. In fact, they are heavily dependent on one another for criticism.
and inspiration.

Randall Collins, a sociology professor at the University of California, has analysed the social conditions which precipitate major developments in philosophy. He observes that history’s most celebrated philosophers usually appear in pairs or trios, such as Heraclitus and Parmenides, or Mencius, Chuang-tzu and Hui Shih.

Collins emphasises the role of rivalry:

Intellectual history is a conflict process. It is divergent factions that make it go. These factions attempt to make intellectual property out of ideas that have been produced in the past. They generate new ideas largely in opposition to the ideas of their rivals, sometimes by recombining these ideas. Strikingly new positions are produced largely by the negation of pre-existing positions, along the lines of greatest political rivalry.

Although a single political base may give rise to multiple threads of thought, there can be no doubt that political diversity feeds into intellectual diversity, especially when the object of study is history or politics.

When intellectuals are exposed to radically different ideologies, they are encouraged to re-evaluate their understandings. They are confronted by weaknesses in their own theories and strengths in the theories of others. This creates an environment that is challenging and dynamic.

If a particular ideology is proportionately dominant, there is a danger that its fundamental assumptions will go unchallenged. Without challenge, there is less impetus for change.

If left-wing thought is overwhelmingly accepted on university campuses, this will detract from intellectual rigour and could breed stagnation. Diversity encourages intellectual accountability; it is in the long-term interests of the Left to share university campuses with conservative academics.

The strong demand for alternative thinking highlights the problems that flow from ideological imbalance at our universities.

The Moral Dimension

In 2005, Oxford University refused to confer an honorary degree on Margaret Thatcher. She was the first Oxford-educated Prime Minister in post-war years to be denied the privilege. The snub was a response to her Government’s decision to cut funds for research and education.

The BBC recently published a number of comments about Thatcher, one of which describes her as ‘an evil, twisted woman who encouraged greed and isolation’.

Left-wing politics is often framed in terms of morality. Right-wing thinkers are regularly accused of moral bankruptcy and inhumanity. For some people, the Left’s position is seen as the only ethically viable option. This imbues a sense of righteous fervour, which crowds out balanced discussion.

In Australian universities, the Left has a firm hold on the moral high ground.

This poses a huge threat to diversity of thought. While there is a prevailing belief that right-wing thinking is amoral, any challenge to the left-wing hegemony can be summarily dismissed. It also opens the door for personal attacks on right-wing thinkers, as has been seen on campuses in the United States.

The left-wing domination of universities means that Australian academics should be especially wary of conflating politics and morality.
Loving the corporation, 50 years on
Scott Hargreaves

‘Peter Drucker is probably the best-known writer in the world on the philosophical and practical aspects of industrial management.’

So wrote the editor of the IPA Review in 1956 when introducing a piece written by Drucker for the IPA on ‘The Management Horizon’. Over succeeding decades, Drucker’s reputation grew to the point where he was dubbed the ‘father of modern management’. His writings are required reading for thousands of MBA students.

With Drucker’s death in November last year, it is timely to focus on some of what the IPA Review called his thoughts on the philosophical aspects of management. Questions about the role of the corporation and management in society are as relevant today as they were then.

Another Viennese Polymath
Born into the famous cosmopolitan milieu of Vienna in 1909, Drucker attended numerous intellectual soirées when still a youth and obtained publication of his first article of economic analysis at just eighteen.

After leaving school, curious about the world and unwilling to commit either to a profession or to the narrow focus of an academic discipline, he entered commercial life in Frankfurt, which included a period as a securities analyst. Simultaneously, he enrolled in the law faculty at Frankfurt University, which offered a wide-ranging programme which allowed him to indulge his interests across law, economics and political science. Throughout his life he was a believer in mixing work and education. He poured scorn on the notion that someone could earn a qualification in management without having first gained some experience of life inside an organisation.

Like his countryman Freud—whom Drucker’s father once pointed out to his son while they were dining in the same restaurant—he created not so much ‘theories’ as intuitive models based on wide reading, acute observation, and practical experience.

But, as was also the case with Freud, his academic credibility suffered for want of ‘falsifiability’ of his theories (like Freud’s theories, Drucker’s could not be proven wrong)—but at least he could point to clients who had prospered from his counselling. Jack Welch of GE always gave credit to Drucker for posing the challenge: ‘If you weren’t already in a business, would you enter it today? And if the answer is no, what are you going to do about it?’, which led to the famous strategy to divest businesses where GE could not be either number 1 or number 2 in the market.

The Crisis of Modernity
In Frankfurt in the early 1930s, Drucker could hardly miss the rise of fascism, which he grouped with communism as a failed response to modernity. The modern industrial age had shattered the social structures of the early nineteenth century and the great ‘isms’ were merely the most extreme form of the ‘progressive’ assumption—namely, that the State must expand to fill the empty space. Similarly, in later years, he saw the failures of ‘the Great Society’ in the US as fundamental and systemic rather than failures of implementation or ‘good will’.

Drucker adapted his PhD for his first book, which was promptly banned by the Nazis for the implied criticism of the regime; reason enough to head for London and then the USA.

Learning to Love the Corporation
Drucker’s first big idea was the ‘emergence of Big Business…as a social reality’ which ‘is the most important event in the recent social history of the Western World’. Corporations don’t just manage economic transactions, they have become the pre-eminent institution of society itself. Like Atlas shouldering his burden, business had to acknowledge responsibility for the power it now had, and understand that powerful institutions have to constantly renew their legitimacy. Similarly, the rise of the corporation meant that the leading social type was now the professional manager, who had to take a leading role.

The End of Economic Man, 1939, poured scorn on the notion that legitimation of the state of affairs could rely on the notion of homo economus, rationally pursuing profit and thus automatically benefiting society. Indeed, he rejected the notion of basing economics on the assumption of a so-called ‘profit motive’ as the explanation for individual behaviour and the a priori explanation for the emergence of capitalism. While this criticism also

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appears in critiques from the Left, Drucker did not disdain profit. Rather, he saw it as the necessary and hopefully natural result of a well-managed corporation (he used the analogy that even if corporations were run by angels, they would still need to make a profit to survive and prosper). As someone who believed in free enterprise, he cringed when businessmen half-heartedly defended profit as a ‘necessary evil’.

Drucker’s position was humanist and democratic. To ensure legitimacy, corporations should define their purpose and ensure their objectives are congruent with the objectives of the society in which they live: ‘the enterprise exists on sufferance and exists only as long as the society and the economy believe that it does a necessary, useful and productive job’.

This philosophical approach links seamlessly to Drucker’s famous 1954 formulation of ‘management by objectives’, by which corporate management must clearly define and communicate the purpose and objectives of the enterprise, and ensure each subsidiary manager is given defined objectives consistent with those of the corporation itself.

**Constitutionalism and General Motors**
The splash created by Drucker’s *The End of Economic Man* led, in 1943, to a remarkable invitation to view and research the inner workings of General Motors which, under the leadership of the famous Alfred P Sloan (remembered for his claim that ‘what’s good for General Motors is good for America’), had become the world’s largest corporation.

Drucker’s analysis moved beyond the traditional focus on ‘efficiency’ to the structures of power, authority and decision-making. GM had grown by the acquisition of entrepreneurial businesses (for example, Chevrolet), but had managed to co-ordinate the operations while maintaining the distinctiveness of the individual brands. The decentralised structure that Drucker discerned and described in 1946 in *The Concept of the Corporation* became the standard model for industrial organisation for decades to come.

Drucker drew explicit parallels between GM’s structure and the federal structure of the US constitution. This ‘constitutionalism’ was a recurrent theme in his writings, such as stating that Management by Objectives ‘ensures performance by converting objective needs into personal goals. And this is genuine freedom, freedom under the law’.

Drucker and Sloan differed over the social role of the corporation, with Sloan arguing that managers could only be experts in their field of endeavour and could not take on social roles. Drucker said that it was vital to understand the social impacts for corporations and for corporations to understand the extent and limits of their power.

While maintaining that firms must manage their social impacts, in later years Drucker admitted he erred by envisioning the corporation as an institutional alternative to the overweening State, with the capacity to maintain a sense of community. He reached the position that the decline of autonomous social institutions could be reversed and that the creation of social networks and social benefits was better driven by the voluntary ‘third sector’. Sixty years on, as a near-bankrupt General Motors groans under the weight of New Deal-era employee health care and pension schemes costing more than US$1,500 per vehicle, the notion of corporate paternalism looks even more problematic.

Similarly, the New Deal had brought unions into the heart of the US corporation—and Drucker did not deny them their legitimate place—but: unions are in inception and basic nature negative: they are anti-bodies. They were designed to protect the worker against management, against society. What is needed however is an integration of the worker as a partner in the industrial system and as a citizen in society.

Corporate social responsibility for Drucker is not about apologising for making a profit or capitulating to internal or external stakeholders who asserted the moral authority to change the direction of the enterprise. Rather, it is something embedded in the way the corporation defines its purposes and seeks to identify, create and service markets.

In his 1986 book, *Frontiers of Management*, he argued ‘the first responsibility of business is to make enough profit to cover the costs for the future. If this social responsibility is not met, no other social responsibility can be met’. He then went on to argue that ‘…the proper social responsibility of business … is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth’.

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**The mass-production revolution of yesterday converted the unskilled labourer who had nothing to contribute but his muscle into the semiskilled machine operator of today—with a tremendous jump in income, in employment security and social status. It converted the skilled worker of yesterday into the foreman, technician or professional employee of today.**
Automation means a new increase in the importance of management—and a new growth in the number of management people. It will make management even more important a leading group in our society than it is today. It will also mean that managerial decisions will have even more impact on our society and economy than they already have today. For these reasons, if for no other, the integrity and responsibility of management will become more important—and more will be demanded of them.

Limits to Government
By the 1980s, Drucker had tired of theoretical debates about what Government should do to manage the economy and deliver services because they missed the point that there was little that government could do competently ('most post World War II social government programs have been disasters'). He claimed to have coined the phrase 'privatisation' in 1967, was an early fan of Mrs Thatcher, and supported contracting-out by government agencies. Governments, he said, rarely abandon any activity no matter how anachronistic or failed, partly because the programme (for example, the provision of electricity) inevitably takes on a 'moral' rather than an economic dimension and considerations of rational resource allocation go out the window.

The Knowledge Society
Drucker's 1956 IPA Review article examined the bogey of automation and its supposed threat to employment. He pointed out that automation meant not mass unemployment but rather a shift in the type of work that people did, with more technicians required to manage the new machines, and more managers to organise the work flow. This anticipated his description of The Knowledge Society, in which the dominant societal type becomes the semi-autonomous knowledge worker. Just at the point where traditional blue-collar unions reached the apogee of their political influence, the form of industrial organisation from which they had sprung was becoming obsolete.

The Corporation in the knowledge society cannot be the caricature of the oppressive and depersonalised monolith, for it is run by semi-autonomous knowledge workers, and because individual accountability has shifted from efficiency to effectiveness. Industrial workers must do things right, but for a knowledge worker, the key is to get the right things done. Knowledge workers must be free to do their jobs, and neither intelligence nor personality type is a simple guide to managerial effectiveness or organisational leadership.

Organisations do not 'kill' creativity but rather (should) create innovation by systematic organisational processes, managed as with any other objective. Drucker heaped particular scorn on those who equated innovation with invention, a process he dismissed as 'gadgeteering'.

Drucker's Two Cheers for Capitalism
The IPA Review published Drucker in 1956 even though he was given to make comments such as this: 'I have serious reservations about capitalism as a system because it idolises economics as the be-all and end-all of life'. That such statements appeared even within these pages in the mid-twentieth century shows how far the political and economic debate has travelled in the last 50 years.

During the Cold War, it wasn't the principles behind the battling ideologies which were winning the majority of hearts and minds, but rather expectations of the outcomes between the two systems (hence the systematic Stalinist abuse of GNP statistics). It is hard to believe now, but from the time Lincoln Steffens first returned from the Soviet Union in 1921 and declared 'I have seen the future and it works', the feeling that communism offered the prospect of superior economic outcomes could be found as much on the Right as on the Left.

Drucker disliked the intellectual propositions of those such as Hayek, who were against central planning but seemed to admit that it could be achieved in practice. In 1956, Khrushchev famously banged his shoe on the desk at the UN and sneered to Harold Macmillan 'We will bury you!', and the concern that this could be accomplished was as much about economic performance as military superiority. Drucker was trying to establish that capitalism could be managed to achieve superior economic outcomes, while also achieving societal objectives and maintaining the dignity of the individual worker.

Seen in the that context, one can better understand Drucker's despairing comments in the 1980s and 1990s about inflated CEO salaries and corporate restructuring driven by the needs of the investment banks rather than the enterprise itself. Notions of a 'market for talent' and 'market for control' would have no appeal for Drucker, because his concern was the lack of alignment between the behaviour of corporations and the expectations of society. Given the tensions created between social expectations and economic realities, reactionary efforts such as the post-Enron Sarbanes-Oxley legislation are hardly surprising.

Pragmatic to the end, at the age of 93 Drucker maintained the position he had reached as he left the Nazi regime behind: 'I am for the free market. Even though it doesn't work too well, nothing else works at all'.
Bureaucratic ego and Aboriginal unemployment

Tony Cutcliffe

In the 1970s, the Australian band Skyhooks was riding high in the charts and few could forget their classic hit ‘Ego Is Not A Dirty Word’. This is not the case in Aboriginal policy in Australia.

Wave after wave of non-Indigenous bureaucrats and politicians have hitched their stars to resolving the intractable problems in the nation’s relationship with Aboriginal Australians. Many, anxious to carve out stellar careers, are lulled into a simplistic, policy mirage which assumes that equity equates with assimilation. They launch themselves as political white knights intent on slaying the policy dragon which has been terrorising the neighbourhood for two centuries.

By the time things go pear-shaped, the bureaucrats and their political masters are inextricably bound up in defending the indefensible consequences of policy failure and its tragic and costly human consequences. The usual flurries of action and the inevitable summits follow, before things quietly revert to their natural order and neglect.

Of course, the current alarm about violence, poverty and overcrowding in remote Aboriginal communities follows this time-honoured political formula. But slowly, and inevitably, as the limelight recedes, control will gradually be reclaimed by the dead hand of bureaucracy.

