It’s not too often that we can look enviously at the political state of a country buried deep in the European Union. Brussels is not just the capital of Belgium, but it is also the de facto capital of the EU, hosting the European Commission, the Council of the European Union, the European Council and one of the seats of the European Parliament.

So it is either fitting or ironic (I can’t figure out which) that Belgium has now been, for more than six months, without a government to call its own. As we quietly recover from the shrill hangover of the 2007 federal election, it’s worth considering how Australia could have been if no government had been successfully elected in November.

Since the 10th of June, Belgian politicians have been—at least as this edition of the IPA Review goes to press—unable to form a government coalition. This failure is the result of the adversarial relationship between French and Dutch speaking political classes, in particular, from the demand by Flemish nationalists for more autonomy over taxation and welfare policy in Flanders (a region that has traditionally favoured centre right parties; the francophone region of Wallonia appropriately prefers their politics to have a more socialistic flavour.) The former government remains in power, but only in a caretaker capacity, and the semi-former prime minister is set to step down once a replacement government is available.

Sure, not having a government has its disadvantages. The great economic reforms which have propelled Australia up the ranks of economic performance would not be possible from a government that couldn’t get out of caretaker mode. Similarly, the important reforms Australia needs—workplace changes which deliver deregulation rather than centralisation, the sale of remaining government enterprises, reform of communications and occupational safety regulation, corporate and financial services deregulation, and so on—all require a rather active government.

But on the positive side of the ledger, having no government also means having a government that can’t mess things up. Governments cannot extend their reach into the economy without a capacity to legislate.

Indeed, as Belgium is a central member of the EU, no government also means no government able to increase its international obligations. As the Flemish free-marketeer Paul Belian has written, the inability of the Belgian Parliament to approve European Commission directives means that ‘in its hour of ungovernability Belgium is now more sovereign than it has been in the past 50 years.’

This special edition of the IPA Review arrives in newsagencies and letterboxes at a significant moment for the cause of limited government and open society in Australia. At the dramatic end of a nominally liberal/conservative government, we have assembled the nation’s best liberal and conservative commentators to try to describe the legacy of the Howard government and the causes of its demise. But more importantly, this IPA Review engages with the question—what next for liberalism? Has the cause of liberty advanced or retreated over the last decade? What are the next steps?

This edition also contains the full complement of non-election related commentary. Sam Gregg engages with Christian leaders who would ignore or reject free market economics for a socialist Christianity, Paul Monk holds anti-nuclear campaigners up to the harsh light of logic, and Chris Murn tries to host a Christmas street party. Pieces by Alan Moran, as well as Sinclair Davidson, Alex Robson and Chris Textor, dig further behind the claims of price-fixing by Visy and Amcor and reveal that not every criminal has committed a crime.

Even without a functioning government, Belgian government services continue to be delivered. Rubbish is still collected, social security payments are provided—even, as Paul Belian points out, taxes continue to be collected. While the government is in caretaker mode, government activity cannot be reduced, but neither can it be extended.

As a result, the promises of more pork and populist extensions of middle class welfare which characterise Australian federal election campaigns may, indeed, obscure the fact that when the federal government is in caretaker mode for the election, that could be the best six weeks that government ever has. Cynics should hope for stalemate and inertia.
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John Howard got the big things right. At the domestic level, he understood the importance of responsible economic management. At the international level, he knew that September 11 was an attack not only against the United States—it was an attack against every country that upheld liberal democratic values. He was not afraid to defend those values.

Over the eleven years of his prime ministership what most infuriated his opponents was the fact that he knew what he believed in. Not only this—John Howard also knew that belief in something was possible. This is a possibility denied by the postmodern left—for them belief is impossible, and there’s nothing to believe in anyway.

John Howard’s belief that human rights had a universal application to everyone, everywhere, all of the time angered the left. For the left, human rights protection is delivered via a mandate from the United Nations. If only the left concerned itself with what was occurring in remote indigenous communities in central Australia as much as it worried about what was happening in New York.

The Coalition’s Northern Territory intervention was dramatic, sudden, and heavy-handed. The intervention was based on the premise that the life chances of a black child should be no different from the life chances of a white child. Howard viewed all of the discussion around ‘culture’ and ‘tradition’ for what it was in reality—an excuse for inaction.

We won’t know the outcome of the Iraq invasion for years, if not decades. Into the future Iraq will most likely define the way history treats John Howard, Tony Blair, and George W Bush. The political reasons why Australia supported the invasion were complex and varied. Howard’s personal reasons for the invasion came closest to those of Blair—although Howard never expressed them as eloquently as did Blair. For Howard and Blair if a people could be freed from totalitarian oppression they should be.

John Howard had a faith in the Australian people. He didn’t talk down to them, he didn’t preach to them, and he didn’t take them for granted. Certainly he had assumptions about the Australian people—and it’s true that some of those assumptions were grounded in his early life experiences. His affection for cricket was just a little bit fey—but he didn’t think less of anyone because they didn’t like cricket as much as he did. When Howard said that Australia was the best country in the world he meant it. When Menzies, Whitlam, and Keating finished in politics the first thing they did was head off overseas. It’s difficult to imagine that Howard will follow them.

In his concession speech on the evening of the federal election result John Howard spoke of Australia being a more confident nation than when he came into office. His analysis was correct. While it is doubtful whether government itself can make people more confident, it is true that the decisions of government can make people less confident. One of Howard’s achievements was to give people the chance to regain their own confidence. Individuals can only confront change with confidence if they and their families are economically secure.

This is John Howard’s legacy.
When it comes to the social sciences, many consider that economics wins the prize for having the most materialistic view of human beings. One should not be surprised, then, that some Christians regard the entire discipline of economics with a certain suspicion. At the same time, there are many Christian thinkers (or economists who also happen to be believing Christians) who are quite happy to make use of economic research methods without necessarily assuming that *homo economicus* constitutes the entirety of human beings’ potential and destiny.

While all but the most economistic of thinkers recognise that there are limits to what free market economics can tell us about human action, it is not unreasonable to expect serious Christians of all confessions interested in public policy to think through policy proposals from the ‘economic’ perspective. Contrary to popular mythology, orthodox Christianity has always valued and championed the power of human reason, seeing in it a reflection—albeit limited—of the divine Logos. From its origins in the writings of Aristotle, economics has always been concerned with thinking through the logic of a range of choices when it comes to the creation and distribution of material wealth.

Naturally, Christianity does not see economics as providing all the answers to human dilemmas. Life is, after all, much more than an exercise in maximising efficiency. But nor should Christians disdain the insights of economics into how flawed and limited human beings, capable of great good and also great evil, might act when faced with a range of incentives.

Reading through much contemporary Christian literature on economic policy, however, can be a depressing exercise, not least because it soon becomes apparent that many Christian leaders have very limited knowledge of basic economic insights. In some instances, this seemingly manifests itself in a certain pride about their ignorance of such matters, or a tendency simply to dismiss economic insights as irrelevant to the discussion. Such standpoints would seem odd to great medieval scholars such as St Albert Magnus and St Thomas Aquinas, who were among the first great Western thinkers to state that the sciences required autonomy if they were to function properly in their respective fields of research.

Then there is the widespread tendency—thankfully much, much weaker now than in the heady days of the 1960s, 1970s, and early 1980s—for some Christian leaders and thinkers to assume that socialism is the most accurate reflection of the type of political economy mandated by the Christian Gospel. In this regard, the defeat of communism and the collapse of liberation theology—the latter being very much the creation of middle-class intellectuals who studied in German universities in the 1960s rather than any ‘indigenous’ Latin American phenomenon—destroyed many romantic illusions among Christians.

Still, one has the sense that figures such as the current head of the Anglican Communion, Archbishop Rowan Williams of Canterbury (who once described himself as a ‘hairy lefty’ on economic matters), have never quite been able to bring themselves to admit the deep moral and economic problems with socialism, or to ac-
Most social justice activists from Christian churches routinely ignore or attempt to downplay the significance of Centesimus Annus.

knowledge the real moral and material benefits flowing from the spread of free markets around the world.

Not all Christian leaders are like this. There were plenty of Christians—Roman Catholic, Protestant, and Orthodox—who greeted John Paul II’s 1991 social encyclical *Centesimus Annus*, with a sigh of relief. Not only did this encyclical affirm basic traditional Christian teaching about the social and economic value of private property, limited government, profit, and free exchange, but it also spoke positively of entrepreneurship and market economies.

Moreover, *Centesimus Annus* also severely criticised the cultural effects of state welfarism upon the social order. Not surprisingly, most social justice activists from Christian churches routinely ignore or attempt to downplay the significance of *Centesimus Annus*.

There is a certain irony in some Christians’ ambivalence about the free market economy, insofar as most serious economic historians acknowledge that most of the foundations of what we today call capitalism were laid down by medieval and early modern Christian theologians. In his magisterial *History of Economic Analysis*, Joseph Schumpeter carefully describes the decisive impact made by scholastic thinkers ranging from St Thomas Aquinas to Cardinal Tommaso de Cajetan (more famous for his memorial confrontation with Martin Luther) in clarifying many of the concepts vital to the workings of market economies. These include the significance of subjective value in determining the worth of economic goods and services, and the notion that the just price is normally the market price.

These Christian scholastics also had much to say about the role played by the division of labour in facilitating economic efficiency (centuries before Adam Smith), provided the first detailed analysis and positive evaluation of the working of money-markets, helped to clarify the nature of money and banking, and also articulated a much more positive view of business and commerce than the rather negative attitude adopted toward such pursuits by ancient thinkers of antiquity such as Aristotle and Plato.

Another irony is that the people and events most associated with synthesising the various ideas that many regard as facilitating the development of modern capitalism—the Scottish Enlightenment—were never anti-Christian in nature or purpose. Indeed, many of the most important Scottish Enlightenment thinkers, such as William Robertson and Hugh Blair, were devout Christians and saw no necessary conflict between the development of commercially market-orientated societies and Christian belief and practice. Adam Smith was most likely a deist, but was not at all hostile to Christianity. The late-French Enlightenment, by contrast, was deeply anti-Christian and culminated in the French Revolution’s terrorist acts against Christian clergy and faithful lay followers.

This, in turn, raises the question of why a significant number of Christian leaders in the West today have such an animus against markets and free enterprise more generally. One reason, it has to be said, is ignorance. Leaving aside a lack of sometimes elementary knowledge of how business, commerce, and markets actually work, many Christian leaders today would greet the above observations about the Christian contribution to the development of modern capitalism with polite stares of incomprehension. They are also much more likely simply to accept the fiction of Charles Dickens as capturing the essence of nineteenth-century capitalism than the careful research of the Oxford-based Australian-born economic historian Max Hartwell, which demonstrates that the Industrial Revolution led to rapid increases in all criteria of material well-being, ranging from nutrition levels to life-spans.

A second reason is a more theological one—a reluctance (especially among self-identified ‘liberal Christians’) to accept the very basic Christian insight that human beings are not angels. People are human creatures marked by what the Catholic Church calls ‘original sin’—what Joseph Ratzinger, now Pope Benedict XVI, once called a type of radical disorder that is present in all human beings, and which means that people, no matter how much they strive to model themselves on Christ, will always be tempted by sin. In *Centesimus Annus*, John Paul II suggested that a consequence of this fact of human imperfection was the need for the social order to address the reality that in many times and circumstances people will pursue their self-interest.

By this, the late Pope did not mean that society should or could be reduced to the pursuit of self-interest. Rather, he meant that it could not be ignored and, as far as possible, its workings should be integrated into a society’s social, political, and economic arrangements. Again, many Christian leaders often refuse to pay sufficient heed to this very Christian—and Smithian—observation about the human condition.

A third reason is also theological—a failure to pay proper at-
must be said, of most Christian social justice activists—remains an eternal role for the Church, regardless of the economic system in which it is working. There are also plenty of moral snares awaiting people in free enterprise systems (as in any economic system). Thus far, secular approaches to such matters have proved rather inadequate at addressing these real problems, not least because they almost always degenerate into the promotion of politically correct causes through the invariably incoherent ‘socially responsible’ investment movement. It would, however, help if some Christian leaders acquired a better understanding of the free economy, if only because it would help them to minister to the vast majority of people who labour in this economy every day to create the wealth we all tend to take for granted. But as long as some Christian leaders fail—wilfully or otherwise—to understand this system, their capacity to engage the people working in its midst will be marginal.

It does, however, make clear that humans are owed a high degree of economic liberty as a right (John Paul II even refers to this as the ‘right of economic initiative’) because they are called to be co-creators with God. Certainly rights-language is overused today, and some Christians are especially guilty of this. Nonetheless, until there is greater appreciation among Christians of this insight about economic liberty as essential for human moral and material development, many of them will inevitably focus only on the distributional side of the equation, and forget that unless wealth is created, distribution becomes a matter of how we divide up a rapidly diminishing stock of resources.

It is not, of course, the case that the Christian faith and Church does not have any role to play in the conditions of a free market economy. The salvation of souls—a rather peripheral concern, it...
Nuclear power = Nuclear bombs
No prize
Should we spurn nuclear energy, despite the need for alternative energy sources that will enable us to cut greenhouse gas emissions? Ian Lowe, president of the Australian Conservation Foundation, argues that we should in the latest of Black Inc.’s Quarterly Essays, *Reaction Time: Climate Change and the Nuclear Option*. The nuclear option, he claims, would be a decisive step in the wrong direction and it is ‘very strange’ that it is being considered, especially as a solution to climate change, given that, by the end of the twentieth century, nuclear energy looked like ‘a dying industry’.

Actually, it isn’t that strange. The surge in world energy demand, driven chiefly by the extraordinary economic growth in China and India, has led to a sextupling of the spot price for uranium over the past four years. This has rekindled interest in both mining and exploration. The market has done its work. Furthermore, the use of uranium does cut greenhouse gas emissions, so recommending it for this reason is hardly strange.

Whether or not it is ‘strange’, Lowe objects to the use of uranium. His essay is a response to the appearance, in 2006, of two substantial government reports which made the case not only for expanded uranium mining but for a nuclear industry in Australia. Those two reports were *Australia’s Uranium: Greenhouse Friendly Fuel for an Energy Hungry World*, produced by the bipartisan House Standing Committee on Industry and Resources, chaired by Geoff Prosser; and *Uranium Mining, Processing and Nuclear Energy—Opportunities for Australia?*, produced for the Department of the Prime Minister and Cabinet by a task force chaired by Ziggy Switkowski.

His ‘rational’ opinion is that ‘promoting nuclear power as the solution to climate change is like advocating smoking as a cure for obesity’. Instead, he advocates the immediate embrace of renewable energy. Yet the authors of the two reports do not promote nuclear power as the solution to climate change, but as a useful part of it. They believe there is no possibility whatsoever of renewables providing the solution to both baseload power needs and greenhouse gas emissions for many years to come. They call for a combination of cleaner and more efficient use of fossil fuels, nuclear energy and renewables.

How are we to discriminate between these two sets of ‘rational’ arguments? Reading the two reports, one can’t help being impressed by the volume of evidence and opinion that they drew upon and their efforts to ponder the many issues raised by nuclear energy. Depending upon their predispositions, however, most people will either accept the reports as authoritative and dismiss Lowe, or accept Lowe’s critique without actually reading the reports. That, all too often, is how public debate goes.

Both the government reports and Lowe’s essay are rich in claims and data, but we need to see and assess the reasoning that connects their data to their conclusions. Both in the summaries of key points and in the conclusions to chapters, the reports present many findings and recommendations. What they do not do is make explicit how they derived these from their data. Nor do they acknowledge where they are most open to objections. Lowe, conversely, has offered us a passionate essay, but the argument he makes is discursive and must be pulled together if we are to evaluate it.
Uranium mining

The two reports argue that Australia should increase the mining and export of uranium on two basic grounds: it would be profitable and it would be globally responsible. Lowe disagrees with both claims. His case against the profitability of uranium mining and exports looks far weaker than his case against the claim that such mining and exports are globally responsible. But to be confident of any of this we would want to check out a number of patently contradictory factual claims by the two sides about the prospects for export earnings from uranium or how long the supply of conventional uranium resources will last.

The latter is especially troubling. Is it less than 50 years, as Lowe argues, 85 years, as the Switkowski report argues, or, as the House Standing Committee on Industry and Resources argues, 270 years? Even if it would last only 50 years, it might be worth exporting, but it would plainly only be part of an interim solution either to energy supply problems or greenhouse gas emission reductions. But of course how long it would last depends on the rate at which it is used and also how efficiently it is used. If you are following the debate, this is one indicator to watch: just in so far as one or another estimate is better justified, our opinion regarding the case as a whole ought to be proportionally affected. Neither Lowe nor either of the reports offers a compelling case for any of these widely differing estimates.

Lowe’s strongest suit appears to be his claim that the use of nuclear energy to try to reduce greenhouse gas emissions is too risky. There are several grounds for this claim—that there is no safe way to store high-level radioactive waste, that there could be catastrophic accidents with nuclear reactors and that uranium can end up in hostile hands as weapons—but the reports address each of them. The problem with his essay is that he is too eager to dismiss their answers to his questions. He thinks that they lack credibility, but he diminishes his own by simply trying to sweep objections to his opinion aside.

The two reports, for their part, amply acknowledge the importance of the ‘nuclear energy is too risky’ line of argument. A third of the House Report (chs 5, 6, 7 and 8) and fully half of the Switkowski Report (chs 5, 6, 7, 8 and 9) address risk and safety issues. The consensus of both panels is that those risks are far less dramatic than popular fear or critical opinion, including Lowe’s, suggests. They also urge a major public education campaign to address people’s fears. Instead of embracing this idea, Lowe asserts that it would merely consist of propaganda.

‘Propaganda’ or evidence? The Chernobyl deaths

What constitutes propaganda and what constitutes correction of error are not merely matters of arbitrary opinion, but of the best evidence. Take the case of the real or alleged risks to our safety from using nuclear energy. This is, perhaps, the biggest shibboleth in the debate. The risk of nuclear accidents is commonly believed to be far more alarming than
Ian Lowe’s passionate objection to the expansion of Australian uranium mining and exports is less soundly based than he believes.

accidents related to fossil fuels. Think: The China Syndrome, Three Mile Island and, especially, Chernobyl.

The House Report examined this concern in detail, drawing upon a wide range of expertise and interest group submissions. Its findings were that, when we look at the actual statistics of accidents, nuclear energy has a very much better safety record than fossil fuels. The mortality rates from mining accidents and the morbidity rates from fossil-fuel pollution are far worse than the deaths or disease that can be attributed to the peaceful use of nuclear energy. Why, therefore, do the public fear nuclear energy?

Chernobyl is part of the answer, but the evidence in this regard is remarkable. Ever since the reactor at Chernobyl exploded in April 1986, it has been widely regarded as a damning indictment of nuclear energy. The House Report offered a good deal of evidence that the Chernobyl incident should not weigh as heavily in the scales of our judgment as it tends to do. In particular, it found that the incident caused far fewer deaths than are commonly attributed to it.

The panel heard and recorded Helen Caldicott’s claims that the Chernobyl death toll included 5,000 to 10,000 clean-up workers alone, and will end up killing between 140,000 and 450,000 people through cancer. A major 2005 UN report, Chernobyl’s Legacy: Health, Environmental and Socio-Economic Impacts, however, in the most comprehensive evaluation of the Chernobyl accident’s consequences to date, concluded that there were only 47 deaths directly attributable to the Chernobyl incident between 1986 (28) and 2004 (a further 19 in 18 years) and that the radiation released by the explosion will end up causing fewer than 10,000 cancer deaths over a 50-year period from 1986.

This sounds like a lot of deaths, but it represents a tiny proportion of the background rate of cancer deaths and is spread over decades. Consider, by comparison, that between 10,000 and 15,000 coal miners die in mining accidents around the world annually. The overall contrast with Caldicott’s figures is stunning. What it underscores is the need to cross-examine the evidence on which we base our overall judgment in this matter and to see where that judgment is most sensitive to such cross-examination—regardless of our starting point.

If you are disposed, as Lowe is, to suspect the motives or integrity of the bipartisan House panel, you need, in this case, to challenge the integrity of the Chernobyl Forum, which produced the 2005 report. The Chernobyl Forum comprised eight international agencies and three national governments and drew upon the contributions of 100 recognised international experts. Does this make it definitive? Perhaps not, but it must carry considerable weight.

The advocacy of James Lovelock

On the broader issue of the riskiness of nuclear energy, there is the opinion of world famous ecological campaigner James Lovelock. He wrote in 2004:

I am a Green and I entreat my friends in the movement to drop their wrongheaded objection to nuclear energy. Even if they were right about its dangers, and they are not, its worldwide use as our main source of energy would pose an insignificant threat compared with the dangers of intolerable and lethal heat waves and sea levels rising to drown every coastal city in the world….civilization is in imminent danger and has to use nuclear—the one safe, available, energy source—now or suffer the pain soon to be inflicted by our outraged planet.

Never mind whether you believe the planet can be ‘outraged’. ‘Destabilised’ will do the work. Never mind, either, whether or not you accept Lovelock’s apocalyptic prognosis regarding the ‘imminent danger’ to civilisation. Here is a renowned environmental activist who believes that global warming is a dire reality and who, far from thinking that the use of nuclear energy is a ‘very strange’ response to this state of affairs, is urging his ‘friends in the movement’ to accept it. He goes so far as to assert that it is ‘the one safe, available energy source’, which, if true, would be seriously disconcerting, given the limited uses to which we can put it in the near future. But he does believe that it can and should be used.

Considerations such as these suggest that Lowe’s passionate objection to the expansion of Australian uranium mining and exports is less soundly based than he believes. Of course, this analysis is merely indicative, not exhaustive. It illustrates, nonetheless, how our reasoning can aid us in navigating around the complexities of a debate, instead of either being overwhelmed by them or waving them aside and making a judgment based on only a few salient considerations.
So, you have taken it upon yourself to throw a street party for your neighbours over the holidays. It wouldn’t be a bad idea—you would be doing your part to promote social interaction in your community.

But plan ahead. Navigating the bureaucratic hurdles that governments place in front of street parties takes a lot of work.

Here are some things that must be considered for such an event: council permits, public liability insurance, noise level infringements, traffic management plans, crowd control, food handling regulations, alcohol consumption, risk assessment, police checks, invitations, rubbish disposal, canvassing the street for road closure approval, obtaining road barriers and notification to police, ambulance and fire services.

You will be forced to spend a lot of time corresponding with your neighbours before any event takes place. Approval by at least 75 per cent of the street’s residents is required for the road closure. Then guests must be invited and attendance confirmed. Don’t forget to ask your fellow residents for a contribution to cover the costs of the party. You may even be required to deliver written safe food-handling instructions, so do not be surprised if your neighbours are ‘out’ when you come calling.

Not only will you be consuming your time preparing a street party, but your money as well. Most councils require the coordinator to hold a certificate of public liability insurance for at least $10,000,000 worth of cover. Add to this permit fees, equipment hire, food and drinks, and things are starting to become very costly. Last year, it would have cost a citizen in the City of Whitehorse (Victoria) over $1,000 to hold a street party before a single sausage was sizzled.

Street party organisers in the City of Rockdale (NSW) are required to pay a temporary road closure permit fee of $187 and an additional $29 per six metres of closed road. Furthermore, Rockdale requires applications three months in advance of the event. Certainly, some councils waive the application fee for community events or non-profit organisations, but most other councils demand an application or permit fee in excess of $100. (This often includes hire of street barriers.)

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The Moreland Street Party Kit cover features a drummer. Drumming would however exceed the 65 decibel limit for street parties in Moreland.

There are also road safety legislation and regulations to consider. NSW residents must comply with Part 8 of the RTA Guidelines for Traffic Facilities. Victorian residents must abide by the Road Safety Act 1986 which, if neglected, may result in a $6,607 fine.

If you are lucky enough to reside in Townsville, you may be eligible for up to $500 to meet the expense of food, drink and party equipment, courtesy of Mayor Tony Mooney. Although effective at reducing the cost of parties, it creates perverse incentives to overindulge. Furthermore, it does not reduce the bureaucracy of organising a street party.
Don’t think that you will have time to relax; you will be preoccupied with your duties as event co-ordinator. In the City of Stonnington (Victoria), event co-ordinators must follow a 25-page safety plan. The safety plan makes event co-ordinators safety wardens, responsible for abiding by the safety plan and controlling the safety organisation, which comprises the safety warden and any additional wardens.

As a safety warden in Stonnington, you will have to complete a complicated seven-step risk-assessment process in accordance with AS/NZS (Joint Australian/New Zealand) risk management standards. Fortunately, you will have five response guides to follow, ranging from vehicle accidents to electrical failures, and several prewritten emergency announcements to memorise.