Aboriginal Unemployment in Shepparton

The failure of policy from all shades and levels of government is obvious to any person with even the most superficial appreciation of the dynamics of Aboriginal Australia. It would be a mistake however, to think that the symptoms are restricted to remote communities or to the Indigenous Affairs portfolio. The same symptoms are clearly manifest in the Federal Department of Employment and Workplace Relations (DEWR) regarding Aboriginal employment initiatives. It is a situation that an overstretched department needs to resolve with urgency.

There is no better example of this problem than in the Goulburn Valley, based around Shepparton, home to Victoria’s largest Aboriginal community outside Melbourne. With around 6 per cent unemployment, Shepparton is approaching what is generally accepted as full employment. Why is it, then, that the region’s 6,000 Aboriginal people, representing a tenth of the total population, are living with almost 80 per cent unemployment? How is it that these catastrophic unemployment levels, and their endemic costs and consequences, haven’t raised an outcry in Cabinet?

Bureaucrats have devised unemployment strategies in total isolation of the on-ground reality in Shepparton, and in increasing denial of the present failure. For public service reputations, careers and promotions to be protected, the bureaucracy must build measurement structures that create the chimera of success by assembling discordant and selective achievements into press release headlines.

DEWR will swear black and blue that Indigenous unemployment in the Shepparton region is only 20 per cent rather than 80 per cent. They justify this statistical mythology in several ways. For example, those Aboriginal people who are hooked on Community Development Employment Programme payments (an Indigenous variation of work-for-the-dole) are regarded by the DEWR as ‘employed’. Indigenous people who find a job of 15 hours per week are regarded as ‘employed’, even though it resembles nothing like financial self-sufficiency and it might last only a week.

Furthermore, these job schemes willingly place Aboriginal people into jobs without any regard for their suitability, readiness or long-term sustainability. Therefore, an Aboriginal person might get shunted through half a dozen unsuccessful jobs in a year and government figures will count this as six jobs created.

Tony Cutcliffe is a director of the Melbourne-based consultancy and forum, The Eureka Project. He works extensively with Indigenous and non-Indigenous communities in the Goulburn Valley and has written two reports on the COAG Indigenous trial.
figures will count this as six jobs created. As is the case in Shepparton, those jobs may have been double claimed (one agency found the jobs, but another agency ‘owned’ the client) and the number goes up as triple-dipping can and does occur. Six failed placements can appear in the government statistics as anything up to 18 ‘new’ jobs.

The system is so heavily geared to mythical figures that a senior DEWR bureaucrat got carried away at a recent Senate Estimates hearing and boasted that the Job Network system was actually finding more jobs for Indigenous people than for mainstream clients in Shepparton. The reality is that for every imaginary job that DEWR talks about, there is a group of bitter and disillusioned work candidates and employers who have been scourged by the system.

The absurdity continues with a training and development structure that allows the job agencies to pool government training allocations for their high-support clients and invest that money in particular clients with the best job prospects. With these people in work, the agency gets a bonus for finding the job, even though it came at the expense of dozens of others who are warehoused in the so-called competitive commercial environment of outsourced placement activity. This is a commercial reality imposed on the Job Network by the way the system is structured.

These problems in Shepparton were made even worse with the closure, last year, of the highly successful Indigenous employment programme, Ladders to Success. The Ladders programme was devised and operated by Indigenous people and volunteer, non-Indigenous community leadership from the region. The programme created 125 real jobs for Indigenous unemployed and had a further 100 vacancies on its books when it closed. The success was delivered because of the highly effective partnership between local business identities such as John Corboy and Jim Andreadis; and influential Indigenous leaders including Paul Briggs, Neville Atkinson and Adrian Appo. Such a powerful team soon encouraged local employers to embrace affirmative action and create jobs which would never have been offered to the government job agencies.

For every imaginary job that DEWR talks about, there is a group of bitter and disillusioned work candidates and employers who have been scourged by the system.

Why then was the Ladders programme allowed to die? The Ladders board realised that the supply of work-ready Aboriginal people had been exhausted, and the existing structure would no longer be able to fill vacancies while keeping faith with candidates and employers. In typical fashion, the Ladders board found a solution and suggested the establishment of a supervisory board in Shepparton which could ensure local co-ordination of CDEP, Jobs Network, Ladders and other educational and training activities related to Indigenous employment. The highly reputable and respected board believed they could make sustainable inroads into Indigenous unemployment for no more, and probably less, than is presently spent by the government.

However, the overture was rejected by the government with the insistence that the government’s own activities were already more successful than those which the Ladders board had proposed. It was clear from the outset that DEWR had decided to barely tolerate the success of the Ladders programme rather than celebrate, support and duplicate its achievements. Eventually, after 15 months of trying to bypass departmental and staff obstacles, a meeting was established with the Minister Kevin Andrews who invited a fresh proposal from the Ladders organisation.

However, such an invitation is hardly a silver bullet. Community distrust of DEWR has been inflamed by its decision to withdraw from a Council of Australian Governments Indigenous pilot programme in Shepparton without so much as a phone call to the Indigenous leaders with whom it had been working for more than three years.

Few, if any, Indigenous or other leaders who have met with Minister Andrews have any doubt that his personal commitment to improving Indigenous equity is deeply and sincerely held. Yet despite this, there remains a yawning chasm between the prosperity of the mainstream community and the unremitting marginalisation of Aboriginal people. The gap is universal, whether the community is in Wadeye in the north or Shepparton in the south.

For many of Shepparton’s leaders, it appears that despite many public commitments to Shepparton’s Indigenous people, DEWR remains unresponsive and stubborn. Bureaucratic indifference no longer has the ability to shock the region, but the personal egos of these most uncivil servants still can.
One of the most curious aspects of Australian national culture is the absence of a significant maritime tradition. This is a striking paradox in that, as an island-continent dependent on sea communications, trade and alliances, Australia should be the archetype of a liberal maritime nation. As the leading geographer, Saul B. Cohen put it in his 1964 study, *Geography and Politics in a Divided World*, Australia’s geopolitical character is that of a ‘trade dependent maritime state’ whose interests are tied to a larger offshore Asian and Oceanic geo-strategic region. The reality of Australia’s maritime environment is further underlined by the fact that its coastline is 35,877 kilometres in length while its northern approaches are ringed by 13,000 islands stretching for over 5,000 kilometres through the island archipelagos from the Cocos Islands through Java to Fiji.

Yet, despite these factors, a maritime character is not imprinted on the Australian psyche. Indeed, it is arguably the missing element in the country’s sense of its history. As the Western Australian maritime historian, Frank Broeze, has lamented, Australians are a coastal people with a continental outlook, an island-nation with an inward focus. To a great extent, this paradox has its origins in the tension between

**Island-Consciousness and Australian Strategic Culture**

Michael Evans

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Australia’s geographical position in the Asia-Pacific and its historical heritage as an outpost of Anglo-Celtic civilisation. Geographical position suggests that security be sought by looking inwards to the vastness of a continental island. Heritage suggests that Australia look outward as an island-continent in a maritime embrace of cultural values.

For most of Australia’s history, isolation and distance ensured that it was continental awareness not island-consciousness that dominated nearly all the major aspects of Australian culture. In politics, Australian Federation in 1901 was the culmination of a philosophy of continental union rather than of island unity. As Prime Minister Edmund Barton memorably put it, Federation established ‘a nation for a continent and a continent for a nation’. Today, over a century later, a powerful ‘continental regionalism’ continues to dominate the outlook of many of the States, particularly Queensland and Western Australia.

Continental awareness also infuses Australian literature and art—from the poems of Henry Lawson, through the novels of Ion Idriess and Patrick White, to the paintings of the Heidelberg School and of Sidney Nolan. Lawson’s poetry captures the levelling romantic egalitarianism of the bush, later upheld by Russel Ward in his The Australian Legend. Idriess’s popular 1932 novel, Flynn of the Inland, tells the quintessential outback story of the establishment of the flying doctor service. By the early 1970s, the book had gone through no fewer than 24 editions. Patrick White’s Voss, based on the career of the explorer Ludwig Leichhardt, is a haunting story of doomed exploration into the volcanic silence of the dead inner landscape of Australia. Here, in the inland, writes White, with a piercing visual continentalism, ‘the great empty mornings were terrible until the ball of the sun was tossed Skyward’.

The paintings of the Heidelberg masters, such as Frederick McCubbin and Arthur Streeton, celebrate pastoral landscape, while Nolan’s famous paintings of Ned Kelly capture the interior world of the bushranger, not the sea-farer. In the words of Ian Mudie, it is the outback, not the ocean that grips the minds of Australians ‘like heart and blood, from heat to mist’. In 1976, when John Bach published his A Maritime History of Australia, he conceded that ‘there has been [in Australia] a lack of what might be called a national maritime tradition’.

Many Australian strategists view the sea not as a manoeuvre space that facilitates offshore deployment, but as a defensive moat.

Island-Consciousness and Strategic culture
Not surprisingly, continental awareness has been the major feature of Australia’s strategic culture and its pervasiveness has long inhibited Australia’s security and defence policies from expressing the nation’s true geopolitical identity as a ‘trade dependent maritime state’. Two of the pioneers of Australian strategic analysis, Frederick Eggleston and T.B. Millar have both lamented Australia’s curious ‘sea blindness’. In 1930, Eggleston noted, ‘we do not have that sense of the sea and our surroundings which is generally developed in an island people’. In a similar vein, Millar, in his 1965 book, Australia’s Defence, was moved to remind his readers that ‘the first point to remember about the Australian island-continent is not that it is a continent but that it is an island’. Since island nations do not have to be invaded in order to be militarily defeated, they invariably prepare to fight offshore wars in defence of their values and interests. For example, Britain has traditionally employed offshore maritime strategies involving a careful blend of mobile joint naval and military forces.

In sharp contrast, Australia’s vast land mass has always suggested that the country is best viewed in strategic terms as a continental-island rather than an island-continent. For example, the World War II amphibious operations of the 7th and 9th Divisions of the 2nd AIF in the maritime South-West Pacific campaign have always been overshadowed in the national iconography by the 1st AIF’s experience of World War I continental battles on the Western Front such as Bullecourt, Hamel and Amiens. In many respects, much of Australia’s peacetime twentieth-century strategy and defence policy was based on a strategic interpretation of Barton’s ‘nation for a continent and a continent for a nation’ formula.

As a result, many policies were based around continental geography serving as a bastion against invasion. As naval writers such as Alan Robertson and Lee Cordner have argued, many Australian strategists view the sea not as a manoeuvre space that facilitates offshore deployment, but as a defensive moat that separates a continental landmass from the South-East Asian archipelagos. Such a strategic philosophy of the sea does not recall the democratic Anglo-American maritime tradition. Rather, it is in Robertson’s words, ‘a continentalist’s idea of maritime strategy’ and has more in common with the narrow navalist outlooks of Russia and China. It is an intellectual approach to the use of the sea that owes more to the work of Theodore Ropp on continental geography by the 1st AIF’s experience of World War I continental battles on the Western Front such as Bullecourt, Hamel and Amiens. In many respects, much of Australia’s peacetime twentieth-century strategy and defence policy was based on a strategic interpretation of Barton’s ‘nation for a continent and a continent for a nation’ formula.

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In strategic terms, Australia's self-image as a continental island rather than an island-continent has given Australia peacetime strategic doctrines that seldom meet the realities of crisis and war. For example, in the twentieth century, continental awareness delivered Australia three great fortress defence policies: the Federation era strategy of continental naval defence between 1901 and 1914; the Singapore naval bastion strategy of the 1920s and 1930s; and finally the Defence of Australia 'sea-air gap' strategy of the 1980s and 1990s. Such approaches overlooked the truth that geography can only ever be the grammar, not the logic, of strategy. So it is that in every war and security crisis faced since Federation, including both World Wars, Korea, Vietnam, East Timor, Afghanistan, Iraq and East Timor redux, the geographical ideal has always been eclipsed by the political reality of offshore deployment in order to defend Australia's vital non-territorial interests and, above all, its Western liberal democratic values. Ultimately, in times of peril, Australia has always embraced its true geopolitical character as an 'off-shore' island-continent whose destiny is tied to the global fate of Western civilisation.

In strategic terms, Australia is a country of deep paradoxes. It is a European cultural outpost in an Asian geography in which there have been few natural allies. It is an island-continent that sees itself as a continental island. It is a country that has a hinterland but no heartland, and yet it is the bush not the sea that has shaped the national character. Australians affirm Gallipoli, a quintessential maritime amphibious assault on the shores of Turkey, as their baptism of continental nationhood. In times of peace, Australia has often upheld static, geo-strategic doctrines of naval bastions and sea-air gaps only to find that, in times of war and crisis, such doctrines are incompatible with the fluid interests of Australia's geopolitics which dictate an overseas role for all of its military forces.

In an age of globalisation and strategic unpredictability, marked by the rise of asymmetric and networked enemies, transnational threats and failed states, Australia must abandon Barton's outmoded continentalist formula. The country can no longer afford to allow continental awareness and geographical determinism to create a paradox between its strategic theory and practice. In an era in which a regional 'sea of instability' can easily merge with a global Jihadist 'arc of terrorism', a multifaceted security outlook is required—one that is simultaneously globally attuned, regionally focused and alliance-oriented.

In the early twenty-first century, Australia requires an outward-looking strategic philosophy that upholds values and interests over the inward-looking imperatives of continental geography. Cultivating such an outlook will need a greater appreciation of Australia as an island-continent and will involve developing a new synthesis of national ideas and security requirements—a synthesis that should embrace a deeper knowledge of contemporary currents of history, culture and geopolitics. In this endeavour we need to remember the great influence that democratic values play in shaping strategy. As Admiral Henry Eccles has written, 'the ultimate source of strategy lies in the values of the people of a nation. In a free society a strategy that is contrary to the sense of values of the people cannot be expected to succeed'. In Australia's case, its values are embedded in its democratic history, not in its silent geography, and this great teaching from the past must become our beacon to the future.
The debate on the benefits of market liberalisation has shifted enormously in the past 20 years. Gone are the days when anyone seriously argues that free trade brings poverty or that socialism brings equality-based prosperity. The benefits of trade have gained such currency that even rock stars now call for trade as a means to economic prosperity. Sadly, behind their calls for greater trade opportunities lies a campaign that seeks to undermine the system that promotes the material prosperity they seek for people living in developing countries. Despite its claims to promote prosperity, the ‘Fair Trade’ campaign builds a bureaucracy funded by developing country farmers, based on a top-down business model that undermines productivity, quality and opportunity for poor farmers. The ‘Fair Trade’ campaign will undermine the economic prosperity of developing countries. Its flagship is the coffee trade.