If Stonnington’s safety plan is to be believed, you can expect to suffer anxiety, stress, injury, frustration, panic, aggravation, coupled with the possibility of catastrophic events including drunken, riotous and disruptive behaviour, fires, electrocution, food poisoning, illness, hearing loss and property damage.

You may be forgiven for now thinking a street party is not worth the effort. But don’t despair—the Victorian state government implemented a $500,000 programme last year to save the street party. Though not yet adopted by all councils, it involves a grant of $6,000 to each council to develop a street party kit. A street party kit typically includes a ‘how to’ publication, model traffic management plans, a council barbeque and two café-style umbrellas.

The central issue of the ‘Go For Your Life’ street party initiative is the relief of public liability insurance burdens on event co-ordinators. The pilot project in the City of Port Phillip (Victoria) did this by registering the event co-ordinators as volunteers in order to invoke a concession for non-profit ventures. Melbourne City Council avoids this problem simply by meeting the costs of public liability insurance for co-ordinators through the Carlton Police and Community Consultative Committee. In NSW, the City of Ryde amended its Casual Hirers Policy to allow residents to hire the street as they would a hall, reducing the cost of public liability insurance to $20 per event. Most other councils still require co-ordinators to obtain a certificate of public liability coverage at their own expense.

Though these street party kits go a long way towards informing event co-ordinators and streamlining the application process, they do little to remove the regulatory burdens that complicate the exercise. Event co-ordinators are being actively encouraged to throw street parties but, at the same time, must still comply with the absurd regulatory requirements.

In the City of Moreland (Victoria), street party co-ordinators are required to employ an independent acoustic engineer to monitor sound levels at the event if they expect them to exceed 65 decibels. To put this in perspective, a car exhaust must not exceed 90 decibels in Victoria, a lawnmower puts out around 90 decibels, a hairdryer 70 decibels, while laughter is 65 decibels. Therefore, to throw a street party in Moreland, you must either hire a sound engineer or ask your neighbours to refrain from laughing too loudly.

Forget about having a cake store or letting the kids run a lemonade stand; this will require temporary food trading and handling permits from your local council. Your children will have to be very bright to understand the plethora of requirements and guidelines, fill out all the permits and develop a pricing strategy that will allow them to recoup the permit fee. If you live in the City of Port Phillip, your children must sell 50 glasses of lemonade, at $1 a glass, to cover the cost of the permit alone. Further:

- In Victoria, in the Shire of Yarra Ranges, event co-ordinators must notify bus services of road closures and meet the costs of alternative routes;
- Port Phillip City Council requires that event co-ordinators undergo a police background check;
- In the City of Boroondara, street parties should not interfere with vehicular access to residents’ properties. This is particularly difficult given that barriers will be erected by the council when closing the street;
- Whitehorse City Council’s street party guide recommends that food not be prepared by a person with an infectious illness and prohibits the use of umbrellas on a windy day. Presumably Whitehorse citizens lack the common sense to take these precautions of their own accord;
- The City of Stonnington recommends that event co-ordinators wear fluoro jackets and carry area maps, almost certainly to prevent them from becoming lost on their own streets. Additionally, event co-ordinators are to carry sunscreen to ensure that guests are not burnt on a sunny day.
- In New South Wales, residents of the City of Canada Bay are prohibited from erecting permanent(!) barbeque structures on a council road.
- And in South Australia, in the City of Mitcham, environmental health officers may attend street parties to make sure your sausages aren’t pink in the middle.

So by all means go ahead and throw a street party—just don’t play any music, tell any jokes and don’t let the old lady down the street sell her cakes and cookies. Your local council wants you to have fun but only on their terms; they even go so far as to make condescending suggestions about how to have fun in their street party kits.

Community spirit is invaluable; however it is not something that can be manufactured. If the government would like to increase community participation and involvement, they should first remove the restrictions that inhibit citizens from interacting with each other.

While the use of a council barbeque and two café-style umbrellas won’t bring back the street party, the strongest message of the ‘Go For Your Life’ street party initiative is that citizens are still allowed to throw a street party in this age of mad bureaucracy.
What next?

Liberalism after the Howard government

Chris Berg: ‘When you change the government,’ argued John Howard in the last few days before the election, ‘you do change the direction of the country.’

Paul Keating’s clarion call proved to be just as ineffectual the second time round. That could perhaps be because it obviously isn’t true. Despite the high level of state economic and social intervention in Australia, the nation isn’t steered by Captain Government.

As Tim Wilson writes in this special section on liberalism after the Howard government, part of the problem that the Coalition faced in its final years was the unwillingness of the government to grapple with key demographic and social changes. Similarly, as Ken Phillips notes, in industrial relations the rise of independent contracting has been meteoric—to the extent that there are now far more self-employed people than there are members of a union—but the cause of this change was economic, not legislative.

Between 1996 and 2007 a lot of things happened, and very few of them were the consequence of Commonwealth legislation.

The ‘change the country’ line was doubly inappropriate because of the status quo strategy of the Rudd opposition. Federal Labor’s big ticket items may have been climate change and broadband, but fibre optic networks and carbon trading don’t win elections. Rather, it was Labor’s mantra of ‘economic conservatism’ that was specifically designed to repudiate Howard’s argument. To try to emphasise their credentials, Rudd and Gillard’s repeatedly affirmed the independence of the Reserve Bank—as if that was ever up for grabs.

The message was simple: vote for the ALP, and they won’t change the country. But if you vote for the Coalition, they will embark on another round of industrial relations reform, and the country certainly will change. The Howard government became alienated from its own record of conservative governance.

The 2007 election re-established the status quo brand in the minds of political strategists. It will likely go down as one of John Howard’s major legacies, and it is largely a positive legacy. With the government’s extraordinarily flattering economic record, it is no wonder that voters prefer more of the same.

Unfortunately, brand status quo has applied to areas which advocates of liberal philosophy—that is, the ideological combination of limited government and the open society—would prefer it did not. As Des Moore shows in his piece on the Howard government’s spending and taxing record, despite their professed sympathy with small government principles, the Coalition delivered no reduction in discretionary spending and its election promises foreshadowed no future reduction.

Along a wide range of public policy areas, the Howard government could have done more. Industrial relations reform was used as a federal power grab, rather than as a push towards common law contracts. Taxation reform drove yet another stake into the already terminal federal compact.

Other reforms were barely reforms at all—the

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2006 changes to media law did little to free up a stifled commercial media sector. It is hard to avoid concluding that the government’s approach to reform was about quantity, not quality. Economic reform packages may have started out well-intentioned, but when they emerged from the meat-grinder of parliament, they too often represented steps backward. This mixed record—the Howard government was extremely successful at managing the economy, but disappointing at reforming it—is reflected in this IPA Review issue by the conflicting, but not irreconcilable, accounts by Tom Switzer and Christian Kerr.

**Liberalism’s dilemma**

Nevertheless, elections are not won or lost on the size of government, weak media regulations, or eroding federalism. Elections are won on appeals to the status quo, issues such as immigration, or security fears. Federal seats are won on vacuous—and, as Richard Allsop points out, for federalists deeply concerning—issues such as graffiti, hoons and train lines. It isn’t just that voters are not interested in liberal policies. In many cases it has proven far easier to win votes with an illiberal platform.

Part of this gulf between the policy preferences of voters and liberal policy preferences has been explained well by Bryan Caplan in his 2007 book, *The Myth of the Rational Voter: Why Democracies Choose Bad Policies*. In it, Caplan nominate four biases held by the average voter that are not empirically justifiable. The ‘make-work bias’ is a tendency to equate economic growth with jobs, rather than productivity; the ‘anti-foreign’ bias ignores the importance of foreign trade; the ‘pessimistic bias’ overplays contemporary economic problems; and the ‘anti-market’ bias underestimates the benefits of market exchange.

Caplan’s four biases go most of the way to explaining the distance between liberal philosophy and Liberal Party policy. As a consequence, the Coalition’s loss of government illuminates sharply a debilitating problem that liberalism faces in 2007.

What role can liberal philosophy have if it can’t be successfully marketed to voters? Certainly, ideology cannot be the sole guide to policy. This is the classic dilemma for libertarians seeking public office. As one American libertarian noted, ‘There is no mass constituency for seven-year-old heroin dealers to be able to buy tanks with their profits from prostitution.’

Liberal political parties are unlikely to win future government on a platform of radical change, except in times of crisis. The four biases of the irrational voter mean that dramatic increases in immigration or a reduction in the minimum wage are hardly tickets to electoral success. In an era of status quo politics, it appears that ideology is, on net, an electoral negative rather than a positive.

But conversely, the final years of the Howard government demonstrated what can result when a political party has no philosophical base, lacks the fiscal restraint imposed by ideology, and simply purchases the votes it needs. Sooner or later, voters—or in the case of the 2007 election, the opposition—punish them for their directionless expedience.

Perhaps one reason why liberalism seems impossible to market to voters is because it hasn’t yet been tried. No major party has gone to an election—from opposition or from government—with a full programme of social liberalism and economic liberalism.

In her piece, Louise Staley starts to examine what an array of liberal social policies might look like. Importantly, she argues that ‘liberal’ in this context is not merely a synonym of ‘left’, but neither is it ‘conservative’. Instead, liberalism needs to develop its own approach if it is to break through the social policy impasse. But this is an area where modern liberal thought is conspicuously lacking, and filling that hole will need to be a part of any liberal revival.

There is the possibility, too, to develop an economically liberal message that may resonate with voters. The Howard government suffered from its abstract message—economic growth’ is far less concrete than fibre-to-the-node and the Kyoto Protocol. Voters may instead respond to campaigns targeting over-bureaucracy and regulation, particularly as they affect business and community life. The record levels of regulatory and legislative activity during the Howard government provide ample scope to do so. It is fair to say that such a campaign would be a direct repudiation of the Howard record.

Ronald Reagan campaigned along these lines, although it should be noted that Australia lacks the anti-statist political culture of the United States. But if the Rudd Labor government turns out to be anything like the governments of Tony Blair and Gordon Brown, this regulation is likely to increase exponentially—presenting possible policy targets such as privacy and bureaucratisation.

Nevertheless, again we reach a strategic bottleneck—campaigns against the Nanny State may swing voters towards liberal parties at the margins, but probably not deliver two dozen seats. Arguing that a consistently liberal message could win an election would be convenient, but doesn’t seem to be true.

In this IPA Review, we have assembled a range of approaches to this challenge. What is not under question however is the need for liberalism in Australia, and the challenges which liberals face—limited government and the open society remain ‘simple and obvious’ goals regardless of their electoral popularity.
What mattered to the world was the strategic clarity that John Howard’s ministry demonstrated on the critical issues facing Western civilisation.

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Donner, who remarked that if the electors voted to bring in sharia he’d be okay with that, or the Swedish politician who said that Swedes should be ‘nice to Muslims while we are in the majority so that when they are in the majority they will be nice to us’.

Underpinning those words is the realisation that most of the Western world is very demographically weakened. Immigration adds to the gaiety of the nation, improves the choice of restaurants and makes pasty-faced white folks feel very virtuous about their multiulti bona fides, but a dependence on immigration is always a structural weakness, and should be addressed as such. At a time of unparalleled prosperity and peace, the majority of developed nations have chosen, in effect, to give up on the future. Mr Howard’s ministry was one of the first governments to get this and, in contrast to the dismal Euro-fatalism above, to try to do something to reverse it. Peter Costello’s exhortation to Aussie couples—have one for mum, one for dad, and one for Australia—gets the stakes exactly right. The mid-twentieth-century entitlement state was built on a careless model that requires a constantly growing population to sustain it.

When I made this point in a speech in Australia, Malcolm Turnbull passed me a note in which he’d scribbled down various population models based on certain fertility-rate calculations. I confess I’ve always had a certain antipathy to Mr Turnbull because his republicanism seemed small-minded and unworthy, but in the years in which I’ve spoken on this subject to political figures on three continents, that’s the only occasion in which a key government figure already knew the numbers and understood their implications.

And that brings us to the government’s next great strand of strategic clarity. At his 2006 education summit, John Howard called for a ‘root and branch renewal of Australian history in our schools, with a restoration of narrative instead of what I labelled the “fragmented stew of themes and issues”’. As he explained at the Quadrant 50th anniversary celebration, ‘This is about ensuring children are actually taught their national inheritance’. The absence of a ‘narrative’ and an ‘inheritance’ is a big part of the reason why British born and bred subjects blow up the London Tube, why young Canadian Muslims with no memory of living in any other society plot to behead their own prime minister. You can’t assimilate immigrants and minorities unless you give them something to assimilate to. It’s one thing to teach children their history ‘warts and all’, quite another to obsess on the warts at the expense of all else. The West’s demographic weakness is merely the physical embodiment of a broader loss of civilisational confidence.

Australia should never have had a ‘Department of Immigration and Multicultural Affairs’, but, given that it did, Howard was right to rename it the Department of Immigration and Citizenship. Government should promote citizenship, not multiculturalism.

The Liberal government was all but unique in understanding the three great challenges of the age—Islamism, demography, civilisational will—that in other parts of the West are combining to form the perfect storm. Just as importantly, unlike so many second-tier powers, Australia did not put its faith in the chimera of insipid, obsolescent transnational talking shops in which attitudes substitute for policy.

I liked to call Alexander Downer my favourite Foreign Minister, which, in hindsight, was damning with the faintest of praise. After all, I’m not sure during his long tenure how many candidates there ever were for runner-up: Dominique de Villepin? Britain’s Robin Cook and Margaret Beckett? Canada’s Lloyd Axworthy and Bill Graham? Colin Powell I never expected much from, but few hitherto clearheaded types have shrunk in office as remorselessly as Condi Rice. I loved Downer for his gleeful mockery of transnationalism and its pointless committees stuffed with representatives of what he called ‘busted arse countries’. (I attempted to introduce the term ‘busted arse country’ to the State Department, but so far without success.) In more genteel mode, he put it like this: ‘Multilateralism is a synonym for an ineffective and unfocused policy involving internationalism of the lowest common denominator’. See Darfur, the Iranian nukes, the UN’s flop response to the tsunami, etc, etc. If it’s right to intervene in the Sudan, it’s not wrong because the Russian guy declines to stick his hand up at the relevant meeting.

The Howard years saw the emergence of a regional power that, from East Timor to the Solomon Islands, understood its responsibilities at a time when the Euro-Canadian poseurs shrank from theirs.

As a distant observer of Australian affairs, I had some small personal contact with Howard and co. over the years. Merry, feisty, blunt and fair, they were exactly what we need at this moment: happy warriors. I’m saddened that Australians feel differently. But if it’s too late to get the US Constitution amended in time for them to run for President this November, the savvier candidates ought to snap ‘em up as speechwriters.
Fighting the last war

The construction reforms—not WorkChoices—were the real industrial relations issues in the 2007 campaign.

Ken Phillips

For the last century, it has been assumed that conservative parties represent the bosses, and the Labor Party represents the workers. The political divide has reflected the assumed workplace divide.

But, as a matter of internal business realities, this worker–boss consciousness in Australia has been collapsing for more than two decades. The evidence is well accepted. Independent contracting is widespread. Workers are ‘aspirational’ and no longer firm-loyal. The progressive management mantra is that ‘everyone is a manager’.

Competition pushes businesses in this direction. Employers who view their workforce as ‘the enemy’ are failing; and the correlation between business profitability and effective human capital management is accepted as axiomatic.

For the last decade, John Howard has successfully captured the political mood that flowed from these momentous workplace changes. By contrast, Labor has been trapped by its past.

The 2007 federal election marks a point when Labor caught up and moved beyond the Coalition. The story of how this happened gives an insight about what we might see in the future.

When the Coalition unexpectedly won Senate control in the 2004 election, it was unprepared. It had not expected to be in a position to change the law as it wished. It chose to drive workplace reform as the big ticket item for the following three years.

There were several reasons for this. Howard saw an opportunity to politically ‘checkmate’ Labor by tearing apart the industrial relations institutions that underpinned union and Labor Party power. Further, Howard’s agenda had an economic angle—to create more jobs without increasing inflation by freeing-up labour markets. He also had a cultural agenda—to release latent entrepreneurship in the community.

But while it knew that it wanted to destroy union power by abolishing the Industrial Relations Commission, the Coalition had little if any concept about what would replace it. This failure was its political undoing.

Howard’s earlier reform priorities, such as the tax reform that brought in the GST, had, for the most part, been well conceptualised and implemented early in the electoral cycle—leaving time before the following election for adjustments and community acceptance. WorkChoices broke all these rules.

As a total package, the workplace reforms ultimately proved to be riddled with inconsistencies in terms of its themes, principles and design. The legislation itself was complex and produced major compliance issues for employers. This confused and quickly numbed the Coalition’s political capacity and strategy.

This contrasted sharply with Howard’s reforms to the construction sector.

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**Construction reform**

The construction industry reforms were designed under Tony Abbott’s ministerial leadership. They were already half in place at the end of 2004 and had received a good deal of public acceptance. Abbott had created an atmosphere for change through Royal Commission exposure of industry rorts. And construction unions had assisted by persistently displaying their thuggery and a complete lack of interest in the competitiveness of the industry.

Industrial relations laws in the construction sector had always involved the secret sanctioning of mafia-like behaviour by unions in collusion with selected construction firms. The system stopped a free market operating by restricting competition under the banner of a ‘level playing field.’ This came at a high financial cost and assisted criminals to operate. Police and business regulators kept their distance, believing that they were constrained by ‘industrial realities’.

The full construction industry reforms were implemented by late 2005. The guiding principles involved the application of the rule of law and ensuring that there was a functioning free market. The period 2005–07 saw dramatic industry change. Construction costs plummeted. Strikes disappeared. Company profits soared. Wages went up. Construction activity and the workforce expanded hugely.

The macroeconomic impact produced downward pressure on inflation and an expansion of wealth.

Construction companies—large and small—welcomed the reforms. Their futures became reform-dependent. Apart from NSW, State Labor governments privately welcomed the change. Construction unions are generally factional enemies of these governments and excessive construction costs damage State budgets. The reforms improved State budget infrastructure spending capacity.

The reforms also had a political impact inside the Labor Party which Howard didn’t seem to recognise. The reforms began a process of financially and industrially neutering the mad, construction-funded Labor left—something which the Labor Centre and Right factions and unaligned individuals could never achieve. This helped open the factional door for an unaligned Kevin Rudd.

When Rudd took the ALP leadership in late 2006, he initially followed the established public Labor position of opposition to the construction reforms. But on this, he and his deputy Julia Gillard changed their position fairly rapidly.

For many years, construction union funding of the ALP has been overwhelmed by that from the corporate sector. Consequently, construction union influence inside the ALP has long been counter-balanced by construction company influence.

Around mid-2007, Rudd responded to representations from construction companies and agreed to retain the reforms and only modify aspects of them after 2010. Rudd bought political time by neutralising potential construction industry campaigning against him. The industry campaigned instead to support the reforms but did not attack Rudd.

This was the clearest, but not the first, indicator that Labor was changing under Rudd and with a speed and substance that is and was historic. Union influence is being restricted.

The Coalition reacted badly. By mid-2007 it was already in political panic. Instead of declaring that the shift under Rudd was a Howard reform victory, the Coalition looked for excuses to say that the change was not genuine. The government ignored the change inside the ALP and walked away from claiming a new high moral ground based on its free market-induced success.

Rejecting the morality of free markets was also Howard’s downfall with WorkChoices. But this time, the failures of WorkChoices stand in stark contrast to the highly successful construction industry reforms.

**WorkChoices**

WorkChoices was portrayed by the union movement as a conspiracy between bosses and the government. Instead, WorkChoices came from a totally different conceptual direction that was not apparent until it was well implemented.

John Howard has always maintained that the Liberal Party is not purely liberal but a complex blend of liberalism and conservatism. WorkChoices came from a particular aspect of the Australian conservative tradition which views unions and bosses as potentially equal oppressive exploiters of workers. WorkChoices removed union legal authority over workers, but rather than delivering power to bosses, it transferred power to government.

Under WorkChoices, managers must comply with highly complex, detailed and often confusing ministerial regulations, subject to change at ministerial whim. WorkChoices in fact caused enormous business frustration and behind-the-scenes lobbying, which the Minister frequently ignored. WorkChoices is not an application of free-market principles but of traditional Big Brother micro-interference in business.

What damaged the government most, however, was that WorkChoices dropped a primary pillar of the rule of law.

The 2005 WorkChoices Australian Workplace Agreements model dropped the requirement for the ‘no disadvantage’ test which had applied for years. This test had meant that no worker being employed could be offered an AWA on worse conditions than they currently had. With the test gone, workers could be and were given new work arrangements with the same employer on lower pay.

It was a fundamental breach of core contract principles which defied basic rule of law concepts. If a person has an existing contract, that contract cannot be altered without clear agreement. The union movement pounced with brilliant anti-government marketing campaigns using real cases of workers receiving less pay against their wishes. Under commercial law, many of the unions’ examples would have failed an uncon-
The immediate future of a Kevin Rudd Labor Party is vastly different from the class-obsessed ALP of the past, although there are still some historical tensions.

Scionable conduct test. The government reversed this policy in 2007, reintroducing the ‘fairness test’, but only after the political damage had solidified.

The design of WorkChoices reflected a confusion of competing and inconsistent agendas within the total workplace reform package. The construction reforms applied free-market and rule-of-law principles and proved hugely successful. WorkChoices was an arrogant expression of belief in Big Brother government and a denial of the rule of law.

The government’s confusion over reform was reflected in its incapacity to sell the reform package. Few, if any, government ministers or backbenchers could explain the reforms. Supportive advertising fell flat and became counterproductive because no clear message came through.

The Australian Council of Trade Unions undertook an unprecedented lengthy campaign which delivered clear ‘rule of law’ messages that unsettled the government’s political orientation and confidence. The government’s inconsistencies created and sustained the ACTU’s campaigning opportunities.

Kevin Rudd fed off this opportunity. As with the construction industry reforms, he adopted elements of WorkChoices that muted business opposition to him. Further, he adopted those parts of WorkChoices that would deny unions the same industrial power they once had. This limits a resurgence of left-wing factional power in Labor that would otherwise undermine Rudd’s position.

The outcome is that industrial relations policy—once thought to be at the heart of Labor principles—has been dumped. Rudd initiated historic cultural, structural and policy change within Labor, thus supporting his own standing.

Throughout 2007 the Coalition refused to believe that this was occurring. It adopted obsessive denial, determined to fight the ghost of an old ALP rather than confront the ALP that Rudd had made it become.

Industrial Relations and the future of the major parties

Over the last two decades, a significant political agreement has developed around the wealth-creating superiority of free market systems. It’s been a struggle, but there is a strong consensus which supports the elimination of trade barriers, open financial markets, the private sector delivering government services, choice in schooling and so on. Objectors to this consensus remain, but they exist on the political fringe.

The area meeting greatest political resistance has been workplace relations. Workplace reform is about allowing free market principles to operate inside firms. This changes relationships, cultures, motivations, creativity and outcomes. The last three years has triggered a major collapse in that political resistance.

The immediate future of a Kevin Rudd Labor Party is vastly different from the class-obsessed ALP of the past, although there are still some historical tensions.

The new federal model is the model that the ALP governments of South Australia, Tasmania, Queensland and Victoria have adopted. Those governments have close personal and institutional affiliations with business, and conduct behind-the-scenes struggles with unions and (still kicking) left-wing factional power plays. They have substantially adopted free market principles, often displaying a sharper intellectual grasp of the issues than their dysfunctional Liberal oppositions.

Rudd’s risk is political infection from New South Wales. There, the ALP government is of the traditional deal-making unionist form, where the free market is systemically corrupted for the purposes of factional power plays.

Rudd’s earliest test in this regard is likely to be implementing his promise to harmonise workers’ compensation and occupational health and safety laws. The factional differences between New South Wales and the other States on these items is stark. For most national employers, a consistent, single OHS and workers’ compensation scheme offers one of the most important productivity opportunities available.

On workplace issues, the Liberal Party is a mess. It is confused about its objectives, sometimes free-market, often authoritarian, still believing that it can benevolently micro-manage people’s behaviour. It wants a union-controlled ALP and fantasises that the ALP is unchanged. It is determined to assess its opposition falsely for fear that a correct analysis will force change within itself.

But above the party political issues, it may be that Australia has edged closer to a consensus. That is, that at work, individual and collective systems should coexist and even compete to provide better outcomes for everyone involved. Class consciousness at work is rapidly dying in Australia and its parallel political death would be a welcome event.

IPA
Awkward problems in social policy

Women and welfare after Howard

Louise Staley

Utopias are easy to imagine.

Far more difficult is the task of imagining what a new liberalism movement would look like if some attention needs to be paid to electability. In the case of social policy (policies about human welfare and behaviour), arguments about electability are often overshadowed by emphatic moral claims.