Every few years, Australians are deluged with new data from the Australian Bureau of Statistics detailing our behaviour as consumers. While our ratio of beer to wine and milk often grabs headlines, one of the growth areas of consumption is our black bitter friend, coffee. Since the 1970s, personal consumption of coffee has doubled from 1.2 to 2.4 kilograms per year, more than thrice the consumption of tea. Historically, Australia was a coffee producer until the 1920s, when the industry was undermined because of high labour prices. Since then, Australia has imported all of its coffee, but plantations are now active in Queensland and the north-east of New South Wales, producing a high quality product that is gaining popularity on the local mar-
The international coffee trade

Coffee is a major international commodity traded globally in a market worth more than US$10 billion per annum. It is produced in over 50 countries by up to 25 million farmers and is mostly produced in the developing world. It is also a core export for many developing countries, reaching as much as 50 per cent of total export revenue for some countries. Key producer countries lie in South America, South-East Asia and Africa.

There are two key types of coffee: Robusta and Arabica. Arabica has a mild flavour and is grown at very high altitudes. It commands a higher price than robusta which, as its name implies, has a more robust flavour and is grown more generally. There are substantial price differences within each variety. Like wine, beans are sold as single variety and blends. Coffee is a highly volatile commodity. The time it takes from plantation to harvest can be a number of years. Price hikes due to a poor harvest can easily plummet in succeeding years due to bumper crops or increased plantation to take advantage of high prices. In 2000–01, over-production was 10.8 million bags, the following year it halved to 5.6 million and then spiked in 2002–03 to 15 million.

This volatility caused the international community to stabilise the market by managing trade through the International Coffee Agreement (ICA). The ICA was established in 1962 and is managed by the International Coffee Organisation which was founded the following year under the auspices of the United Nations. The ICA was used as a development mechanism to assist the Third World; it fell with the collapse of the bipolar architecture of the Cold War.

The aim of the Agreement was to try to stabilise coffee production internationally. It achieved this by controlling the market through quotas and by ensuring that countries withheld supply when it peaked above consumer demand, effectively controlling prices. Agreements were struck for five-year periods with extensions granted while new agreements were negotiated.

In the last 15 years, pressure on the international coffee market has been mounting. As an instrument for controlling prices and production, the ICA fell in 1989 and with it collapsed the conventional coffee trade that re-generated the market for a period of time. New agreements were struck for five-year periods with extensions granted while new agreements were negotiated. The last ICA was the 2001 Agreement that came into effect in May 2005. Its aims shifted away from regulating coffee supply and demand towards improving consumption and the quality of coffee.

Moving beyond managed trade

Moving beyond managed trade has had a parlous affect on producers. It has been coupled with marked improvements in coffee production which have resulted in a general fall in the price of production. The introduction of Vietnam as a significant coffee producer has also had a significant impact. Brimming with cheap labour, it has increased its production from 1.4 million bags in 1990 to ten times that number in 2000. Brazil’s increase in efficiency is even starker. Despite being the largest coffee-producing country in the world, with mechanisation of coffee production in the 1990s it managed to double its production from around 25 million bags in the early 1990s to 50 million bags in 2002. This growth was accompanied by depreciation in the Brazilian Real, which reduced the price of coffee on the international market even further. The increase in Brazil’s output was larger than the growth of Vietnam’s alone, and had a significant effect in deflating the price.

Added to a fall in price, there has been a reformation of the retail coffee industry, particularly in the United States, where quality coffee had long been a tourist attraction for holidays in Europe. New ‘Grande’ sized coffee retailers such as the US mega-chain, Starbucks, opened the coffee market and broadened consumers’ palates. The effect was greater consumer demand for quality coffee. While retailers such as Starbucks led the pack, it also encouraged the emergence of smaller boutique coffee houses to cater for the coffee ‘snobs’ as Starbucks became more of a fast-food-coffee outlet than a coffee connoisseur’s destination. An emerging market gap was filled by smaller coffee chains and individual retailers who could offer consumers an individualised coffee experience. In 1989, there

Most people who buy into the kitsch fair trade brand fail to understand the full consequences of a ‘fair trade’ regime.
are estimated to have been 585 coffee houses in the United States, by 1995 it was 5,000, in 2003 it was 17,400 of which 40 per cent are estimated to have been large chains. Despite anti-big business rhetoric that it preys on small business, Starbucks opened the coffee consumer market for small boutique coffee businesses.

With quality coffee comes quality prices. The consumer’s experience moved from a $1 bottomless filtered coffee to a Venti Soy-Macchiato with an artificial sweetener at prices up to $5. Anti-globalisation activists expressed outrage as the retail price increased while the price paid to producers sat at market lows. Citing it as evidence that globalisation and the free market system favoured the rich at the expense of the poor, as that gap widened, so did their outrage.

**What coffee crisis?**

The NGO Oxfam International declared the situation as a ‘Coffee Crisis’ in its 2002 report, ‘Mugged: Poverty in your coffee cup’. It stated that the ‘crisis’ was squeezing producers while the middle-men corporations such as Nestlé and Kraft were awash in cheap products that were then on-sold to retailers who sold the product at premium prices. Yet these corporations, called ‘roasters’ in the trade, have little or nothing to do with the increase in production. They have simply bought and sold the product on the international market and delivered small coffee producers an avenue into the coffee houses of Melbourne, New York and London. Coffee retailers have also felt the brunt of the outrage over the ‘coffee crisis’, citing increased prices for coffee during periods of coffee price lows. This is despite the fact that the coffee component of retail coffee amounts to an estimated 5–7 per cent of the total price, outstripped substantially by labour and rent charges at 19–20 per cent and 16–18 per cent respectively.

The campaign to guarantee higher returns for producers at the expense of consumers has been spearheaded under the campaign for ‘Fair Trade’. In 2000, mega-coffee retailer, Starbucks, caved in to activist pressure and started selling fair trade coffee in its outlets. Other retail coffee chains, such as Hudsons Coffee and even McDonalds, have followed suit, though none has reported it as a significant contributor to sales.

From humble beginnings, ‘fair trade’ coffee worldwide has gone from a US$22.5m per year industry to US$87m since 1998. According to an Oxfam Australia’s internal Fair Trade Coffee report, in Australia it has increased sales from $410,706 in 2003–04 to $2,032,386 in 2004–05 through extensive campaigning in coffee retailers, university activist networks and its ‘Make Trade Fair’ campaign. Even with such growth, it is well shy of the lion’s share of the annual US$10 billion coffee trade, and its sustainability remains in doubt with Oxfam ‘Fair Trade’ stores and ‘Fair Trade’ cafés closing in Melbourne only shortly after the ‘fair trade’ campaign began. (The Oxfam store in Chapel Street, Prahran and the YHA ‘Fair Trade’ café in Fitzroy Street, St Kilda have both closed down in the first half of 2006.)

A recent article in the ordinarily free trade-sympathetic magazine, The Economist, described ‘fair trade’ coffee as a means for consumers to ‘satisfy their palate and their conscience at the same time’. This was certainly its intention when the idea was founded in the Netherlands in 1989. The aim was to decouple the price paid to producers from the market price and create a ‘fair’ price for producers, currently registered at US$1.26 per pound. Yet, most people who buy into the kitsch fair trade brand fail to understand the full consequences of a ‘fair trade’ regime. The luxury of fair trade coffee is the satisfaction of guzzling down a preferred beverage and at the same time feeling you can contribute to sustainable economic development for those who need it most. If only this were the case.

One of the key platforms of ‘fair trade’ coffee is to re-establish an international coffee quota system in line with the previous ICA. The aim is to establish a non-price-signalled control.
of prices and the sale of coffee on to the international market through NGO roasters from producer collectives. Under the ICA, it is not surprising that corrupt governments in developing countries allotted quotas to the highest bidder, not the best coffee producer. The fact is that the ICA inflated coffee prices above their natural price. Comparing current prices with ICA annexed prices stands no logic. Re-establishing the ICA will artificially increase the price again, distort the coffee market and directly discourage producers from tiring the cost of production to the cost of sale. In this environment, everybody loses through decreased productivity, limited profit margins and increased prices for consumers which will only work to reduce consumption. Worse, by inflating prices beyond their market rate it only encourages producers to produce more, not less, coffee in search of higher profits when the price is guaranteed. Of course, the ‘fair trade’ campaign has developed a solution to the over-produced beans. To ensure that the price does not fall below the $1.26 rate, any over-supplied beans will simply be destroyed to assist in balancing supply with demand. A questionable outcome for consumers, producers and the environment.

‘Fair Trade’ rules also work against enterprising individuals. Despite its argument that it is about improving the lot of individual producers, it actively works against them by purchasing coffee only from collectives. Collectives are designed to be established along democratic lines where individual producers trade their product as a collective. Consumers would expect that this would increase their bargaining power, but, with a fixed price, there is no benefit. Profits are then returned to the collective and distributed according to its decision, creating significant opportunities for cronyism and preferential deals based on personal and political relationships, not market signals that the best producer gets the best price.

A short film shot in the UK and Ghana, *The Bitter Aftertaste*, exposes some of the home truths about the negative effects of ‘Fair Trade’ on the coffee industry in developing countries. The ‘Fair Trade’ campaign is not simply limited to a new trading system, it also promotes organic produce by placing a higher guaranteed price on organic coffee beans. The effect is to place limitations on certain products (such as fertilisers) that can be used to increase the protection of crops and boost their yields, thereby decreasing the crops that farmers can sell. Moreover, under the ‘fair trade’ collectives system, fair trade suppliers are restricted to small farms. Large productive farms that meet ‘fair trade’ requirements, even if they pay their employees good wages, are excluded.

‘Fair Trade’ campaigners also argue that, with a fixed price, producers are able to invest more, comfortable in the knowledge that they will receive a return so that they can produce higher-grade, quality coffee. Yet under the collective regime, each producer’s coffee is blended with the coffee of other producers in the collective, effectively ensuring that no individual producer can claim product differentiation. Instead it works to discourage quality control as producers can invest less and still ensure a guaranteed return.

The support to provide a ‘fair trade’ system does not come cheaply. One of the great unknowns of the ‘fair trade’ coffee label is the enormous bureaucracy that supports it to ensure that coffee is produced only from collectives and meets any number of ‘fair trade’ certification standards. Perhaps the most honest in the campaign for ‘fair trade’ is Hudsons Coffee, whose ‘fair trade’ coffee is labelled ‘Fair Trade certification requires a “premium” to be paid for having its label’; and the premium does not come cheaply. To become a fair trade supplier, producers are required to pay a single registration fee of between US$2,000–$4,000, with additional annual fees. The fees are even higher to gain certification as a ‘fair trade organic’ producer. These fees are used to guarantee certification under the Fairtrade Labelling Organisation International and to support its bureaucracy.

Despite its failings, ‘fair trade’ coffee remains a bourgeois luxury. Starbucks supplies fair trade coffee in only 17 countries internationally, despite operating stores in more than twice that number of countries. Not surprisingly, the 17 countries are almost entirely rich, developed economies. In 2004, Starbucks’ total sales of Fair Trade coffee represented only 1.6 per cent of its total coffee sales.

The explosion in the coffee industry following the collapse of the supply-controlled ICA is hardly surprising. For many people in developing countries an opportunity arose to lift themselves out of poverty by producing a product that was subject to increasing demand. The increase in supply outstripped demand and the price decreased. This is not a failing of the free market system; rather, it highlights the failings of the ICA and how it limited the capacity of some of the poorest people on earth to improve their lot. Instead, the free market has driven increases in productivity and higher quality product in the interests of producers and consumers. There is no doubt that the oversupply is deflating the price of coffee and that consolidation is needed. Following the removal of any regime like the ICA, an increase in supply was inevitable. But so too was a contraction in the production market as supply realigned itself to demand, some producers simply got out and others realigned their product to high quality products to increase the demand for their produce. The market is now reaching its equilibrium, aligning prices to market demand. The campaign against free trade coffee will only work to realign the coffee market in the interests of the select few and against the interests of non-fair trade producers and consumers.

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**IPA REVIEW**

JULY 2006
Top 20 books you must read before you die*

20. David Friedman
   David D. Friedman is the son of Milton Friedman, and holds similar political views, but in a more radical form. Educated as a physicist, he currently specializes in an economic approach to legal issues. He is also a passionate recreational medievalist (see his website: http://www.daviddfriedman.com/). In his *Machinery of Freedom*, Friedman offers a range of 48 interesting and provocative short essays on libertarian themes. These range from defences of private property and anarchocapitalism, through the exploration of private law enforcement in medieval Iceland, to a discussion of vouchers and an engagement with William F. Buckley’s views about drugs (in ‘Is William F. Buckley a Contagious Disease?’). Friedman is smart, and his book is full of arresting ideas. He mixes discussion of principles and ideal cases with the advocacy of specific reforms which would bring our existing society closer to a libertarian one. *Machinery of Freedom* sets out ‘to persuade you that a libertarian society would be both free and attractive, that the institutions of private property are the machinery of freedom, making it possible, in a complicated and interdependent world, for each person to pursue his own life as he sees fit’—and it is an enjoyable and stimulating read even if you do not agree with him.

   Jeremy Shearmur

19. John Stuart Mill
   *On Liberty (1859)*
   The elegant and lucid style of *On Liberty* well repays the intellectual effort expended in comprehending Mill’s argument. As a work of practical philosophy, the only kind worth reading, it sends us a clear message across the 150-year interval.

   Mill’s thesis was that government should only interfere in individual liberty to prevent damage to others. He asserted that ‘Over himself, over his own body and mind, the individual is sovereign’. The price for governments flouting this principle is loss of individual freedom, a cherished right. This, in turn, diminishes the diversity of thought and action that provides the vitality of any community.

   It is not fanciful to suggest that the work of Mill and like-minded libertarian philosophers secured Britain from the later totalitarian excesses of Nazism and Marxism. But the struggle for freedom is never done. Mill observed what the EU has forgotten: the tendency of Europe, even then, to ossify like Russia. Current religious violence gives his words on tolerance an amplified resonance.

   Australia can also learn. Our tri-level bureaucracies are bloated. At one extreme, they prescribe the temperature of our dishwater. At the other, with spy satellites and informers, they conduct Orwellian police raids on farmers. Some even think that national identity cards and controls on eating are excellent ideas.

   Mill admits the difficulty of drawing a precise boundary on government. Many of our politicians and self-styled intellectuals no longer recognise that such a line exists.

   Jim Hoggett

*only the free-market ones*
John Locke, one of the greatest European philosophers of the seventeenth century, articulated one of the first logical justifications for what we would now call the liberal model of government. Having clearly articulated the empiricist approach to the gathering of knowledge in An Essay Concerning Human Understanding in 1680, his Two Treatises of Government built upon that philosophical framework to consider political economy.

His First Treatise is now unfortunately dismissed as peripheral to his groundbreaking Second, but it has much contemporary relevance. Locke viciously attacks the theories of the now obscure Sir Robert Filmer, who claimed that men are not naturally free and therefore that absolute monarchy is the only legitimate government. Such thinking has to our great discredit not entirely been vanquished—modern paternalistic government assumes that it has an inherent right and responsibility to ‘manage’ citizens for their own benefit.

But it is the Second Treatise for which Locke is most famous. In it, he presents a systematic defence of individual liberty. Drawing from an analysis of the state of nature, Locke conceives of natural rights—rights which exist before and in spite of the existence of government. Government, for Locke, is the manifestation of a social contract, whereby individuals agree to delegate some of their rights to a government in order that it protect and maintain other rights.

The theories of social contract and natural rights are not unique to Locke. But it was he that so rigorously articulated them and, in doing so, conceived of a government subordinate and responsible to individual citizens.

Alexis De Tocqueville had completed his Democracy in America by 1840. Considered by many as the best book ever written on democracy, it still contains remarkable insights into the importance and fragility of present-day democratic systems.

After nearly 170 years, it still reaches out to warn us about political correctness and the ‘tyranny of the majority’, or those intellectual elites who want to destroy democracy from within through the encroachment of state control in the guise of equality.

He clearly understood the delicate balance between rights and freedoms, just as those people today obsessively chattering about human rights ‘would rather be equal in slavery than unequal in freedom’. He had already spoken of the tendency to welfare dependency—today the bane of all Western democracies—because ‘politicians realise they can bribe the people with their own money’.

Tocqueville argued that Islam, because it came with ‘political maxims, civil and criminal laws, and theories of science’ as well as a ‘body of religious doctrines’, could potentially be inimical to democracy. He flagged the dangers of growing individualism, materialism and prosperity that would lead to general apathy.

In effect, he raised questions, often unanswerable, which challenge us in the world we live in today.

Ayn Rand

The plot: sexy railroad executive tries valiantly to keep her family company afloat in the face of government and other family members. Eventually she discovers the secret of what happened to all the business people who have been disappearing.

Many people loathe this book; often they have not finished it. Atlas Shrugged is not great literature, the baddies are bad in every respect and the goodies are not only virtuous but good looking and smart.
Similarly, government action is universally bad (although often well-intentioned) and private enterprise is universally good. Despite these limitations, the book is well plotted and structured—it’s a good read.

What makes this book worthy of this list is that it is a truly liberal novel, celebrating enterprise and modern social structures, notably working women. The central character of Atlas Shrugged, a single woman, runs a railroad. She is also glamorous, sexually independent and capable of forming emotional bonds. By contrast, non-working wives are presented as baddies, spongers on the wealth-creation of their husbands. This is chic-lit for feminist libertarians.

Louise Staley

15 Pope John Paul II

Centesimus Annus (1991)

Few would question that the late John Paul II’s pontificate was one of the most intellectually forthright in centuries. No pope issued so many encyclicals, ranging from reflection upon the nature of human work to the vexed question of the relationship between faith and reason. Even his detractors concede that Karol Wojtyla possessed a formidable mind, one that forced even the most hardened of sceptics to re-examine their own presuppositions.

Pope John Paul was, however, not afraid to break new ground, as evidenced by his famous 1991 encyclical Centesimus Annus. Issued in the aftermath of Communism’s defeat, to which the pope contributed so decisively, Centesimus Annus offered the Roman Catholic Church a fresh appreciation of private enterprise and the free market in societies equally committed to liberty and virtue. It also spoke favourably of a vigorous civil society and limited government, while simultaneously critiquing expansive welfare states. The encyclical additionally warned against the contemporary tendency to root democratic systems in moral relativism.

Though ample precedents exist for these positions in Catholic teaching, Centesimus Annus synthesises these arguments through grounding them upon the Catholic understanding of man as a free, responsible, social, and sinful creature, capable of knowing the truth through faith and reason.

Samuel Gregg

14 Henry Hazlitt

Economics in One Lesson (1946)

Economics in One Lesson, written by the American journalist and philosopher Henry Hazlitt, is widely regarded as perhaps the finest primer on economic principles yet published.

Commencing with the proposition that ‘[t]he art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups’, Hazlitt illustrates how the free-market system promotes economic efficiency. On the other hand, government interventions, including price controls, tariffs, minimum wage laws and industry subsidies, invariably fail to deliver on the outcomes promised by its supporters.

Hazlitt’s ability to express complex economic principles in a form easily accessible to the layperson earned the praise of such classical liberal luminaries as Friedrich Hayek and Milton Friedman. Economics in One Lesson sold over a million copies and was translated into eight different languages. This is even more striking considering that Hazlitt himself was not formally trained in economics.

In an era of creeping nanny state government intervention, Economics in One Lesson provides the perfect antidote against the translation of bad economic ideas into malignant public policies.

Julie Novak

13 Ludwig von Mises

Human Action (1940)

Von Mises is often regarded as the founder of the ‘Austrian School’ of economics. This accords privately owned property and complete freedom to trade the primary role for ensuring that goods are efficiently used and for ensuring the right allocations to production and consumption. In an era when socialism was rampant and Keynesian interventionist economics was being formulated, von Mises recognised that socialisation of decision-making seriously weakens incentives and brings about poor use of resources. He said, ‘The dangerous fact is that while government is hampered in endeavours to make a commodity cheaper by interven-
tion, it certainly has the power to make it more expensive.’

One notable contribution was his argument that socialism must fail economically because of the economic calculation problem—the impossibility of a socialist government being able to make the economic calculations required to organise a complex economy. He said, back in the 1920s, that ‘Efforts to realize Socialism lead only to the destruction of society. Factories, mines, and railways will come to a standstill.’ He also saw union privilege, in the form of aggressive picketing, as inimical to individual rights that bring about the most productive and free society.

His strictures extended to planning. He could have been discussing urban planning when he argued that ‘The planner is a potential dictator who wants to deprive all other people of the power to plan and act according to their own plans. He aims at one thing only: the exclusive absolute pre-eminence of his own plan.’ The vestiges of central planning are seen with deleterious effects on urban development in plans such as those for Melbourne 2030. Under these plans, governments are specifying where houses should be built and shopping precincts developed, thereby granting super profits to favoured businessmen (some of which filter back to the politicians themselves).

Alan Moran

George Orwell said that his novel *Nineteen Eighty-Four* was written ‘to alter other people’s idea of the kind of society they should strive after’—to do what the IPA has tried to do since its inception in 1943. Surely he wrote his earlier and even greater work, *Animal Farm*, with some of the same intention.

*Animal Farm* is sheer genius. It uses simple prose: ‘They were gored, kicked, bitten and trampled on’. The characters are strong: I can’t re-read it without a near tear for poor old Boxer. It is in places funny: at least Squealer’s explanations of tactics and the bleating sheep amuse this one-time politician. The irony is biting and has entered popular speech: ‘All animals are equal but some animals are more equal than others’. It is, however, pathos evoking pity and sadness—not just for the less fortunate animals of the tale but for millions of poor, gullible, tyrannised people. Above all, to anyone who cares a damn about the kind of society for which we should strive, it is instructive. Bear in mind that it was first published in 1945, when the Soviet Union was still our brave ally and socialism was going to end poverty.

If the art of altering other people’s minds is one of presenting argument clearly and memorably to those who have no wish to change their ideas, then *Animal Farm* is a work that any modern liberal think-tank might wish it had published, not only for its commercial success. It holds my attention

11 George Orwell

*Animal Farm* (1945)

*The Wealth of Nations* is often boring and repetitive, yet it is profoundly true.

Among Smith’s analyses of topics that are today are now outdated, such as the labour theory of value, sits the insight that has justifiably gained him his reputation. This is his idea that the free exchange of goods and services not only produces the most efficient economic outcome, but the ability to engage in such practice is an expression of individual liberty. Smith regarded himself first and foremost as a ‘moral philosopher’. The reason *The Wealth of Nations* has endured is because, contrary to popular perception, it is not a book about economics, it is a statement about human rights.

John Rokham

12 Adam Smith

*The Wealth of Nations* (1776)

*The Wealth of Nations* is one of those books that many people think they know something about. People know it contains a story about pin-making and that there’s something in it about an ‘invisible hand’.

Most of those who talk about *The Wealth of Nations* probably haven’t read the work they are talking about—and given that its modern edition runs to over 1,100 pages, this is hardly surprising. What’s more, if anyone actually starts trying to read Smith it is unlikely that they will persist for more than ten pages. Long stretches of the book are incredibly tedious. At the other end of the ideological spectrum, *The Communist Manifesto* is evocative and interesting, and completely misguided. Against this, *The Wealth of Nations* has endured is because, contrary to popular perception, it is not a book about economics, it is a statement about human rights.

John Rokham

Alan Moran

11 George Orwell

*Animal Farm* (1945)
to a degree that the best of either Voltaire or Swift cannot, if only because the appalling circumstances that they satirised had ceased before I was born.

John Hyde

10 Friedrich Hayek
The Road to Serfdom (1944)
The Road to Serfdom is one of the most remarkable books of the twentieth century. Hayek shows that fascism, communism and democratic socialism are all based upon the same collectivist utopian tendencies, and that individual freedom in the personal and political spheres cannot be sustained in the absence of economic freedom. Written in the early 1940s, it is a 260-page warning against the dangers of extending wartime central planning into the post-war era, and of the tyranny that inevitably follows from the nationalisation of the means of production—even if this is achieved via democratic methods.

Despite being rejected by several publishers, it eventually sold over a quarter of a million copies and was serialised in Reader’s Digest. Its widespread readership now makes it a document of great historical significance. Many of Hayek’s contemporaries believed that government ownership of all means of production was the way forward, whereas no sane scholar or politician would today advocate such a policy agenda. The book deeply influenced an entire generation of American and British conservative thinkers and practitioners, and later inspired a countless number of individuals in the former Soviet Union. It should be read by all serious students of modern political affairs.

Alex Robson

9 Karl Popper
The Open Society And Its Enemies (1945)
Sir Karl Popper stands alongside F.A. Hayek as one of the two great dissenting voices from the post-war collectivist consensus. The Open Society and Its Enemies, his greatest work, was written in New Zealand during the wartime years. Popper fled his native Austria in 1937 to escape the rise of Nazism. He had originally wanted to settle in Australia but, remarkably, was overlooked by the University of Queensland when he sought appointment as professor of philosophy. The University of Christchurch did not make the same mistake. Published in Britain in 1945 and in the United States in 1950, The Open Society was not simply an attack on collectivism, but a comprehensive account of the intellectual roots of the totalitarian state in idealist philosophy.

Popper identified the two most important of the classical and modern idealist philosophers—Plato and Hegel—and found in them the source of the totalitarian ideal that the state is a perfectible construct, to which individual human beings (indeed, large human populations) may—indeed on occasions must—be sacrificed. In Plato’s philosopher king, Popper found the prototype of the twentieth-century dictator. In Hegel’s metaphysics, he found the key to the dictator’s argument: that human perfection is achieved by the arrangement of society according to a universal ‘rule’ or ‘will’, perceptible only to the enlightened few, whose destiny it is to impose it, at whatever cost, on the rest of mankind. This is the philosophical idealist’s conceit, to which Popper opposed the notion of ‘the open society’—a phrase he coined—which values the contestability of different views of the good. Popper’s anti-Hegelian approach drew heavily upon Kant, and anticipated the liberal pluralism which Isaiah Berlin later popularised.

The Open Society and Its Enemies is nowadays more admired than read. The first great twentieth-century work to expose the sources and explore the implications of collectivism, it is an erudite landmark in the battle of ideas.

George Brandis
John Trenchard and Thomas Gordon
_Cato’s Letters_ (1720-1723)

_Cato’s Letters_ first made their appearance in the _London Journal_ in 1720. Written by John Trenchard and Thomas Gordon, they adopted the incisive pseudonym of Cato the Younger, a principled opponent of Julius Caesar’s, to oppose tyranny and advocate liberty and freedom of speech. Their timing was prescient. Appearing in the early aftermath of the bursting of the South Sea Bubble, the two men were partly motivated to rail against the bribery and excesses of the members of the corporation and, most particularly, against their connections and support from within government and parliament.

While the letters’ relevance to their contemporaries was clear, the writers argued the universal case for liberty in that sharp, uncompromising manner of seventeenth-century writers. For instance, they urge the reader that ‘You are born to liberty, and it is in your interest and duty to preserve it … your governors have every right to protect and defend you, none to injure and oppress you.’

But for Trenchard and Gordon, appeals to liberty are not complete by themselves. _Cato’s Letters_ strongly advocates security of private property as a key foundation of a liberal society: ‘the security of property and the freedom of speech always go together … where a man cannot call his tongue his own, he can scarce call anything else his own’. Individual liberty is inconceivable without economic liberty.

Edward Shann
_Economic History of Australia_ (1930)

Economic history as an academic discipline is practically dead. It has been killed off by subjects such as marketing studies and globalisation theory. But if our policy-makers all knew a little more economic history, their policy-making would be immeasurably improved. Australian economic history is about more than just wheat, wool and gold. It is about the decisions that governments made as they rode the years of boom and bust. In its broadest sense, economic history is where economics meets politics to make history.

Given the massive changes imposed on the national economy in recent decades, it might seem strange to nominate a book published in 1930 as a ‘must read’ for someone living in 2006. _An Economic History of Australia_ was written before any of the Great Depression, the Second World War, Keynesianism or the computer.