Social policy has been a major challenge for liberals and the Liberal Party since the late 1960s, when the huge social changes we still see unfolding started to gain some momentum. Indeed, social change is something with which liberal and conservative parties have always struggled—particularly as the causes of that social change are largely outside the political process. One example of this is the substantial change in attitudes towards same-sex relationships over the past eleven-and-a-half years. In 1996, the removal of discrimination against same-sex couples was not even contemplated by either major party and, had Australians been asked about it, they too would have been opposed. Yet the Australian people moved on, society changed, sometimes leaving the Liberal Party the ones out of step. Identical arguments over the role of women continue to beset the Liberal Party, even though the country has also moved on.

Part of the challenge for the Liberal Party has been the influence of conservatism on its organisation, but the rise of the conservatives within the Party does not fully explain the difficulties that it experiences in dealing with social issues. With the notable exception of welfare policy, there has been a failure to engage with the complexity of most social policy issues. Advocates of liberalism have failed to develop in social policy the philosophically informed, but evidence-based, ideas seen in education, public management and many other areas.

Social policy is a wide field, encompassing discrimination, childcare, same-sex legal equality, maternity leave, affirmative action, poverty, welfare—as well as the highly controversial and polarising issues of drugs, abortion, euthanasia and stem cell research. Nevertheless, we can examine two areas of social policy—welfare and public policy concerning women—to illustrate the awkward complexities that social policy presents for liberalism.

Welfare

With the introduction by the Keating government of ‘Working Nation’, the political culture in Australia changed from a consensus that unemployment benefits are there to look after those whom society has failed, to a division into those who believe that welfare is a stepping stone back into societal participation (Labor’s rhetoric) and those who believe that welfare is a barrier to social participation (Coalition rhetoric).

In either case, the result has been a change from the situation that prevailed until the 1980s (where all unemployed people were entitled to government support), to one where only those actively trying to obtain work could receive benefits. Research shows strong support for ‘Work for the Dole’ across all educational levels. Significantly, support for ‘Work for the Dole’ programmes is higher in people who have been vocationally trained than all other groups. These tradespeople are the so-called ‘Howard Battlers’, who, through their own efforts, have achieved a decent income and lifestyle—and think that others should make a similar effort.

In a strong economy, and with unemployment at record lows, it is the ideal time to capitalise on this feeling in the community that anyone who wants a job can get one. To do so, it is important...
that future movements articulate the case for further reform towards personal income responsibility for those of working age. For example, the contemporary trend to move middle-aged dole-recipients onto disability payments needs to be rejected as a major problem, not just for the welfare system but for the individuals themselves.

Welfare payments to single mothers present particular ideological challenges for both conservatives and liberals. For conservatives, there is the problem of balancing their moral objection to ex-nuptial births against their desire to see women stay at home and look after their children. Conservatives appear not to recognise any contradiction between forcing sole parents to work and advocating tax breaks or welfare payments for married women who stay at home. On the other hand, liberals have to reconcile their support for individual choices about family structure with the evidence of diminished opportunities for children of sole-parent families.

Under the Howard government, tentative steps were made to limit sole-parent benefits and these reforms were driven by the same concerns as those surrounding unemployment benefits—welfare dependency is bad for the recipient, and especially children.

This has been represented by critics of the Howard government as a move towards ‘Americanisation’ of welfare, but the differences between the US’s approach to welfare and the Australian approach are instructive.

In the United States, conservatives are much more likely to make explicit moral judgements about desirable and undesirable behaviour than Australian conservatives. For example, former Republican Speaker in the US House of Representatives Newt Gingrich advocates shame as a control mechanism: ‘Our culture should be sending over and over the message that young people should abstain from sexual intercourse until marriage’. Similarly, Charles Murray, the US author, advocates removal of all welfare payments to single parents because he believes that ‘illegitimacy is the single most important social problem of our time’. That sort of language is not part of the Australian debate.

In Australia, recent changes to sole-parent welfare have been limited to requiring the recipient to attend an annual interview until the youngest child is twelve and then facing a limited activity test. This stands in marked contrast to welfare reforms in the US, where sole-parent benefits are limited to a maximum of two years in any one spell and to a total of five years overall. The significant difference in the magnitude of welfare restrictions is primarily a result of the different motivations of reform. In the US, the demonisation of welfare mothers as morally bad and in some way inherently different from other mothers was a precursor to radical reform. By contrast, Australian reform was based much more on evidence of poorer outcomes for children from single-parent households.

One reason for Australia’s reform being so muted is that, unlike the US and UK, most single-parent households are headed by divorced women rather than young single women. Removing or severely restricting benefits in Australia is likely to be deeply electorally unpopular, as most women would know someone divorced with young children who relied on welfare for a while.
Liberals have to reconcile their support for individual choices about family structure with diminished opportunities for children of sole-parent families.

However, another current policy setting appears to be encouraging teenage and single women into childbearing—namely, the baby bonus. As there is substantial evidence that children born into single-parent households suffer a large number of disadvantages, there can be no good argument for this policy and it needs to be scrapped.

**Women’s policies**

Liberalism has a problem with women. As a philosophy, liberalism approaches people as individuals and is leery of any policies, but especially those with government money attached, that seek to advantage people because of their membership of a group.

As a result, liberalism tends to oppose affirmative action programmes, government largesse for maternity leave, childcare and parenting. Conservatives tend to be supportive of policies that help women as mothers, but much less so of policies that help women in any other role. Conservatives and liberals agree on their opposition to affirmative action in any form and neither group is likely to push for government funding of childcare either—conservatives because it helps women work and liberals because it is yet another government programme targeted at special interests.

In Australia, the Liberal Party has been at the forefront of many of the policies that deliver financial support to parents, but has lagged in addressing the continuing discrimination which sees women earn less than men for the same job, and an obvious under-representation of women in parliament, the judiciary, the armed forces and senior ranks of the public service. Any attempt to raise this structural problem that is not only restricting the choices of individual women but also disadvantaging Australia by not best utilising the available talent, is howled down in the Liberal Party as feminism. Unfortunately for the Liberal Party, over 50 per cent of mothers are in paid employment and they expect to have their needs as workers addressed—and not merely as mothers who earn a bit on the side to supplement the family’s income.

A common cornerstone of both liberalism and feminism is an insistence that all citizens have equal rights at law: liberalism’s emphasis on individual rights and equality of opportunity is the same as feminism’s emphasis on the equal rights of women and men. A political movement truly based on liberalism will therefore pay attention to equality of opportunity both within a political party and the wider community. A starting step is to recognise that equality of opportunity is meaningless if there is no indication of it in outcomes. This is not the same as advocating equality of outcome, or affirmative action. Instead, it is recognition that there is a lack of opportunity for women in a system that delivers only 15 per cent of their parliamentary representation as women.

Instead of railing against quota-based affirmative action programmes, liberals would do better by working out other ways to increase the representation of women to better match the population—after all, it is absurd to argue that out of 226 Federal parliamentarians Australia cannot find 113 women of at least equal merit to the men currently occupying the green and red leather benches.

Paid maternity leave is largely the preserve of government departments and some big businesses. Very few small and medium-sized enterprises offer their employees this payment and the fact that so few have seen a benefit from paying women for even part of the leave taken when they have a baby is unsurprising. Despite the media image of a few high-flying women, most women are still employed in low-paid and low-skilled jobs, and paid maternity leave is rare in the occupations in which women congregate, such as retail, hospitality and tourism. For most employers, including some very large ones, there is only financial cost with no benefit in paying maternity leave. To introduce mandatory employer-paid maternity leave is therefore to limit rather than expand the employment opportunities for women, especially unskilled women, as it makes them more expensive to employ than men.

The question still remains whether government-paid maternity leave is a worthwhile public policy objective consistent with liberalism. Some may argue that the baby bonus is a sort of maternity leave payment and, at $5,000, is getting quite close to providing the equivalent of three months’ wages to a low-paid worker. But the baby bonus is not dependent on previous employment (increasing its attractiveness for those not keen on work), and is not targeted to those in need (the high-flyers getting company paid maternity leave get it too), making it such a deeply flawed programme that it is not worth reforming. But whether another programme, better targeted and structured, for paid maternity leave is desirable still remains difficult to support because the current existence of paid maternity leave by some private-sector organisations shows that some organisations think there is a business case for providing paid maternity leave—that is, retaining their female employees is worth it. It may be a harsh reality that only highly skilled and highly paid women get paid maternity leave, but it is not consistent with

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liberalism to intervene where there is no obvious failure by the private sector in the provision of jobs with paid maternity leave attached.

In recent years, enormous sums of government money have been targeted at families with children instead of across-the-board tax cuts. Conservatives are very fond of these types of payments and justify the expenditure in terms of increasing the birth-rate, helping families and promoting the stabilising impact on society with which families are credited. The grant of privilege to one group over another is generally opposed by liberalism, preferring to treat everyone equally and so, classically, liberals would oppose such programmes. However, apart from the historical entrenching of such programmes to such an extent that their removal, or even restriction, is likely to be electorally suicidal, it is intellectually lazy to single out payments to parents as deserving of abolition merely because not everyone has children or because it is yet another government expenditure. Instead, some long and hard thinking, perhaps centred around providing equality of opportunity for children, must result in new policy directions that are neither conservative nor merely the continuation of the status quo.

Towards a liberal social policy

What social policy will look like if more informed by liberalism than conservatism remains an unanswered question. The hard thinking and argument is still to be had.

Those of us who claim liberalism as our guiding star do so to reach the twin destinations of equality of opportunity and individual rights. Social policy has more to say about both those goals than perhaps any other policy area.

In recent times, liberalism’s emphasis has been on attempting to reduce the scope of government, even as conservatives and the left find ever more ingenious ways to expand its reach. In social policy, nobody yet has come up with another way of ‘doing’ liberalism and we have to figure it out. This in no way means adopting the far left’s approach—mandating equality of outcomes, or establishing entitlements based on group membership. For any political organisation to be worthy of the name ‘liberal’, however, there must be a central place for social policy informed by liberalism rather than conservatism. Social policy will be a central battleground for public policy—liberals will need to innovate to compete.

The Liberal Party’s loss at the Federal election provides an opportunity for Australian liberalism to evolve. This does not mean, as many will likely argue, that liberalism has to ‘go soft’. Liberals will not do themselves any good simply by abandoning the push for reforms such as smaller government, lower taxes and workplace flexibility.

Regardless, reform needs to be addressed within the restraints of contemporary Australian attitudes. As always, sound policy should be developed from a philosophical foundation. The real challenge for liberals is to both guide and align Australian attitudes with an evolving liberal philosophy.

And this needs to be done whether the Howard government, at least in their final terms, failed. That there was failure can best be demonstrated by the divergent attitudes behind generational voting. And the evidence is in the poll numbers. Amongst voters under thirty years of age Howard struggled to find a message that resonated.

The current generation of young adults are the largest generation entering the workforce since the baby boomers. If liberals want to have a future with a generation whose values will become predominant, they need to understand their values and let liberalism evolve to its next step.

The irony is that younger people are probably the most naturally truly liberal generation in Australian history.

Defining generations and their attitudes is the sport of social researchers. And, for every rule, there is an exception. But the individuals that were born after the 1970s, who are either referred to as the latter part of Generation X or as Generation Y, do have common traits.

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Young Australians have come to their values through an organic evolution which has resulted from living in a dynamic capitalist society, rather than through traditional philosophical development.

In the past few years, there have been two books that have attempted to look at the attitudes of an emerging Australian generation. In 2006, Rodd Honeywill and Verity Byth released their book, *Neo Power*, following research into the attitudes of half a million Australians. One of the findings of their research was to identify two distinct groups that are now emerging in Australian society: the ‘traditionals’ and the ‘New Economic Order’ or ‘NEOs’. In making their broad-brush generalisations, Honeywill and Byth don’t break the two groups into age categories, but rather recognise their difference through attitudes to society. But they do recognise that there is a much higher concentration of NEOs within Generation Y.

Honeywill and Byth identify NEOs as consumers and workers who are ‘socially progressive, economically conservative, and hungry for rich information and memorable experiences’. Conversely, traditionals are ‘aroused only by basic needs and the demand for rudimentary satisfaction … and are rooted in social, industrial, and technological conservatism’.

Ignoring the left-wing partisanship of his polemic, Ryan Heath, now advisor to Peter Garrett, published his frustration as a self-anointed representative of young Australia in *Please just F* off: it’s our turn now*. He describes Australia’s emerging generation as global, responsible, pro-capitalist, supportive of a market economy and a market society, individualistic, not selfish and post-PC, amongst many other tags.