Shann’s genius is to identify the dominant tendency of economic policymaking in this country. And this is the tendency of politicians and the public to believe that the good times will continue indefinitely. It is a tendency deeply-rooted in the national psyche. Donald Horne is famous for making up the label ‘the lucky country’, but it was Shann’s idea first. What Shann said about us three-quarters of a century ago holds true today—we are very good at ‘eating up the easy gains of a period of unusual plenty’.

Robert Nozick
_Anarchy State and Utopia_ (1974)

Robert Nozick was an American analytical philosopher who wrote widely on a range of technical subjects, but is best known for his _Anarchy, State, and Utopia_. This is a philosophically sophisticated exploration of issues in the classical liberal tradition, as interpreted by American libertarians. Nozick took a strong rights-based approach. He did not justify this, but made gestures towards John Locke, and there are also some resonances of the Kantian idea of treating people as ends in themselves. The interest of Nozick’s approach is in the ingenious application of these ideas, and in bringing to these views the touch of a brilliant analytical philosopher. His book has three sections. First, he argues that, starting with individual rights, it is—pace the views of individualist anarchists—possible that a minimal state could be formed legitimately. Second, he provides a whole range of arguments against those who would wish to go...
beyond a minimal state, including an interesting critical engagement with his colleague at Harvard, John Rawls. In the final short section, on ‘utopia’, Nozick explores some of the possibilities for social pluralism—centred around ‘utopian’ experiments based on specific values and lifestyle choices—within the compass of a minimal state.

Jeremy Shearmur

5 Frédéric Bastiat
The Law
(1849)
Frédéric Bastiat forms part of the laissez-faire school of economists from nineteenth-century France. Not content to keep his ideas on liberty confined to theory, Bastiat was also a political activist during the revolutionary period of the 1840s. With the vehicle of his French Free Trade Association, he was successfully elected to the National Assembly in 1848.

The Law was published in the year of his death and gives his view of legal philosophy in a concise pamphlet. The text itself is eminently readable, being infused with the excitable language of his activist nature. At its heart, The Law puts forward a theory of natural law where the proper role of law is confined to a collectivised version of the individual right to defence of life, liberty and property. Anything outside of this framework is to be considered legal plunder—a corrupting influence the presence of which will inevitably lead to revolution, regardless of the extent of the electoral franchise.

The Law is a timely reminder of the destructive nature of economic rent-seeking in a legislature; it is well worth reading.

Jason Briant

3 Milton and Rose Friedman
Free to Choose: A Personal Statement
(1980)
‘You must turn the issues over in your mind at leisure, consider the many arguments, let them simmer, and after a long time turn your preferences into convictions.’ These words, contained in the preface to Milton and Rose Friedman’s Free to Choose, are the best advice for reading this book. Many of the ideas expressed may have been shocking in 1980, but are now considered mainstream, even old-hat. The book was an instant success, becoming a best-seller, and being translated into 17 languages.

The central message resonates today: Big government is a big problem. Government-sponsored education has not improved. The welfare state, with its cradle-to-grave regulation, still compromises human freedom. The Friedmans’ end the book with a chapter entitled ‘The tide is turning’. Unfortunately, the tide has not turned enough. Big government continues to control too much of our lives. Yet gov-
ernment failure is ubiquitous. ‘The repeat-
ed failure of well-intentioned programs is
not an accident.’ The market best protects
the interests of consumers, workers and
students. While many of the book’s ‘nuts
and bolts’ examples are dated, there still is
much to learn from reading this classic of
human freedom, and then letting the ideas
simmer.

Sinclair Davidson

2 W K Hancock

Australia
(1930)

Australia was published in 1930 by the
young Keith Hancock as a contribution
to the Modern World series published by
Benn. Its major achievement was to pro-
vide a definitive critique of those policies
of the early Australian Commonwealth
that today go by the name of the Aus-
tralian Settlement. Hancock built on the
work of Edward Shann and Frederic Egg-
leston to demonstrate the illogicalities and
inconsistencies of these policies and how
they were threatening the foundations of
Australian prosperity.

Hancock saw the cause of these prob-
lems as the ‘exuberant’ democracy of Aus-
tralians and their belief that they could ‘dis-
pose of facts by parliamentary adjustment’.
In the pursuit of ‘fair and reasonable’ prices
and wages for themselves through politi-
cal means, Australians had, in Hancock’s
assessment, ignored the laws that govern
the real world in favour of ones created
by themselves. The consequence was the
creation of policies such as protection and
industrial arbitration that undermined the
capacity of the Australian economy to be
competitive. Hancock argued that these
policies had not made Australia rich but
had survived because Australia, with its
small population, was rich and could af-
ford such mistakes. He looked forward to
Australian democracy growing up and be-
coming responsible.

Greg Melleuish

1 James M. Buchanan and
Gordon Tullock

The Calculus of Consent: Logi-
cal Foundations of Constitu-
tional Democracy (1962)

With exquisite timing and clarity of ar-
gument, James M. Buchanan and Gor-
don Tullock’s The Calculus of Consent
gave rise to the public choice school of
thought. In so doing, it helped trans-
form the study of economics and politi-
cal science, the practice and structure of
government and politics and, impor-
tantly, how individuals view the political
process. It also laid the foundation for a
revolt against Keynesianism and big gov-
ernment. It is truly a classic.

The central genius of the book was to
examine the logic of collective action—
government action in particular—from
the perspective of the individual.

The book was first published in
1962, when the Keynesian Revolution
was at its height and its failings not yet
apparent. The prevailing view at the
time was that government could fix ever-
thing—mend the family, manage the
economy, regulate industry and impose
the perfect tax regime.

Buchanan and Tullock explored
many of the systemic flaws of big gov-
ernment which subsequently became
readily apparent. They warned against
the growth of the rent-seeking society.
As government control over resources
grows, lobbying will become a dominant
focus of human endeavour, for no pro-
ductive end. They warned against the
ricochet effect of government. Since the
benefits from lobbying are concentrated
in the hands of a few and the costs dis-
persed widely, the incentive structures
are skewed towards ever-increased lob-
bying and ever larger government.

As a systematic attack on the power-
fully harmful effects of big government,
The Calculus of Consent’s influence has
been immense and long lasting.

Mike Nahan
Are polar bears really threatened by global warming? Or are they being opportunistically exploited by scientists and activists to sell a particularly bleak and brittle story because of their iconic status?

A History of Polar Bears

A couple of years ago, a friend of mine decided we should visit Sea World, a theme park at Queensland’s Gold Coast. She insisted that we get there early and that we visit the polar bears first.

I was surprised that they even had polar bears at a theme park in subtropical Queensland. Polar bears can successfully live and breed in zoos around the world, and do so, from tropical Singapore to hot, dry Arizona. Indeed, to quote from the exhibition at Sea World, ‘polar bears are capable of flourishing in the wild under climatic conditions which are most un-Arctic’.

We watched the two bears for the best part of an hour. Our teenage children were as enthralled as we were to see these gigantic white animals throw rubber and plastic objects into the pool, jump in after them, ‘drown them’ and repeat the routine. There was no ice or snow, but the bears seemed most content.

I was also to learn that polar bears have black skin under all that white fur, can swim 10 km per hour for several hours at a time and run as fast as 40 km per hour for short distances.

In the wild, polar bears mostly feed on ringed seals, especially young seal pups. But they don’t usually eat the whole seal. Rather, they take the fat from under the seal’s skin and throw the rest away.

Ringed seals are few and far between at the Gold Coast, so the Sea World bears get fed Aussie tucker including kangaroo, chicken, fish, fruit, vegetables, cheese, yoghurt and even the occasional muesli bar and ice cream. On special occasions they get their favourite food—apparently, watermelon.

Polar bears can obviously survive where there is no snow and ice and are clearly not too fussy in their eating habits, but, in the wild, their distribution is limited to the Arctic or, to be more precise, the circumpolar basin.

There are no polar bears in Antarctica. The species evolved from the Northern Hemisphere brown bear. It is thought that a small population of brown bears became isolated during the last ice age. Rapid evolution subsequently occurred with colour, size, swimming ability and cold resistance coming under strong selective pressure over several generations.

The isolated population could have become extinct as a consequence of the climate change, but it didn’t. Instead, it rapidly evolved into the largest land carnivore and a species perfectly adapted to life at the Arctic.

Forty years ago, there were only about 5,000 bears, the worldwide population depressed by hunting. Then, in the 1970s, it was agreed to restrict hunting and, presumably as a consequence, population numbers have increased.

There are now thought to be about 25,000 polar bears existing as 19 relatively discrete populations across Norway, Denmark, Russia, Alaska, Greenland and Canada.

Most populations are still hunted, but under agreed quota systems. Greenland, however, does not limit the number of polar bears killed each year and there is concern that Greenland populations may be over-harvested. There is also some concern that while Russia has official bans on hunting, it occurs illegally in the Chukchi Sea.

But the Arctic is Warming

On average, the world has warmed by only 0.6°C over the last 30 years and 0.8°C over the last 100 years. But the Arctic has warmed much more, and over the last two decades this warming has corresponded with a reduction in the extent of Arctic sea ice. It has been predicted in the scientific journals that there may be a 20–30 per cent reduction in sea ice extent by the year 2050.

The distribution of polar bears at the Arctic is influenced by the type of ice occurring in the region, with bears

Jennifer Marohasy

Jennifer Marohasy is a senior fellow at the Institute of Public Affairs.
tending to seek out thick first-year sea ice found in large ice floes. The bears use this sea ice as a platform for hunting ringed seals, with late spring considered a key hunting period when there are the most fat, recently-weaned seal pups. But the population density of polar bears does not correlate with, for example, the population density of ringed seals or sea ice. Indeed, while the extent of Arctic sea ice has generally reduced over recent decades, the number of polar bears has increased. Polar bears hunt other species of seal, including spotted and bearded seals, and also walrus, beluga whales and short-legged reindeer.

There is, nevertheless, much concern that polar bears are going to be adversely affected by global warming and, in particular, by any reduction in the extent of sea ice.

**Polar Bears at Hudson Bay: A Case Study**

Unlike Sea World, Dream World doesn’t have any resident polar bears, but they screen a 3-D documentary called *The Bears* at their Imax theatre. Towards the end of the movie, we are told that the survival of polar bears is threatened by global warming. We are told that, as a consequence of warmer springs, ice sheets were thinning earlier, the bear’s hunting season had become shorter, and that polar bears at the Arctic were losing weight.

This was the finding from one study at Hudson Bay by Ian Stirling from the Canadian Wildlife Service. Indeed, the peer-reviewed article (*Arctic*, Volume 52, pages 294–306) concluded that:

From 1981 through 1998, the condition of adult male and female polar bears has declined significantly in western Hudson Bay, as have natality and the proportion of yearling cubs caught during the open water period that were independent at the time of capture. Over this same period, the breakup of the sea ice on western Hudson Bay has been occurring earlier. There was a significant positive relationship between the time of breakup and the condition of adult females (i.e., the earlier the breakup, the poorer the condition of the bears). The trend toward earlier breakup was also correlated with rising spring air temperatures over the study area from 1950 to 1990. We suggest that the proximate cause of the decline in physical and reproductive parameters of polar bears in western Hudson Bay over the last 19 years has been a trend toward earlier breakup, which has caused the bears to come ashore in progressively poorer condition. The ultimate factor responsible for the earlier breakup in western Hudson Bay appears to be a long-term warming trend in April-June atmospheric temperatures.

While the western Hudson Bay bears are thinner today than they were 20 years ago, there has not been a corresponding decline in population numbers. The population is considered stable at 1,200 bears and continues to be advertised as the major tourism attraction for the town of Churchill, which claims to be the polar bear capital of the world.

If you want a wildlife experience that includes polar bears, Churchill is a ‘must visit’—it is the most accessible and best equipped destination in Canada, home to the largest and most southerly population of polar bears in Canada, and the wildlife enthusiast is guaranteed to see the largest gathering of polar bears anywhere in the world. You can catch the train from Winnipeg and, once at Churchill, be carried across the ice in a ‘Tundra Buggy’ to watch polar bears kill baby ringed seals.

The Churchill bears are considered somewhat unique in that they regularly congregate and then go into a semi-hibernation over summer. Most polar bears do not hibernate and do not congregate in any one place for any period of time.

Nevertheless, relying mostly on the study by Ian Stirling of this somewhat unique population of polar bears

Polar bears can successfully live and breed in zoos around the world, and do so, from tropical Singapore to hot, dry Arizona.
that congregates each year on the ice near Churchill, global warming is being promoted as a threat to the long-term survival of polar bears. This is a message now endlessly repeated in the popular press throughout the world. Indeed, it is on the basis of this study that documentaries such as The Bears assert that global warming threatens the very existence of polar bears, and it is on the basis of this study (and some more extrapolation) that polar bears were recently listed by the International Union for the Conservation of Nature (IUCN) as threatened with extinction.

Because of the universal popularity of polar bears, polar bears are effectively being exploited by activists as ‘victims’ of climate change. Here’s an example of polar bear-as-victim in an article by Clifford Krauss that was published in the New York Times:

‘People care about polar bears—they’re iconic’, noted Kassie Siegel, a lawyer at the Center for Biological Diversity. ‘The reality of the threat to polar bears is helping to get the word out’, she said, about the effects of climate change. Her group, along with Greenpeace and the Natural Resources Defense Council, filed a petition with the United States government to list the polar bear as threatened as a way to push the American authorities to control greenhouse gas emissions, like carbon dioxide from cars. The message has alarmed American polar bear hunters, who could be barred from bringing their trophies home from Canada, the only country from which they can legally do so. It has also run up against unbending opposition from local communities of Inuit, also known as Eskimos, and the Nunavut territorial government, which has expanded sport hunting in recent years.

Scientists have also become caught up in the campaigning and are making dubious and unsubstantiated claims. For example, the recent listing by the IUCN includes the following paragraph as justification for the conclusion that there is likely to be a 30 per cent decline in polar bear population numbers over the next 45 years:

There is little doubt that polar bears will have a lesser AOO [area of occupancy], EOO [extent of occupancy] and habitat quality in the future. However, no direct relation exists between these measures and the abundance of polar bears. While some have speculated that polar bears might become extinct within 100 years from now, which would indicate a population decrease of >50% in 45 years based on a precautionary approach due to data uncertainty. A more realistic evaluation of the risk involved in the assessment makes it fair to suspect population reduction of >30%.

When the IUCN report was launched on the 3rd May, the BBC misquoted the findings, stating that:

Polar bears are listed as Vulnerable to Extinction based on forecasts that their population will decline by 50% to 100% over the next 50 to 100 years.

When information about global warming and polar bears is misquoted, as it often is, it always seems to be in the direction of a more dire prediction!

Over the last 30 years, population numbers of polar bears have increased, while sea ice extent and area have decreased. While sea ice is important for the ringed seal, and ringed seals are the most common and widespread seal in the Arctic and the main food for polar bears, there is no evidence to suggest that polar bears won’t simply adapt to less sea ice and change their hunting behaviour and preferred prey species if necessary.

The Earth’s climate has never been constant, and dramatic changes in climate have driven both extinctions and evolution. Sometimes climate change has been driven by volcanic eruptions, asteroid collision and the Sun. If the northern hemisphere hadn’t undergone a period of glaciation about 250,000 years ago, and a group of brown bears had not become isolated and exposed to terrible hardship and repeated high mortality, there would be no such thing as polar bears today.

Over the last 100 years, there has been an increase in the amount of carbon dioxide in the atmosphere from the burning of fossil fuels and this is thought to be contributing to current global warming.

Recent increases in temperatures at the Arctic are already affecting the extent of sea ice in places such as western Hudson Bay, which is in turn affecting the length of the annual hunt for ringed seal pups by polar bears in this area. But there is no evidence to suggest that the numbers of bears are declining, let alone that the species is about to become extinct. Indeed, if Hudson Bay failed to ice-over one winter, these bears could travel north to find sea ice and ringed seals, or they might simply switch to hunting seals that prefer warmer weather.

The two bears living happily at Sea World on Queensland’s Gold Coast, enjoying watermelons and muesli bars, are evidence of the capacity of this popular bear to enjoy warmer weather.

As a species, polar bears may be disadvantaged by global warming, but they are unlikely to become extinct.
‘Parental Socialism’
Regulators tiptoe into the candy store

To a large great extent, the end of the Cold War effectively signalled the vindication of classical liberal philosophy’s view that economies and societies organised on socialist principles are incapable of providing decent living standards and a humane quality of life for their citizens. However, there remains a puzzle as to why there remains a fever amongst sections of the community for collectivist solutions to resolve complex economic and social problems, including in developed countries organised on the basis of economic markets and social liberties underpinned by the rule of law.

For example, in Australia, in the last 40 years, the amount of public expenditure (Commonwealth and State governments combined), as a proportion of economic output has grown from 27.6 per cent to 43.6 per cent, with seemingly no effective brakes in place to prevent a further increase in the public sector’s share of the economy.

In a recent paper, ‘Afraid to be free: Dependency as desideratum’ in the journal, Public Choice, the Nobel Prize-winning economist James Buchanan identified a strain of ‘parental socialism’ in modern society, where individuals invite the government to impose collectivist solutions on their behalf, in an effort to provide security from economic and social risks. Further, Buchanan considered that ‘parental socialism’ is on the increase. According to Buchanan, ‘that gloomy prospect looms, not because socialism is more efficient or more just, but because … people are afraid to be free; the state stands in loco parentis’.

He expresses alarm that:
the source for extension in collective or state control here is ‘bottom up’ rather than ‘top down’, as with paternalism. Persons who are afraid to take on individual responsibility that necessarily goes with liberty demand that the state fill the parental role in their lives…. they seek order rather than uncertainty, and order comes at an opportunity cost they seem willing to bear.

With the values of autonomy and self responsibility seemingly losing their appeal, Buchanan suggests that the ‘learned helplessness’ acquired by living in a political culture of preferential treatment and protection from ourselves may have left individuals incapable of accepting the responsibilities of freedom. Indeed, the shift towards ‘parental socialism’, where people are ‘afraid to be free’, is, according to Buchanan, the most dangerous threat to economic, political and social freedom in the modern era, and represents an alarming twist on the more conventional notions of socialism that emphasise top down economic and social controls.

Julie Novak
Regulators tiptoe into the candy store

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Only the government is capable of making this judgement
Regulatory manifestations of ‘parental socialism’: The case of obesity

There is good reason to suggest that ‘parental socialism’ is on the march in Australia, with some commentators noting that the growth in regulation has been driven by the demands from various sectional interest groups for the elimination of (or at least protection from the adverse effects of) various risks.

For example, one the seemingly new frontiers in the debate over regulatory control relates to the prevention of childhood obesity. Various nutritional activists have argued for an array of regulatory interventions, including banning of ‘junk foods’ and soft drinks in school canteens and school vending machines, banning the display of selected foods and beverages near supermarket checkout points, restrictions on television advertising of ‘junk foods’, nutrition labelling at chain restaurants, ‘fat taxes’ on food producers, and additional physical education requirements in schools. Indeed, some of these regulatory measures have already been implemented in an effort to appease these lobby groups.

In many instances, the new ‘war on obesity’ is being fought by imposing restrictions on producers. Effectively, producers are being held responsible for the consumption decisions by individual consumers, and are penalised if their products are deemed to have been used excessively.

According to feminist Adele Horin, parents ‘don’t have the energy, the education, the time or the means’ to reduce the extent of obesity in their own children, and ‘[w]e need more help from government to counter the corporate culture that flogs fatty food’.

However, this premise of ‘victimhood’ on the part of consumers ignores the fact that these types of regulations ignore individual responsibility altogether—indeed, no company forces people to eat their food or drinks. However, the nutritional activists are creating a misguided impression that food producers and providers are somehow destroying individual responsibility, and that individual consumers are not responsible for their own health and eating habits.

The implementation of the measures outlined above therefore represents a dramatic and unwelcome step towards realising ‘parental socialism’, especially given that what we choose to eat and drink is perhaps one of the most private and intimate decisions that we make each day.

Buchanan’s central thesis is that the forces of socialism may be extended through the twenty first century until the polity’s addiction to ‘parental socialism’ is palliated. There is a need for the proponents of classical liberalism to therefore become more pro-active in making the case for reversing this trend. A key to this is to recognise the longstanding liberal precept that individual liberty is complemented by self responsibility and self reliance, ensuring that individual action is aligned to considered intentions.

In 1960, Friedrich Hayek famously wrote that ‘the belief in individual responsibility … has always been strong, when people firmly believed in individual freedom’. Consistent with this, classical liberals have a role in reminding people that our freedom to make decisions, and to take responsibility for these, is character building, and helps us to develop our own capabilities and paths as functional, self confident adults.

Through a process of socialisation by our families and schools spanning the first eighteen years of our lives, we have already been sufficiently equipped with the means to choose between the right and wrong alternatives in our lives.

Any moves by the state to promote ‘parental socialism’ effectively reduces otherwise fair minded and rational people to a childlike position of dependence on the next move by regulators. Parental socialists’ attempts to spare our future selves the cost of our present choices effectively displace a rich variety of mechanisms for individual action that matches the variety of risk profiles and time discount rates we find among members of a diverse society.

Our innate human frailties, and our freedom to make bad choices which might make us unhappy and diminish our economic and social prospects in the short run, are as vital and precious as the choices that bring us joy and riches, as they provide important signals for what works, and what doesn’t, in our lives. No amount of regulatory posturing by a parental state can displace the importance of institutions such as free markets and civil society in both preserving and affirming the self determination and autonomy of and sense of responsibility within individuals.

Government must be small and circumspect if society is to avert the tendency towards ‘parental socialism’, and thus enable us to continue to enjoy a concurrently high degree of liberty and individual responsibility.
MAD MAX and its sequels are some of the most popular films ever set in Australia. While its central theme showed a brooding Mel Gibson making his way in a post-nuclear holocaust world, a sub-theme was the primitive island of brutal civilisation, Bartertown, governed by Tina Turner. Savage though her regime was, she, like all the people in the town, was subject to the rule of law and unable to countermand its dictates when outcomes did not meet her expectations. The fact that an enforced legal framework was in place allowed the creation of the relative prosperity and improved personal safety that characterised Bartertown.

This theme of the rule of law is also played out in a modern Western series, Deadwood. Available only on DVD in Australia (and due to its uncouth language and sexual crudity unlikely to be taken up by a network), Deadwood portrays the half-apocryphal development of a North American mining town established illegally inside Indian Territory and outside the jurisdiction of the formal law. The various characters nonetheless adopt pretty much the civilised world's legal systems, property rights (the dispossessed Indians do not count, though the Chinese underclass certainly shares them) and trading arrangements.

Like Bartertown, Deadwood eventually thrives and the shady deals, even murders, that characterise its foundation weeks are swamped by a legal code that is rigorously enforced. Property rights, in particular, are held as sacrosanct and theft is severely punished. Mining claims are recorded and the records assigned the full respect of property rights in the outside world. Street frontages are seized as individually owned properties on a finders-keepers basis before they assume much value. Having been embryonically developed, they may only be rented or bought and further developed by mutual agreement.

In The not so Wild, Wild West, Terry Anderson and Peter Hill trace the development of the nineteenth-century West. Their research demonstrates that the yarns spun in Deadwood are factually based. Contrary to popular myth, the Western frontier was not lawless—major crime rates were below those of the settled east. Miners developed rules and lodged claims that were respected; cattlemen registered and mutually protected individual ownership of land and strictly respected ownership of other people's steers which had wandered on to their own land. Western aridity led to a new means of establishing rights to water. The relative abundance of water in the east meant that English common law allowing unlimited usage by those over whose land a river flowed was not efficient. Hence the notion of 'prior-appropriation', a form of finders-keepers, was developed with regard to the use of water.

Western civilisation clearly had no monopoly over notions of property rights, freedom to trade and the rule of law, the features that have been the well-spring of prosperity.

In the case of the Red Indians, where resources were other than abundant, Anderson and Hill note that property was held in common (as opposed to there being an absence of property rights). This prevented the 'Tragedy of the Commons' under which land

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would be worked or hunted to exhaustion. Indians had individual property rights too, especially over horses as well as over their homes and tepees.

Similarly, other peoples beyond the crucial of Western civilisation held individually enforced property rights. In White Gold: The Extraordinary Story of Thomas Pellow and Islam’s One Million White Slaves, Giles Milton recounts how, in Islamic countries, property rights were also respected—even over newly captured slaves that had been shipwrecked on a North African coast far from their captors’ home. The Arab countries in North Africa and even more so the nations to the East—Per-

It has only been the abandonment of socialism that has unleashed the wealth creating process that comes with relative freedom to trade and strong property rights

sia, India, China and Japan—had evolved levels of civilisation that could not have been achieved without some acceptance of property rights. Why then was the West so successful in achieving uniquely high and near universal levels of prosperity? David Hanson (Why the West has Won) puts it down to freedom and citizenry, first epitomised by the 10,000 Greek mercenaries who, 2,300 years ago fought for the Persian pretender and, having won, then had to fight their way victorious home. He illustrates why Rome could never have been beaten by Carthage, in spite of the brilliance of Hannibal, because Rome had a citizenry who would voluntarily fight for their nation while Carthage was ruled by a Phoenician elite from which the mass of its population and subjects were alienated. He points to countless examples of tiny European armies prevailing over vast masses of opposing troops, not all of whom had grossly inferior weapons.

Such explanations are interesting but at best only partial. It seems more likely that the inadequate protection of property rights and the pre-eminence of a feudal or bureaucratic elite might be more persuasive. In modern Latin America, Hernando de Soto has pointed to the vast bureaucratic machinery necessary to negotiate in order to register a small business, that typically 15 per cent of income would be bribes and that the legal system is sporadic in its protection of property rights.

One answer is that it took a long time, but there is a gradual wearing away of cultural differences that act as impediments to the adoption of the Western philosophical diaspora with its more efficient means of capitalist property rights and capitalist accumulation protected by the law. The way forward was shown first by Japan and then by the early Asian tigers: Singapore, Hong Kong, Taiwan and Korea. Fifty years ago, all four Asian tigers were among the poorest countries in the world, but they now share developed country living standards. In some areas, that perversion of western capitalism, socialism, greatly delayed the adoption of individualism on which wealth can be accumulated. Certainly in India and China (which was, of course, foreign dominated rather than imperially annexed) it has only been the abandonment of socialism that has unleashed the wealth-creating process that comes with relative freedom to trade and strong property rights.

This adoption of capitalist notions may have been delayed markedly in those communities that were the most isolated and least sophisticated—Aus-

IPA REVIEW
In a market economy, decisions about travel choices are ultimately made by individuals deciding the optimal mode of transport for their needs. However, with the vast majority of infrastructure for both private car transport and public transport provided by governments, public policy decisions play an important role in determining the attractiveness of the different modes for commuters.

On the political Left, and often more broadly, there are perennial calls for public transport to be ‘improved’. The argument is that not only would this deliver better transport outcomes, it would also fix perceived environmental and land use problems allegedly caused by over reliance on the private motor car. This argument generally ignores the fact that many citizens enjoy car travel, fails to consider potential impacts on taxpayers, and too often even shows little understanding of what improvements would actually make public transport services more attractive to users.

This last failing was well illustrated by Melbourne’s Sunday Age which for several weeks earlier this year whipped up a populist campaign to make public transport free to the end user. To be fair to the Sunday Age, it also gave some consideration to other more serious aspects of the public transport debate.

Victoria is a logical starting point for discussion of the big issues in transport, as it was the venue for the most ambitious actions taken in Australia to reform and improve public transport—the Kennett Government’s 1999 privatisation, or more accurately, franchising out, of the State’s public transport system.

As if to underscore how difficult it is even to agree upon the basis for any discussion on transport issues, at the same time as the Sunday paper was running its series, its weekday counterpart was sponsoring a lengthy debate in its business section on whether car users subsidise public transport users, or vice versa.

Given that debate, it is hardly surprising that an inability to agree upon the basic parameters also hinders any clear assessment of the success or otherwise of the privatisation. There is much dispute about the financial outcomes, even before one starts on the more obviously subjective aspects related to the quality of the service. There is no doubt that the current operators in Victoria are receiving a larger subsidy than envisaged in their 1999 bids, but how the revised figure relates to what taxpayers would otherwise be paying if the service were still run by the Government, is a moot point.

Although, with the benefit of hindsight, it is clear that the bidders for the franchises were too optimistic in their 1999 projections, it is still hard to see what the Government and its advisers could or should have done to dissuade them from bidding so aggressively.