There are clear common traits amongst Australia’s younger generation—they believe in the principles of a free market and a free society with individual responsibility central to their way of life. In short, they are archetypal libertarians.

Since the start of the First World War, libertarianism has sat outside the political mainstream as a radical ideology opposed to the growth of the state. Yet young Australians have come to their values through an organic evolution which has resulted from living in a dynamic capitalist society, rather than through the traditional philosophical development where individual freedom was prized in comparison to the alternative variant forms of statism.

Equally, they are not interested in government intervention in their or their peer’s lives. As a result of their empowerment through prolific communications, they believe in individual responsibility. They are also pro-capitalist having being raised in a free market system that that has evidently delivered material fortune for themselves and others.

In fact, the free market has become a central concept for the younger generation in the way it views the world. The status quo is now enterprise and it even penetrates the way that young people expect government to address problems. For an avowed leftie, Heath demonstrates the strong attraction that the younger generation has to capitalism. Heath argues that the only new expectation of Australia’s younger generation is that it expects more from capitalism … to work less corruptly, more ethically and to deliver more choices to us than anyone else has been able to so far … [and that his] generation can re-inject the value of trust back into capitalism.

Through both immediate and secondary exposure, the next generation are naturally socially liberal. In the immediate context, they have grown up in a dynamic multicultural society. Equally, young people have travelled extensively and appreciate and respect cultural diversity. The outcome has been that young people tend to look at cultural similarities rather than differences. Drawing attention to a quotation from his peers, Heath points out that the younger generation of Australians simply ‘accept[s] 1700 types of normal’.

Research has also shown that civic virtue is back in vogue, though it is taking on a more individual focus. The Centre for Social Change at Queensland University of Technology analysed the role of civic activism between the Civic Generation (born in the early years of the twentieth century) and the attitudes and practices of Generation X. The main difference is that the Civic Generation tended to become involved through institutions, whereas younger Australians take a more individual approach. Honeywill and Byth
argue similarly that NEOs are so empowered that, when they see a problem, they literally seek to solve it themselves, not turning to established institutions as a means to a solution.

Given these natural inclinations of Australia’s younger generation, it is noteworthy that the Liberal Party still failed to capture their vote. Poll after poll demonstrated that they were a demographic that swung strongly behind Rudd and Labor. The history of the Labor Party has been essentially one of economic irresponsibility together with a flux of social progressivism dependent on the attitudes of the day. Yet, the common philosophical bonds amongst younger generations do not naturally sit with Labor.

There is a serious gulf between the Liberal Party and younger Australians. Liberal philosophy, but not Liberal Party policy, is more naturally attuned to the attitudes of younger Australians.

The problem here is that the values of younger generations are closely aligned to libertarianism, but they do not identify themselves as libertarian. As a result, young people tend to believe that their positions are simply logical, rather than elements of a connected philosophy or ideology, or that they are represented by a political party.

Future liberals need to embrace these changes in attitudes. This means a greater focus on a well-rounded liberalism that embraces and respects diversity in social policy, supports free markets and market-based mechanisms in dealing with the challenges that government ought to address, and harnessing the potential of individuals, rather than government, to effect change in society.

In a climate of economic stability and a consensus on economics, the Labor Party, and to a lesser extent the Greens, will remain the logical parties of younger non-self-identifying libertarians who want social liberty and who view individual activism as the pathway to the future.

But if the liberals and the Liberal Party embrace these changes, the future of liberalism in Australia is bright.
The other day, I received a call from an aspiring opinion page contributor and former Australian diplomat who declared, in a voice that oozed a certain sort of metropolitan smugness: ‘Now that everything’s changed, I’ll be writing more often for *The Australian’s* opinion pages’ (which, during my editorship in recent years, have tilted in a conservative direction).

To which I replied: ‘Everything’s changed? Goodness, what’s happened?’

Imagine my surprise when he responded, first, by saying ‘Haven’t you noticed? We have a new government!’—as if to suggest that the newsrooms all across the country would now conform to new editorial instructions from the Canberra politburo—and then by insisting that his article for me would highlight how ‘the rest of the world is celebrating the end of the Howard era’.

Surely, I asked, in many parts of the world for long periods of time, isn’t good peripheral vision required to be aware of the Australian political scene? And isn’t, moreover, the global commentary of our election outcome virtually confined to disgruntled ex-pats and locals such as novelist Richard Flanagan who, writing in *The Guardian* on 26 November, argued that ‘a decade of John Howard has left a country of timidity, fear and shame? We then wished each other good day, and hung up grumpily, one set all.

The point here is not to make fun of the sophisticates who are dancing on John Howard’s political grave, but to suggest that Australia will remain, for the most part, a pretty conservative place in the post-Howard era. And that those who take it upon themselves to represent the country’s conscience will probably still spend much of their time agonising over what left-wing British newspapers think about us, and convincing themselves that we are an international pariah.

Indeed, all one needs to know about the new political landscape is that the new government thought that the one it replaced on 24 November was pretty good. How else to explain that Kevin Rudd went out of his way to echo, not repudiate, John Howard’s agenda during the past year? And not just ‘economic conservatism’ either. On a wide range of issues—from border protection and the federal intervention in remote indigenous communities to welfare reform and a national schools curriculum—Rudd usurped, not contested Howard’s position. True, Labor now dominates all State and Federal governments and no doubt there will be some adjustments to Howard government policies on Kyoto ratification and perhaps an apology to indigenous people. But the centre of political and cultural gravity is nonetheless well to the right of where it was a decade ago.

Whereas once conservative ideas were swept aside as being outside the boundaries of serious (and morally respectable) consideration, today they represent the political and cultural mainstream. On the great battlefields of history, economics, citizenship, reconciliation, national sovereignty and values generally, conservative ideas and those of classical liberalism increasingly prevail. Newspapers, once the beacons of political correctness, have become livelier platforms for debate and dissent.

None of this is to deny that the left still controls the arts, universities and the public broadcaster. But far from losing the hearts and minds of the Australian people, conservatives redefined the nation’s cultural terrain. Howard’s own contribution to this shift, moreover, has been profound. Consider some of his many achievements:

He was a long-standing supporter of the economic reform agenda, which transformed Australia from a heavily protected and subsidised closed shop into a high-growth, less-inflation prone, market-oriented powerhouse that is the envy of the industrialised world. He attacked the intellectual left’s monopoly of public morals and validated the values of the mortgage belt.

A consensus thus developed that those who want to become Australians should sign up to the nation’s fundamental values—be they sexual equality, religious and other freedoms, or respect for other cultures. Add in a basic knowledge of English and an appreciation of the traditional narrative

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Howard forgot to govern for individuals

Christian Kerr

Margaret Thatcher has been vilified time and time again for her comment ‘There is no such thing as society’, yet it is a statement of the obvious.

There is no one great mass in politics. There are competing interest groups with which individuals identify themselves—but individuals are the building blocks. John Howard forgot this. That is why he is no longer prime minister.

Jargon-obsessed academics have called the Howard government ‘neo-liberal’. This, however, is nonsense. John Howard made no secret of his social conservatism. Under the Coalition government, social conservatism tended to translate into populism.

Populists don’t like individuals. They like cohorts. John Howard didn’t do enough to offer individuals greater freedom. He didn’t sufficiently trust Australians with their own money. Taxpayers’ money was given as bribes to key demographics.

If John Howard had given Australians liberty—the freedom to do what we want with the money we earn—the Coalition could have legitimately claimed that Labor technocrats posed a threat. But what the public saw from the Coalition after eleven years was handout after handout that stretched voters credulity and destroyed the government’s reputation in the process.

Howard forgot about individuals, then compounded his error in the campaign. The slogan ‘Go for growth’ was conspicuously related only to the economy. All year, the government was unable to relate its message to individuals and their personal circumstances.

John Howard lost the 2007 federal election because he is a social conservative and populist, not a liberal.

The victors write history, particularly the quickie

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The Liberal Party has always stood for the individual against the state yet the Howard government attempted to stay in power thanks to the gifts of government.

histories that appear in the aftermath of election campaigns. Former Labor Senator Stephen Looseley’s assessment—that Kevin Rudd’s decision at his campaign launch to stop matching Howard’s spending promises marked the turning point of the campaign—now reads as writ.

But the truth is that Howard stopped getting through to voters long before. It should have been obvious when only the barest ‘budget bounce’ appeared in May.

‘Mr Howard has developed a devastating politics of the surplus, which he has used to great advantage to deliver targeted spending and tax cuts at successive elections’, The Australian editorialised just days before the poll. The politics were devastating, but lazy. Howard simply let the billions roll in from the GST and the mining boom and used them to buy off voters.

This worked well enough from 2001 but, as The Australian also observed, ‘The limits of this tactic have become apparent in the course of the campaign as key voters in marginal electorates have started to take both the tax cuts and the handouts for granted.’

The limits of the tactic should have been clear to the government in June, in the aftermath of the federal budget. On 8 May, Howard gave away more than $31 billion in tax cuts. The polls barely moved.

On the first full day of the election campaign he tried the tactic again, announcing a further $34 billion in tax cuts. Again, the polls did not respond.

In his campaign launch speech on 12 November, Howard promised a further $9.5 billion in targeted spending. By this stage, his election promises added up to $65 billion. All that money made not a jot of difference.

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Again, The Australian’s leader-writers captured the issue. ‘The contradiction in Howard’s prime ministership has become too obvious’, they wrote. ‘Howard delivers opportunity through a big spending conservatism and publicly funded tax breaks rather than via genuine liberalism.’

That contradiction might have been too subtle for average voters, but they had noticed another inconsistency in Howard’s message. The Reserve Bank raised interest rates at its Board meeting on 6 November, the week before Howard’s launch. Hours before his campaign launch it issued a warning against further government spending.

The interest rate rise had already damaged Howard’s economic credentials. Now, he appeared to be ignoring the Reserve Bank’s advice. For months the government had been accus-
We have reached a point of paradox in Australian politics.

On the one hand the history of the twentieth century and of the first part of the twenty-first century has witnessed the triumph of the ideas of liberalism. This is so not just in Australia but ever more so around the world.

The eleven-year period of increasing prosperity under the Liberal Party leadership of John Howard and Peter Costello was defined by five great economic revolutions:

- First, the commitment to a policy of budget surpluses as a means of reducing public debt and public demand for money. This, in turn, has taken significant pressure off interest rates and completely displaced the Labor orthodoxy of public debt.
- Second, the revolution in waterfront productivity.
- Third, the restructuring of our tax system to provide incentives for those who work harder.
- Fourth, the development of incentives to give the most disadvantaged a path from welfare to the dignity and security of work; and
- Fifth, the freeing-up of small business owners to create jobs by protecting them from ‘go away money’ and union intrusion.

The result of these revolutions was to create perhaps the world’s most successful developed economy—with all the human benefits—of the last decade.

Despite their vehement opposition at the time, the Labor Party has committed to retaining the first four of these revolutions and is likely to keep significant parts of the fifth.

The question, then, is why, with both the success of liberal ideas and a truly successful economy, the Liberals find themselves out of government throughout Australia for the first time.

The answer to this question and to winning back the federal government within one term, as well as returning to government in the States, requires two elements.

We must understand the nature of the contemporary governance challenge and we must establish a process to help win the battle of ideas and to develop a partnership with the Australian people. In addition to any internal review of the last federal election, there should be an external process of bringing together younger Liberals to create the new reform agenda. This agenda, or Liberalism Project, should focus on maintaining our commitment to continuing reform and modernization.

The challenge

The challenge, then, for liberals is clear—if not simple. We have to maintain our leadership as the great economic modernists of Australia, while twinning this with a sense of hope, aspiration and compassion.

There are three fundamental principles which we should consider in pursuing this dual combination of economic leadership and deep human concern.

First, liberalism must not relinquish its commitment to reform and economic modernization. A healthy economy is not the end of governance, but it is the indispensable means to a great society. The raison d’être of Australian liberalism has always been to create the opportunities and conditions by which all Australians can unleash their potential.
This means pursuing ideas—such as employee share ownership—which both give people a stake in their work environments and bring people back into the workforce rather than structurally exclude them. And it means holding Labor governments to account where they depart—as they already have at state level—from their apparent support for responsible budgetary policies such as reducing public debt.

Second, the continuing commitment to economic reform must be matched by a renewed commitment to hope, aspiration and compassion. The Liberal Party’s vision—and its relationship with the public—must inspire and give a sense that Australia can be a great and generous society. There is a hunger for a higher sense of purpose. This is not only a basic human emotion, but it is brought into prominence at precisely the time we achieve prosperity.