The fact that some of the bidders had been too keen was demonstrated most graphically when, in December 2002, the largest operator, National Express, walked away from its train and tram franchises. In what was, for commuters, a seamless transfer, the other

Richard Allsop

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operators took over its franchises. Naturally this was done with Government funding at a level above that provided to National Express, but whether that took the subsidy above what it would otherwise have been is keenly debated. A recent study by some academics claimed that taxpayers are paying far more than if the privatisation had never taken place but, among other questionable premises, their work failed to recognise adequately the benefits in new rolling stock and increased services that have flowed since 1999.

An inability to establish the facts is not the only unusual aspect of the ongoing debate about whether the privatisation has been a success. While one might expect former Premier Jeff Kennett to defend his policy vigorously, he has instead commented that it had turned out ‘different from what we intended’. By contrast, current Labor Transport Minister Peter Batchelor supports retention of the current system of private operators that ‘are managing the train and tram networks in a time of unprecedented passenger growth’ and claims that the former Government authority would have failed to handle the Commonwealth Games in ‘the magnificent way the current operators did’.

The benefits or otherwise of privatisation are not the only aspects of the public transport debate that have cut across traditional (pre-conceived) ideological lines. The Sunday Age’s ‘free’ public transport campaign has also highlighted the lack of ideological consistency in the transport debate.

One of the major proponents of a ‘free’ system was former Kennett Government Planning Minister, Rob MacLellan, while representatives of Victoria’s left-leaning public transport advocacy group supported the continuation of the current partial user-pays system. Kennett himself, while not an advocate of ‘free’ public transport, supported the replacement of the current zone- and time-based system with a flat-fare ‘gold coin’ model.

In order to find a city that does have free public transport, The Sunday Age went to Belgium and the obscure city of Hasselt, which only served to highlight the fact that no major city in the world has gone down the ‘free’ public transport path.

Whether funded by some form of hypothecated community charge, or from general revenue, providing public transport free to the user would create serious inequities, most obviously between the public transport-poor outer suburbs and the transport-rich inner ones.

‘Free’ public transport is also inconsistent with developments in other policy areas, where citizens are being encouraged to move away from the expectation of universal public funding. In transport itself, it seems a strange mix of policy to be moving more towards ‘user-pays’ on roads and less on public transport.

Taking out the element of user payment would also remove the current, albeit imperfect, signals that the system provides to operators to indicate where investment is most required. The need to pay indicates what value people put on a service. All of us would be more likely to hop on a ‘free’ tram to go two CBD blocks, but most of us would probably not think that that was the best place to make a major investment in extra services.

‘Free’ services would also solve none of the real problems that do exist in public transport. Potential public transport users are driven away by service failure (lack of reliability, punctuality, etc.) or lack of flexibility compared to the private car—not by the fares.

Already one of the key problems on the rail system, in Melbourne at least, is overcrowding on certain lines in peak periods. Imposing a significant increase in demand, without further investment, would be a recipe for disaster. Users of public transport would also be particularly concerned that removing the need for any ticket-selling staff on the system would impact adversely on passenger security.

Overall, removing a significant revenue source hardly seems the best way to address the need for greater investment in the system to improve reliability and the range of services.

The ‘gold coin’ solution avoided many of the problems of ‘free’ public transport, but threw up a series of others. The modelling undertaken for the Victorian Government showed that the flat fare model would mean increases in fares for many users and actually produce reductions in patronage. The flat fare concept directly inhibits multi-modal use, removes the ability to encourage long-term commitment to the system through the purchase of periodical tickets, and cannot allow for concessions.

Jeff Kennett commented in the Sunday Age that his failure to follow his instincts on this issue was his ‘biggest regret’ as Premier. The frustration that everyone in the Kennett Government, from the Premier down, felt with the problems that bedevilled the introduction of automated ticketing in Melbourne certainly made alternative ticketing solutions attractive. The irony, however, is that by its overall sound economic management the Kennett Government had a fine record of keeping rises in public transport fares below inflation.

The franchising out of public transport was—and is—an innovative policy model. Although the results of the policy have been mixed, there are enough positives to indicate that another State, learning from Victoria’s experience, could do well to consider going down a similar path.

Certainly, anyone with the interests of public transport at heart would be better off considering that option, rather than indulging a gimmick like ‘free’ public transport.
Around the Tanks

The Most Important Works of Art of the Twentieth Century
David W. Galenson
http://papers.nber.org/papers/w12058
Bypassing the usual debate of art historians and philosophers, this study rigorously determines the eight most important works of the twentieth century using a statistical methodology. The most important painting of the century was Les Demoiselles d’Avignon, executed by Picasso at the age of 26, which began the development of Cubism. Among the other seven works, a collage, an earthwork, and a ready-made all represent new genres that had not existed at the start of the century. All eight works were made by conceptual artists, at a median age of just 32.

The World Distribution of Income: Falling Poverty and ... Convergence, Period
Xavier Sala-I-Martin
http://www.mitpressjournals.org
This paper estimates the World Distribution of Income by integrating individual income distributions for 138 countries between 1970 and 2000. There were between 250 and 500 million fewer poor in 2000 than in 1970. The authors estimate eight indexes of income inequality implied by our world distribution of income. All of them show reductions in global inequality during the 1980s and 1990s.

Even For Teenagers, Money Does Not Grow on Trees: Teenage Substance Use and Budget Constraints
Sara Markowitz and John Tauras
http://papers.nber.org/papers/w12300
This working paper is about the spending choices of youth, with a particular focus on how the demand for cigarettes, alcohol and marijuana are influenced by changes in the prices of other products. Young people tend to have small incomes and limited wants, with the result that many students spend the bulk of their income on only a few items. Fast food, clothing and entertainment make up the majority of products purchased by teenagers. The authors estimate own- and cross-price effects using the prices of cigarettes, alcohol, marijuana and other consumer products including gas, clothing, entertainment and fast food. The paper concludes, unsurprisingly, that teens with higher incomes and allowances are more likely to use substances, and draws some policy implications from this.

Who Controls the Internet?: Illusions of a Borderless World
Jack Landman Goldsmith and Tim Wu
http://www.aei.org/
Is the Internet erasing national borders? Will the future of the Internet be set by Internet engineers, rogue programmers, the United Nations, or powerful countries? Who’s really in control of what’s happening on the Internet? In this provocative new book, Jack Goldsmith and Tim Wu tell the fascinating story of the Internet’s challenge to governmental rule in the 1990s, and the ensuing battles with governments around the world. It’s a book about the fate of one idea—that the Internet might liberate us forever from government, borders, and even our physical selves. The destiny of the Internet over the next decades, argue Goldsmith and Wu, will reflect the interests of powerful nations and the conflicts within and between them.

Identity Crisis: How Identification Is Overused and Misunderstood
Jim Harper
http://www.catostore.org
The advance of identification technology—biometrics, identity cards, surveillance, databases, dossiers—threatens privacy, civil liberties and related human interests. Since the terrorist attacks of September 11, 2001, demands for identification in the name of security have increased. In this insightful book, Jim Harper takes readers inside identification—a process everyone uses every day but few people have ever thought about. Using stories and examples from movies, television and classic literature, Harper dissects identification processes and technologies, showing how identification works, when it works, and how it fails when it fails. Harper explodes the myth that identification can protect against future terrorist attacks.

Instead of a uniform, government-controlled identification system, Harper calls for a competitive, responsive identification and credentialing industry that meets the mix of consumer demands for privacy, security, anonymity and accountability. Identification should be a risk-reducing strategy in a social system, Harper concludes, not a rivet to pin humans to governmental or economic machinery.
Privacy is a strange concept. Few debates over new technologies, changes in social structure or security measures are free from appeals to the right of citizens to conduct their affairs without surveillance, from either the corporate or the political sector.

As Brett Mason argues in Privacy without Principle: The Use and Abuse of Privacy in Australian Law and Public Policy, privacy has become a term of convenience for advocates of one or another political position.

The term itself has little conceptual core. Mason traces the variety of methods by which legislators, judiciaries and commentators have attempted to define the core of privacy—what is it that we are trying to protect? Privacy could be control of information regarding oneself, or deeply personal information that one may not wish to be made public. Privacy could be a manifestation of the autonomous individual, or could be the protection of intimacy.

In order to make consistent public policy decisions which respect the notion of privacy, legislators need an unambiguous and comprehensive definition. But none of the answers listed above, Mason argues, are conceptually clear, and provide little guidance for practical policy decisions.

How, then, is the concept of privacy used in Australian politics? Mason singles out two debates within the last few decades—the 1994 Human Rights (Sexual Privacy) Act and the 1986 Australia Card Bill. Both of these debates exhibit the critical flaws in privacy discourse.

For example, why was privacy the vehicle upon which to legitimate homosexuality? While not always consistent with a liberal society, from a historical perspective, the state has always had an interest, or at least believed it had an interest, in the sexuality, sexual acts and reproductive habits of its citizens. The Human Rights (Sexual Privacy) Act sought to remove homosexuality from the interests of the state, but by hanging the act upon the concept of privacy, it did gay rights movement’s cause a great disservice.

The 1994 legislation posited that homosexuality was acceptable, as long as it was a private or intimate matter. If privacy is the foundation of the state’s interest in homosexuality, homosexual ‘legitimacy’ is premised on a staying in, rather than out, of the closet.

Mason also raises some other, challenging questions. For instance, if privacy determines the state’s interest in individual sexuality, does it follow that all (non-coercive) sexual acts are also legitimised? Such a formula would seem to legitimise acts which policy-makers may prefer not to condone, for instance, incest.

It is unfortunate that the debate over the government’s interest in homosexuality in Australia led to a debate over what distinguishes homosexuality from incest. Advocates of gay rights are not well served by such appeals to privacy. The Australia Card debate, and indeed, subsequent debates about national identification cards, have similarly used the concept of privacy loosely, often to their detriment.

In this sense, George Orwell has done civilisation a great disservice. Both sides of politics ask a great deal of contemporary governments. Government services need to be efficient. The terms of property have to be clearly defined. Laws need to be uniformly and rigorously enforced. Citizens need to be secure and, argue many from the progressive side of politics, they also need to be protected against their own choices.

Privacy is an inadequate focus of the debate over the relationship between the state and its citizens. That relationship, particularly in a time when social regulation and legislative paternalism are on the rise, needs to be closely examined. But the doctrine of privacy against all else—undefined and unchallenged—does such a debate a great disservice.

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One of the canards of Australian industry policy that survived the dismantling of the protectionist policies of the mid-twentieth century is that if the Government gives scientists buckets of money, they will cause us all to become rich. Broadly, this is the Barry Jones or ‘Science Club’ view of the world and it has led State and Federal Governments to support high-risk emerging technologies and start-up companies that investors are generally too smart to go near. Despite the hundreds of millions that go into Government support for R&D, the ongoing failure of this policy is rarely subjected to proper policy analysis. In the main, economists and Treasury departments pretend it never happens and still prefer to leave the discussion to the professional doom-sayers.

So it’s a pleasant surprise to see somebody emerge from the Government side who talks about the basic flaws in the language employed by Governments and their supporters in the science club alike.

Thomas Barlow, a former science adviser to Brendan Nelson when Minister for Education, Science and Training, has written The Australian Miracle, which suggests that governments and their supporters in the science club have got it wrong in presenting a dismal past contribution from science and innovation. This may be a useful primer for the Productivity Commission as it considers government support for science and innovation.

The central theme of the received wisdom is codified by Barlow in ‘ten myths’. Briefly put, these myths argue that Australians are innately inventive but no good at making money from their inventions. Not enough is invested in research and development and, when invested, is badly targeted to scientists who won’t work together. As a consequence, the best ideas and scientists leave Australia and the country remains a farm and a quarry. Australians are not interested in science and are condemned to be second rate. These criticisms have become familiar to us through the likes of Barry Jones, Donald Horne, John Dawkins and through countless ‘Innovation Summits’ and ‘Future Forums’.

Barlow comprehensively debunks these ‘myths’. As an example, take the perennial favourite of our low national R&D activity. The accounting does not include mineral or petroleum exploration. Consequently, at least a billion dollars and some high-tech activities are ignored. The ‘myths’ are a consequence of a mismatch between aspirations and reality, but by holding to them, rent-seekers can persuade governments to support fashionable technology developments. It is the equivalent of a middle-ranking state of the United States wanting all the industries of California.

Barlow considers the history of government-targeted research initiatives. He uses the example of the German Government’s biotechnology initiative, involving half a billion Deutschmarks, that has made little impression on the local pharmaceutical industry. There are many other Ozymandias-like objects in the research landscape—the supercomputer policies of MITI in Japan, the Alvey computer initiative in the UK, and the recent French initiative to develop a uniquely Franco-German Google—they all show how hard it is to follow on and catch up. Local State premiers should reflect on this as they fund their biotechnology initiatives.

Barlow makes some excellent points about inefficiencies being important for invention. While he is correct in stating that decisions on direction should be left to researchers, this does not void the need for justification to the policymakers and the paymasters. He also worries that research into the ‘unknown’ will not be welcomed, even though, over time, this approach has led to some of the great scientific discoveries.

The most important point Barlow makes is the unpredictability of the consequences of research. The same point can also be made for the processes of...
innovation. For instance, the incorporation of text messaging was not seen as much more than a minor added function to mobile phones, yet it has grown and blossomed into an essential teenage mode of communication, an advertising medium and a source of information.

The remainder of the book covers the past development and use of technology in Australia and, sadly for those of us who remember, Barry Jones’s fondness for futurism, suggests ways of finding our future. Even Barlow seems not to have completely removed the absurdities of modern industry policy from his system. One is tempted to wonder whether we are, in fact, analysing any real public policy problems at all.

Perhaps this is because nobody knows how to address the core question: What is the magnitude of the direct contribution made by scientific researchers to economic development? If the contribution is minor, then the language of national science or development priorities should be rejected.

The answer is that if Australia is like other developed economies, business is the dominant source of innovation. Universities and government laboratories contribute a few per cent of innovations.

This does not mean that there is no contribution from science. On the contrary, it is a much deeper and wider contribution through education and research. Education provides graduates who make innovative contributions from within the companies that employ them, or in some cases, from the companies they establish. Research in science and engineering supplies understanding of methods and techniques that enable the realisation of novel products and processes.