Third, liberalism must recognize that successful politics is about philosophy not ideology. The public want a clear set of beliefs, but they do not want untrammelled ideology from either side of the political spectrum. The Labor Party has been marginalized whenever it has retreated to ideology which has, in turn, led to successive waves of economic failure. The Liberal Party has to be clear about its beliefs, but recognize that the public has rejected what has been perceived as inflexible ideology.

The key to the Labor Party’s resurrection under Kevin Rudd was simply to accept the basic governing philosophy of the government, while fighting its perceived ideology on issues such as climate change and employment security. In reality the government’s policies were practical in both these areas, but the public presentation of those policies largely fell on deaf ears.

The Liberal Party must therefore acknowledge that the public has spoken. It must emphasise that it embraces the great challenge of clean energy and that, as the party of economic reform, it is best equipped to take practical action.

By comparison, an early sign of ideology under the Rudd government is that by rejecting a clean energy target in favour of a renewables-only target, they have ensured that over 75 per cent of Australia’s energy production will never be cleaned up. Instead of modernizing our fossil-fuel sector, they will marginalize it, in a classic case of putting ideology ahead of practical policy.

A blueprint for the future

If these ideas are to have currency, then they must be shaped into policy for the future.

There may be real value in younger liberals—both within and outside of parliament—crafting a blueprint for the future of liberalism. It could provide a menu of innovative policy proposals for continued economic modernization.

These ideas should be part of a vision which both maintains our economic momentum and emphasises the great humanity which has underpinned the Liberal Party since its inception.

Ultimately, liberalism has been the guiding philosophy for Australia’s growth and human development over the last century. The laws of economics and human nature which have helped shape the last century’s growth in economic and social freedom have not changed. Liberalism remains the guiding philosophy for the current century.

The fundamental task of Liberals is to maintain our leadership as the great economic modernists of Australia, while providing a sense of hope, aspiration and compassion.
The story of John Howard the environmentalist is a story of deference to professed expertise. Prime Minister John Howard sought the advice of high profile scientists and activists on environmental issues. Many of these advisors had impressive qualifications, and he listened to them mostly uncritically. In response, he tried to do the right thing.

As a result, the Howard government oversaw the introduction of legislation that banned broad-scale tree clearing in western Queensland and fishing over large areas of the Great Barrier Reef. In a deal with the Australian Democrats to get the GST through the Senate, his government introduced the Environmental Protection and Biodiversity Conservation Act, now considered the centrepiece of federal environmental legislation. His government also planned to buy back large volumes of water as environmental flow for the Murray River.

But John Howard may simply be remembered as the prime minister who failed to ratify the Kyoto Protocol.

It was in January 1996 that Mr Howard made his first major announcement on the environment. He was Opposition Leader and he spoke of the proposed establishment of a $1 billion fund from the privatisation of Telstra to restore the national estate, including programmes to arrest soil degradation. The policy was initially applauded by the environmental lobby, with the Australian Conservation Foundation (ACF) saying that it represented the most important environmental statement ever made by the Coalition.

Mr Howard won the 1996 election and, true to his promise, sold part of Telstra, with $1 billion going to the establishment of the Natural Heritage Trust which focused on salinity in particular.

The proposed 10 per cent Goods and Services Tax (GST) was the centrepiece of John Howard’s 1998 election campaign. Again he won the election, but the Australian Democrats held the balance of power in the Senate and he needed their support to get the GST through Parliament. They negotiated the passage of the Environmental Protection and Biodiversity Conservation Bill (EPBC) in return for passage of the GST legislation.

Any person may nominate a plant or animal species for protection under the EPBC Act and nominations have become an integral part of many environmental campaigns. Successful nominations normally secure significant government funding for the development of ‘Recovery Plans’. Species can be listed under the Act if there has been a substantial reduction in numbers and geographic distribution, even if this reduction occurred decades ago with populations now stable or increasing. The EPBC Act has been used to stop, delay or limit activities as diverse as dam-building, whaling and the growing of sugarcane. Most recently it was used to prolong the approval process for the controversial Bell Bay pulp mill in Tasmania.

In the lead-up to the 2001 federal election, the National Farmers Federation (NFF) and the Australian Conservation Foundation joined forces to lobby the Howard government for $65 billion on the premise that vast areas of farmland were in ruin and salinity was spreading. This campaign was based on a report which quoted the national land and water resources audit which had been funded by the Howard government’s Natural Heritage Trust from the sale of part of Telstra.

A few months later, the National Action Plan for Salinity and Water Quality was announced by Senator Robert Hill, then Environment Minister, with the promise of $1.4 billion in further funding. This Action Plan generated more plans requiring more government funding. Much of the planning, including that for the likely extent of the spread of salinity, was based on computer

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modelling that has not stood the test of time. Indeed, head of the Murray–Darling Basin Commission, Wendy Craik, acknowledged on national television in 2005 that flawed models had been used to talk up the salinity threat in 2001.

Also in 2001, World Wide Fund for Nature (WWF) was pleading for money to save the Great Barrier Reef. The subsequent fishing bans, while initially estimated to cost about $1.5 million in compensation to commercial fisherman, have since blown out to nearly $200 million. Furthermore, many argue that there has been no environmental benefit, with fishing pressure simply transferred to already more heavily fished regions of south-east Asia.

The banning of broad-scale tree clearing was a campaign issue for the Wilderness Society in 2001. Subsequent bans mean that Australia is on track to meet its target under the Kyoto Protocol but that campaign was about more than saving trees or Kyoto. A report entitled ‘Rethinking deliberative governance: dissecting the Queensland land-clearing campaign’ by the Queensland Conservation Council explains that the new legislation established a framework for the regulation of land use on freehold land representing a significant departure from ‘dominant ideologies that accept private landowners retain sovereignty over land management’. Furthermore, all ‘carbon credits’ have accrued to the government, not the individual landholders.

In 2004, logging in Tasmania dominated the election campaign. It initially appeared that both Labor and the Coalition would seek to outbid each other in terms of how much Tasmanian forest they could save. Then, after opposition Labor leader Mark Latham announced his forestry policy, the Howard government changed tack and was very publicly applauded by timber workers for promising to save their industry. This further cemented John Howard’s alliance with blue-collar workers across Australia and he won that election.

During the same year, campaigning to return environmental water to the Murray River created much angst within farming communities. It was feared that if Labor won the election, a Latham government would take up to 1,500 gigalitres of irrigation water for environmental flows, while John Howard said he would take only 500 gigalitres. But, in January 2007, under the Howard government’s $10 billion National Plan for Water Security, it was suggested that about 2,700 gigalitres—almost double what the Labor leader had proposed—be returned as environmental flow. Incredibly, farmers weren’t up in arms. This was in part because the government assured them that there would be no compulsory acquisition and that the water would be purchased at market price. The price of water skyrocketed and the government has not even purchased 500 gigalitres.

Each year when the International Whaling Commission (IWC) meets, Australian environmental ministers court the associated media with their rhetoric condemning whaling. For example, in the lead-up to the meeting in Ulsan in 2005, Australia’s Environment Minister, Ian Campbell, denounced the killing of whales with grenade-tipped harpoons in Norway and said that he was both shocked and saddened by broadcast images of whale-cooking classes in Japan. Meanwhile, the Howard government turned a blind eye to the slaughter of dugongs by indigenous hunters using spears and speed boats in northern Australia. Dugongs, like whales, are long-lived marine mammals. The Howard government accepted that about 1,000 dugongs are killed each year by indigenous communities and that this is probably ten times the estimated sustainable harvest.

In advance of the 2007 election, Mr Howard set up a ‘taskforce’ which recommended 25 nuclear power stations be built—mostly along the east coast of Australia. Despite nuclear power being the only proven source of greenhouse-neutral base-load power, environmental groups condemned the proposal. So unpopular was the issue that the Labor party featured Mr Howard’s support for nuclear power in some of its 2007 campaign brochures and Mr Howard went quiet on the issue.

During the 2007 campaign the Labor party focused on Mr Howard’s refusal to sign the Kyoto Protocol. The issue resonated. Al Gore had already painted the Australian government as a villain in his award-winning documentary film An Inconvenient Truth for refusing to sign Kyoto—for refusing to do what Mr Gore considered morally right. Al Gore went on to win the 2007 Nobel Peace Prize. Many advocates for action on climate change readily admitted that, even if fully implemented, the Kyoto Protocol will do virtually nothing to reduce rates of global warming because developing nations, including India
and China, do not have to meet any targets. Nevertheless, they insisted that Kyoto is an important symbolic ‘first step’. Mr Howard correctly claimed that the exclusion of developing nations would put Australia at a competitive disadvantage, and perhaps he thought that global warming would eventually fade as an issue. To the very end of his term as prime minister, Mr Howard refused to ratify the Kyoto Protocol, even though his government was on track to meet its Kyoto targets and even though the political pressure to ratify was intense—including from within his own Cabinet.

The environmental lobby doesn’t work from a set of principles that accord with liberal values; rather it is philosophically anti-development and anti-industry. They met regularly to plan strategies and divvy up issues and they had John Howard hopping from one campaign to the next—always pushing his government harder and harder to meet the next moving target. According to a recent Liberal Party report, the Howard government had $4.3 billion in its 2007–08 budget for the environment compared with less than $500 million in Labor’s last year of office.

If the prime minister had had his own plan, his own vision and ideas for the environment, his government may have been able to better prioritise issues and better able to consider expenditure in terms of its opportunity cost. But in the end, it seems his legacy would perhaps still be the prime minister who refused to ratify Kyoto and ‘save the world from global warming’.

Lord Nigel Lawson, a former Chancellor of the Exchequer in the British parliament, recently commented that despite Kyoto and innumerable international gatherings of the great and the good, little in practice has been done to reduce global carbon dioxide emissions. They continue to rise and the reason for this, of course, is that fine words are cheap, whereas the 70 per cent reduction in global carbon dioxide emissions which would be required to stabilise carbon dioxide concentrations in the earth’s atmosphere would be very costly indeed.

The environment, and in particular ‘stopping climate change’, has emerged as an ideal in which seemingly well-educated people often search for the grand gesture as much as real actions likely to result in practical, lasting solutions. The situation is unlikely to change in the short to medium term, whether global temperatures continue to increase or cool. But what the next Liberal Party leader needs to attempt, at the very least, is to force a consideration of various policy options for Australia, including alternatives, costs and benefits, and global implications.

Environmentalism has been aptly described as the new religion of choice for urban atheists. It is belief-driven. But, hopefully, Australians have not lost all sense of reason—hopefully, Australians are just waiting to be dragged back to reality. After all, facts do not cease to exist just because they are ignored.
What next?

As a number of commentators pointed out in the lead-up to the election, at both the Federal and State levels, Labor has moved closer to the political centre. As a result, there seem to be fewer important differences between the major parties.

The important exception is workplace relations, where Labor’s proposals run counter to its increased support in recent years for a more competitive economy. Increased union influence and privilege, already holding back improvements in the operation of services in the States, will further reduce the job prospects of low-skilled workers as labour markets become more protectionist.

But, at least on the surface, Labor appears largely to have abandoned socialist, big government objectives and to have accepted that government plays a more limited role in Australia than it does in European countries. Such acceptance of more limited spending and improved budget management policies at both the Federal and State levels, of a depoliticised operation of monetary (and exchange rate) policy, and even the growing inclination to accept privatisation of State-run authorities providing electricity, transport, ports and the like, suggest that the Opposition will have to effect major policy changes if it is to distinguish itself from Labor.

### How small was the Howard government?

An important issue is whether the Liberal party’s avowed ‘small government’ philosophy is any longer of significance, or whether it is destined to die the death of Labor’s former objective—the socialisation of the means of production, distribution and exchange. The temptation will be not to move forward, but to retreat and avoid controversy, which is what State Liberals seem to have done.

Although Howard government ministers (including the prime minister himself) consistently claimed to have reduced the relative size of government and the burden of taxation, they also followed the ‘soft’ government approach at the Federal level. Their claim was based on comparing apples and oranges. They compared pre-2000–01 data—which include large gen-

### Table 1: Commonwealth general government outlays and taxation—% of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Outlays excl. interest</th>
<th>Transfers to states</th>
<th>Social Security</th>
<th>Taxation</th>
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<tr>
<td>1973-74</td>
<td>18.8</td>
<td>4.2</td>
<td>4.1</td>
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<tr>
<td>1975-76</td>
<td>24.3</td>
<td>6.7</td>
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<tr>
<td>1986-87</td>
<td>28.3</td>
<td>6.9</td>
<td>6.9</td>
<td>24.6*</td>
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<tr>
<td>1989-90</td>
<td>23.6</td>
<td>5.8</td>
<td>6.2</td>
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</tr>
<tr>
<td>2004-05</td>
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<td>6.4</td>
<td>8.2</td>
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<tr>
<td>2006-07</td>
<td>24.2</td>
<td>6.2</td>
<td>7.8</td>
<td>24.9</td>
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* The year 1986–87 had the highest proportion of tax to GDP pre 1999-00.