This book is the first considered analysis expressing a contrary view to the received wisdom. It is a powerful statement and a warning to those in the scientific community who have offered to rebuild Australia, an undertaking they will not be able to keep. Experience and measurement elsewhere shows that they will not deliver. In the words of one scientific organisation, what is now needed is a mid-course correction. At the very least, Barlow could have another go—perhaps suggesting what we might usefully do with the dismembered parts of the CSIRO that would inevitably follow a serious rethink of industry policy.
The classless Cobbett

Richard Ingrams's recent biography of 'one of the most extraordinary characters in English history', begins fittingly with the foregoing quotation of A.J.P. Taylor's. History tends to prefer prolific leaders to eccentric journalists, though the story of Cobbett still remains a remarkable tale.

Picture a 20-year-old farmer's son, off to the Guildford Fair on the sixth of May 1783, only to spot a London stage coach rolling towards him. Possibly on impulse, he decides to jump on and ride to London instead. It was a decision that would be the symbolic first step to the remarkable career of a man who Ingrams describes as 'the most effective, most savage and most satirical political journalist of his or any other age'. It is an amusing anecdote that aptly encompasses the adventure of Cobbett's life, and indeed, Ingram does well in making it read like one.

But what exactly were the politics of the greatest political journalist? Why is his life still worth reading about?

It is clear that the contemporary Right/Left labels simply do not fit Cobbett's politics. Like the great free trader Richard Cobden, Cobbett was fiercely against the Corn Laws, but like the utopian socialist Thomas Spence, Cobbett would go on to advocate public ownership of land. Rural labourers were in a constant struggle to compete with the oncoming industrial revolution, but Cobbett was never a supporter of violence, or to the smashing up of machinery, of which he himself saw the benefits.

Cobbett, rather, is the great apostle of the democratic idea. He was classless in a society completely divided by class. Plato would famously argue the need for philosopher kings, but it was Cobbett who would argue that 'the nature and quality of all living things are known to country boys better than to philosophers'. He was the leading advocate of the reform movement at a time when many politicians saw the purpose of government (which Cobbett labelled 'The Thing') as the maintenance of the status quo. He detested the term 'lower orders' to describe his beloved labourers, noting that 'Genius is as likely to come out of the cottage as out of the splendid mansion'. The British will argue that William Cobbett was quintessentially English, but I would argue that Cobbett's spirit was quintessentially Australian.

Cobbett would found the Political Register, a journal which sought to expose the incompetence of government leaders and the neglect that was shown towards the common people. His most lasting legacy, however, was the printing of Cobbett's Parliamentary Debates, which would come to be known as Hansard (after the man to whom Cobbett later sold his business). Cobbett was of the belief that anyone could achieve a level of education and intellect if allowed access to the right resources, and it was this that made Cobbett such a prolific writer. Books on English grammar, speaking French, economics, history—every topic known to man was approached at least once by Cobbett. Rural Rides remains his most enduring work, a kind of travel diary of the English countryside that gives readers the best look into an England on the brink of the Industrial Revolution.

Ingrams has chosen a good time to bring William Cobbett back to public view. Corruption still remains rife in the developing world, but with very little public attention given to it, we are stuck wearing coloured wrist-bands and supporting trivial development projects such as 'fair trade'. A William Cobbett today would be much welcomed, exposing the injustices of tyranny and the poverty caused by corrupt leaders and incompetent bureaucracies. The spirit of individualism is often associated with the American pioneer, but no better has it been demonstrated than by the British ploughboy who made it to parliament.

Andrew Kemp reviews The Life and Adventures of William Cobbett by Richard Ingrams (HarperCollins, 2005, 456 pages)

Andrew Kemp is a second-year Commerce/Arts student and works at the Institute of Public Affairs
Andrew McIntyre reviews
*The Longest Decade*
by George Megalogenis
(Scribe, 2006, 352 pages)

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This book is an engaging and refreshing analysis of two of the most influential Australian politicians in Australia’s economic reform and modernisation. It is refreshing that, in the words of its author, ‘it plays the policies, not the man’. Given that so much political analysis in this country plays on personality, many commentators have already expressed surprise that Paul Keating and John Howard could indeed have anything in common. One can only assume that the surprise is because so much of the media is biased by an ideology that it is largely incapable of saying much of an intelligent or objective nature, especially about the incumbent Prime Minister.

The central theme of the book is about how Paul Keating as Treasurer under the Hawke Government started the radical reform process of Australia’s economy which Howard, as Prime Minister, continued to build on, giving this country over 15 years of continuous growth—the longest decade. It gives a detailed account of this economic transformation and a colourful account of the political events that surrounded each step along the way. While bringing to light the similarities in these two men’s respective economic credentials, it also fills out their very marked differences upon non-economic issues.

The book’s blurb touts it as being ‘non-partisan’ and although it gives both points of view throughout, with quotes in extenso from lengthy interviews conducted with both men, one gets the feeling that Megalogenis has a covert admiration for Keating, the swaggering, insufferably self-satisfied egomaniac, while Howard appears to be a modest, self-effacing gentleman who understands the mood of the electorate better than Keating ever did. Compare these two quotations:

» I invented talkback radio for politicians. And I always talked up to the community. I think the great mistake of Howard is to always talk down to people: you know, let them eat cake, the Marie Antoinette view of the world. I tried to include them into the problem, to try and explain it to them.

» I always felt comfortable and at home with [the Australian public]. I feel I understand them, and my respect for them has been very high and it grows. The Australian electorate is very bright. Hawke, as distinct from Keating, did respect the electorate. I think, on occasions, Keating didn’t. It is a fatal mistake for a politician to think that he is brighter than the electorate.

It brings to mind that wonderful Nicholson cartoon on the day after the Howard victory in 1996. There we see Keating carting off an enormous, ostentatious, gilt-framed oil painting while Howard is quietly moving in with a small miniature tucked under his arm.

Some have challenged the book’s lack of discussion about Hawke’s contribution to economic deregulation. Megalogenis admits that he did not
have the space to talk in detail about him—he does give the impression that it was all Keating—and concedes that Hawke, especially in the first couple of years after 1983, launched and set the ball in motion on reform. But after this start, it was essentially Keating who did the heavy pushing, while Hawke managed the politics of it.

And of course, importantly at the time, both Hawke and Keating had substantial support for the reform process from the opposition of the time.

Despite its relative lack of attention in the media, conservatives do remember and understand that the Hawke–Keating reform agenda was very much aided by a co-operative bipartisan approach that made possible so much of what happened. Megalogenis recounts just how well these two men got on, and how Keating saw Howard very much as an ally in those early years. He tells the story of how, at one point, Keating invited Howard, then deputy opposition leader, into his office and handed him a copy of his white paper on tax reform, containing the so-called Option C for a consumption tax. He told him ‘Hang on to it for an hour, I haven’t handed it to some of my colleagues yet’. In Howard’s words, we were ‘working together’. It is to Howard’s credit and Labor’s shame that there is no longer the same bipartisan effort for reform.

Megalogenis is right to state boldly that ‘both men agreed on deregulation’. He paints a concise picture of the complementary views of the two men. He reveals how Howard demonised, and Keating deplored, the old protectionist trade union culture. Keating now attacks present-day Labor for this very same thing, for going back to ‘the old anvil’, a sort of protectionist, blue-collar instinct of the past.

Megalogenis puts it this way: ‘Keating had a very un-Labor love of private enterprise … Howard has a very un-Liberal love of blue-collar Australians’. He observes that both Keating and Howard were critical of Fraser and Whitlam—the last of the Old Guard.

Keating complains about the present direction of the Labor party: ‘It’s walked away from financial innovation, from the opening up of the economy and the whole meritocracy model of widening its own appeal to single traders, to sole operators of business, small business’.

Megalogenis seems to come unstuck when talking about social issues and the culture wars. He claims that ‘Paul Keating tried to change Australia: John Howard returned it to what it was’. He claims that ‘Australia under Howard is demonstrably more unified than it had been under Keating’, yet says that ‘the boom of the past 15 years has not secured social cohesion’ and has ‘increased the distance between people’. He further blames Howard’s framing of public debate to single issues as inevitably diminishing ‘the public conversation’, and that the rest of the time ‘we engage in the monologue of materialism’. He starts to sound a tad like the culture wars harpy David Williamson, or the ABC, or the Fairfax press at this point.

While covering some fascinating detail and comments from both leaders on Hansonism, border protection, republicanism and reconciliation, his own policy positions come to the fore, and the analysis and conclusions are therefore less satisfying. On native title he states that “Moral” is a big word, and I don’t like using it because it denies the other side of the argument. But it applies here’. Precisely.

Megalogenis accuses Howard of running the government ‘as a frequent-flyer program, with rewards based on loyalty, not need’, but seems to forget the obsequious fawning of the arts industry under the largesse of the Sun King’s prime-ministerial ‘Keatings’.

Interestingly, the author down-plays the issue of media culpability of ‘playing the policies, not the man’ when challenged in public about its entrenched anti-Howard stance. He is after all one of them, but he does, to his credit, raise the issue:

On a good day, even if the number were bad, journalists would compete like schoolroom pets for the teacher’s affection. The questions to Keating were soaked in jargon. The tone was often reverential, even conspiratorial. At the end of the 70 minute session, some of the most respected pontificators in the nation would float out of the room like teenyboppers heading for the exit sign after a rock concert…. When the same group had finished grilling John Howard the heads would be shaking ‘that man will never be prime minister’.

As David Barnett commented on the rise of Latham last year, and is quoted in The Longest Decade: “[Latham] was immediately embraced by the media as the next prime minister, as if nothing good had come from the Coalition government’. The press’s attitude towards star Labor candidates hasn’t changed all that much.

This is an excellent history bursting with policy and personal detail. Megalogenis’ political preferences are discernible, but it does not hinder the enjoyment of a brilliant exposé.
IF YOU CAN’T BEAT THEM …
The Swedish tax department has been outsourcing work to its low-taxing neighbours in order to avoid its own high tax rates. The Swedish tax authority has admitted it produced a television advertisement encouraging taxpayers to pay up on time, in low-cost Estonia. The ad would have cost between 50 and 100 per cent more to make in high-tax Sweden. Bjoern Tennholt of the Swedish Tax Authority also admitted that the high cost of doing business in Sweden had led the tax office to make films in Barcelona and Majorca, and to print brochures in Finland. According to the latest Eurostat figures, Sweden has the highest tax burden in the EU at 50.5 per cent of GDP in 2004. A report in Dagens Industri found that Sweden has lost 60,000 manufacturing jobs since 2001, apparently because a large number of organisations—such as the Swedish tax office—have been outsourcing production to lower cost countries.

GREENPEACE NUCLEAR MELTDOWN
When Greenpeace recently learnt that President Bush had organised a visit to Pennsylvania in May to promote his nuclear energy policy, the group released a memo to the media outlining the dangers of nuclear power. The fact sheet described nuclear energy as a ‘volatile and dangerous source’. However, a few lines later, one fact seemed like it was suffering from dangerous levels of radiation exposure. The contaminated factoid read (with no emphasis added): ‘In the twenty years since the Chernobyl tragedy, the world’s worst nuclear accident, there have been nearly [FILL IN ALARMIST AND ARMAGEDDONIST FACTOID HERE]’. Greenpeace spokesman Steve Smith, who issued the memo, said that a colleague had inserted the language as a joke in a draft that was mistakenly released. The real version was apparently not meant to be alarmist, it just spoke of nuclear meltdowns and plane crashes.

MODEL PLAYS THE BOYS, AND WINS
Playboy’s Cybergirl 2005, model Amy Sue Cooper, is the runaway leader in the Playboy/Tradingmarkets.com stock-pricing contest. Cooper has outperformed 9,771 Morningstar 5 star mutual fund managers with her portfolio up 53.17 per cent to May. Cooper’s explanation for her success: ‘I did my research and picked companies that I knew about or understood what they did’. Perhaps the articles in Playboy aren’t such a waste of space after all.

BLOW ON THIS PLEASE
At the Lewiston High School Prom in Maine, Principal Paul Amnott recently wielded a new device to curb underage drinking. The device, called the Passive Alcohol Sensor, is able to detect alcohol in the air up to seven feet away. It can be waved over a drink, in the air, or near a student. Because mouthwash and perfume can also trigger a positive reading, officials eased parents’ concerns before the dance by saying that students who tested positive would be pulled aside and given a second test. Students caught drinking faced suspension and a fine of several hundred dollars. Officers were also deployed at the Prom and in the parking lot. ‘We want them to have fun but do it safely’, said police officer Roger Landry.

GLASS DISMISSED
A total ban on glass will be implemented in Glasgow’s pubs and clubs after the licensing board recently agreed to a ban. The Scottish Beer and Pub Association will oppose the changes, but they are expected to be implemented in January 2007. Venues will now be forced to use plastic and toughened glass when serving drinks. The bans are designed to reduce glass-related injuries from violent attacks.

SKILLS SHORTAGE GETTING WORSE
Chimps secured across-the-board pay increases of between 25 and 30 per cent last year without even holding a union meeting. The pay increases were the result of a recent surge in retirements of talented chimps at the same time as demand for chimp actors went up. One ad being filmed for CareerBuilder’s in the US last year, which was shown during the Super Bowl, was delayed for a month because of a talent shortage.

YOU CAN’T HAVE THIS BITCH
A Swedish court has ordered a kennel owner to pay US$2,600 to a woman for refusing to sell her a puppy. According to Sweden’s discrimination ombudsman who filed the suit, the kennel owner was originally willing to sell the puppy but apparently refused the sale after learning the buyer was a lesbian. ‘This is an important verdict’, said Hans Ytterberg, head of the Swedish ombudsman’s office. ‘It is important that these incidents are tried in court.’

UGLY SELLS
Attractive models can negatively impact on product perception in some circumstances, according to new research from the June Journal of Consumer Research. ‘Whether people are persuaded by spokespeople in advertisements depends on their ability and motivation to think about the relation between the spokesperson and the advertising product’, said Paul M. Herr from the University of Colorado. The research claims that, as consumers, we first evaluate the attractiveness of a spokesperson and then evaluate the spokesperson’s relevance before correcting our biases. ‘When consumers are focused on the ad and they believe their thinking to be unduly influenced by something about the spokesperson (other than that spokesperson’s credible product claims), attractive spokespeople may be less persuasive than relatively unattractive spokespeople.’