Des Moore is Director, Institute for Private Enterprise.
eral revenue grants to the States and the taxes to pay for them—with data for recent years that excluded from expenditure the GST payments now made in lieu of those grants, and excluded from taxes the revenue from the GST itself. Fortunately, the ABS national accounts adopt the correct approach, treating the GST as a federal tax and its payment to the States as federal expenditure. This produces an accurate picture of what happened to government spending and taxing before and during the Howard government. (See Table 1)

As the Coalition took office in March 1996, the financial year 1995–96 provides the best baseline year against which to measure the fiscal performance of the Coalition government over its period in office to 2006–07.

As expected, the first full year of the Howard government—that is, 1996–97—produced a reduction in total outlays of 1.0 percentage point of GDP. Outlays then moved even lower until the election year in 2000–01, when they reverted to above 1996–97 levels. But although 2006–07 levels were again slightly below those in 1996–97, and also significantly lower than in the last year of Labor, that was not due to any diminution of spending in discretionary areas.

Thus, if interest is excluded on the grounds that it is not part of discretionary spending, total outlays in 2006–07 were the same (relative to GDP) as in the last year of Labor. In reality, the whole of the 1.7 percentage point fall in total outlays over the period between 1995–96 and 2006–07 was due to the reduction in interest costs, mainly reflecting the reduction in debt from the proceeds of privatisations.

A major contributor to the continued high level of discretionary spending was the maintenance of high expenditures on social security benefits. This epitomises the soft, vote-buying approach and occurred despite the much stronger growth in average real per capita incomes over the period it was in office—about 2.3 per cent per annum—and the obvious reduction in need to assist middle and higher income groups.

Unsurprisingly, despite the announcement of many tax ‘cuts’ (which included some reduction in marginal rates aimed at a top 40 per cent in 2012–13), the overall burden of Commonwealth taxation (including the GST) increased by over 2.5 percentage points of GDP. In effect, this increase financed the elimination of the budget deficit and the build-up of a surplus of around 1 per cent of GDP. Under the Howard government, Australians were thus ‘forced’ to save.

The government also continued to offer a very large number of ‘tax expenditures’, totalling 4.0 per cent of GDP in 2006–07 and estimated to increase to 4.5 per cent in 2009–10 (but not included in budget figures). These ‘expenditures’ comprise the net cost of concessions, benefits or incentives provided through the tax system when compared with the revenue that would be collected if the standard tax treatment were applied to the general activities or classes of taxpayers subject to tax.

In summary, despite the continued strong growth in incomes and the drop in unemployment from 8 per cent to just over 4 per cent, the Howard government effected no reduction in discretionary spending. Could it have done so? In 1989–90, discretionary spending by the Hawke–Keating government was about 2.5 percentage points of GDP lower than such spending in 2006–07, equivalent to lower spending of nearly $28 billion. Although not sustained by Keating, that suggests a feasible starting point for believers in smaller government.

Nor did the Coalition foreshadow the possibility of reducing the size of government if re-elected. Using the Budget data showing forward estimates and projections (the ABS does not publish such data), the following suggests a policy of keeping the level of spending and taxation stable.

The question now facing the Liberal Party is whether it is prepared to develop policies that are consistent with its small government philosophy. That would require some really hard work. But with a Labor Party that has apparently changed

<table>
<thead>
<tr>
<th>Year</th>
<th>Outlays excl. interest</th>
<th>Taxation</th>
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<tbody>
<tr>
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<td>21.3</td>
<td>21.4</td>
</tr>
<tr>
<td>2008-11</td>
<td>21.0</td>
<td>20.7</td>
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</table>

Source: Mid-year Economic and Fiscal Outlook, October 2007 for 2000–01 and 2004–05 to 2006–07 data. For 2007–08 (a), Pre-Election Economic and Fiscal Outlook. Author’s estimate for 2007–08 (b) and 2008–11 based on election promises by the Coalition.
Despite the large increase in real incomes since the end of the 1980s, around 20 per cent of the working-age population receives income support now compared with only 15 per cent then.

its colours and accepted the existing size of government, it may be its main hope of electoral success at both the Federal and State levels.

Of course, Australia already has one of the smallest government sectors, with the OECD’s latest estimates showing our total general government outlays (including those for State and local governments) at 34.0 per cent of GDP in 2007, about 6 percentage points below the OECD average and the second lowest after Korea amongst the 28 OECD countries surveyed.

However, although the decrease in Australia’s outlays since 1996 has been slightly greater than the OECD average, there have in fact been much larger reductions in most OECD countries, including in previously very high-spending Nordic countries. While those reductions still leave bigger governments than in Australia, there has definitely been a downward trend over the past decade.

**The case for smaller government**

If the Liberal Party has sufficient inclination and capacity to develop a policy approach based on reducing the extent of government intervention in the community, there is plenty of scope for it to do so at both the Federal and State levels.

For one thing, our larger-than-average-sized private sector already provides advantages waiting to be paraded and used as a ‘model’ for further development. Australia is one of the few countries in the developed world to offer a large proportion of education and health services through competing private-sector agencies and the growing usage of such services indicates wide support for them in the community. Of course, their costs are subsidised by government to some extent, and it would be necessary to continue to meet the full costs of low-income groups. But, unlike State-run agencies, taxpayers do not bear the full costs of private schools and hospitals and users benefit from a competitive system that is much less subject to restrictive union practices. Critics of our smaller level of government spending in areas such as education and health need to be reminded that total Australian spending (that is, both government and private) on them is broadly in line with total spending in other countries with comparable income levels.

A similar approach is open for wider adoption by State authorities. Considerable scope remains for privatisations, particularly at the State level, and it is surprising that the benefits flowing from such action in Victoria have not been used by other State Liberal parties. The establishment of a more competitive environment would reduce the scope for the widespread union restrictive practices that exist in these areas now. As noted, even Labor is increasingly accepting privatisation, and this suggests that Liberal parties are being left behind in an area where they should be leading.

Other more general benefits from smaller government cannot be explored in detail here, but they obviously include lower taxation and the well-known benefits of higher employment and productivity likely to flow from that, particularly if rates are flattened.

Of course, that also requires lower spending. But, as indicated earlier, there is scope for reducing spending in ways that would not have adverse effects on lower income groups—that is, by focussing on reductions in social-type payments to higher income groups and providing those groups with some ‘compensation’ through accompanying tax reductions. Justifications for taking such action include arguments that increased real incomes have increased the capacity of a now significant proportion of the population to finance more or all of their own spending on items such as education, health, welfare and old age. It is, for example, anomalous that, despite the large increase in real incomes since the end of the 1980s, around 20 per cent of the working-age population receives income support now compared with only 15 per cent then: the trend should have been the other way.

More broadly, with increased standards of health and education, and higher income levels, there is a philosophical challenge to be faced by the Liberal Party. Does it believe in individuals accepting increasing responsibility for taking care of themselves or does it support a continued Nanny State role?
Four points on federalism

Why ‘passing the buck’ could make good public policy and good political strategy

Richard Allsop

1) National security and the economy are traditional areas of Commonwealth responsibility. The provision of services such as health, education, transport and infrastructure are traditional State responsibilities.

2) Over the course of a decade, the Commonwealth intervened more and more in areas of State responsibility, largely on the basis of its claims that the States and Territories were failing in these areas.

3) All published opinion polls indicated that, until the end, the Howard government continued to enjoy positive opinion poll ratings on national security and the economy, while it was well behind Labor on issues such as health and education.

4) The current eight Labor State and Territory Labor governments were all easily re-elected at their most recent electoral contests. The Coalition federal government lost the Federal election.

In recent years, traditional concepts of federalism have come under attack at both a micro and a macro level.

There once was a time when a key item for the receptionist in a political office was a list that divided every area of government activity into one of three categories—for example, army (Federal), police (State), and dog catcher (local).

If a constituent rang about a matter which was the responsibility of a different tier of government, MPs had no hesitation in referring the matter to the appropriate destination. In the process, constituents hopefully became a little wiser about what they should, and should not, be expecting from the three levels of government.

At some point in its tenure, the federal Coalition government decided that this traditional approach needed to be changed. Suddenly, federal MPs were being told never to ‘pass the buck’ on any issue and to use State, and even local, matters to demonstrate their own credentials as a grassroots member.

Not content to deal with problems raised by constituents, MPs would endeavour to create them. They would visit local schools and identify leaking roofs, or stand at railway stations handing out questionnaires asking people about perceptions of crime on public transport. The fact that schools, public transport and policing were not a federal responsibility in some ways added to the perceived attraction, as it meant that federal MPs could hardly be criticised for the problem having appeared, but could nevertheless claim credit for any attempts to ‘fix’ it.

Huge increases in MPs’ printing and postage budgets exacerbated the tendency, as MPs were naturally on the lookout for local issues to provide content for their brochures and newsletters. These publications tend to be full of pictures of MPs presenting grants to local sporting clubs and environmental groups, or announcing federal funds for a black spot on a local road. Campaigning strategists quickly realised that specific local material was more likely to be read than general policy information.

Most of these projects were small enough to gain only local attention, but sometimes there were big enough sums of money involved, or radical enough policy implications, to attract national attention. A classic example was when the federal government offered $40 million and a takeover plan for the Mersey Hospital in Devonport. While the people of Devonport were understandably upset by the loss of services at the local hospital, it certainly appears that the Tasmanian government’s decision to rationalise services in north-western Tasmania was a logical one, given the availability of medical professionals and funds.

Unlike the Mersey Hospital case, in many situations the Howard government was right in its diagnosis of a problem. Most people...
Whether computers are a priority in schools should be a matter for those charged with running schools—not the federal government.

would agree that the removal of technical schools from education systems in the 1980s, or the way in which Australian history is taught in schools are problems, but it does not follow that, in response, the federal government should be building technical colleges all around the nation, or holding summits to design national history curricula.

Undoubtedly, the use of State issues had been made more attractive for the Federal Coalition from 2002 when the last non-Labor State government was voted from office. There seemed to be little downside in attacking their Labor replacements. However, even in the short term there were. By intervening so vigorously in areas of State responsibility, the federal government succeeded in convincing voters that it was somehow jointly responsible for the quality of the nation’s hospitals, roads, ports, etc.

By both its rhetoric and its actions, the Howard government also encouraged other groups across the political spectrum to believe that their hopes for political salvation lay specifically with the Commonwealth government.

Given such broad-based support for an increased Commonwealth role, allied with Kevin Rudd’s reputation as a process-driven micro-manager, there appears little cause for optimism that there will be any reversal in the trend towards greater Commonwealth interference in areas of State responsibility under the newly elected government.

The fact that on the Monday after the election Rudd was commanding his MPs to visit two schools each to assess their IT status before the first caucus meeting was hardly symptomatic of someone who supports the devolution of anything. Whether computers are a priority in schools should be a matter for those charged with running schools—not the federal government.

And in a move that will make the previous government’s Mersey Hospital intervention look like mere tinkering, Rudd has said that he will take over running all the country’s 750 public hospitals if State and Territory governments have not agreed to a national reform plan by the middle of 2009. He said that the move was designed to ‘end the blame game between Canberra and the states on health and hospitals’. There would not be a blame game if the States were left to run their hospitals.

Those who still like to believe that certain matters are the legitimate responsibility of democratically elected State governments could only shudder when, at his campaign launch, Rudd said that ‘The buck stops with me’. This may surprise you, Kevin, but under Australia’s constitution some things are actually not your responsibility.

Obviously, the underlying problem with Australia’s federation is vertical fiscal imbalance. The Commonwealth raises 82 per cent of the tax revenue, but is only responsible for 36 per cent of the spending. There is always going to be a huge difficulty when those figures are so divergent.

This imbalance is likely to remain forever in the ‘too hard’ basket, but perhaps more realistic is the hope that there can be a reassessment of which areas are the responsibility of which tiers of government. Crucially, the federal government needs to accept that if something is deemed a State area, the Commonwealth cedes any form of interfering or oversight role.

An agenda which removed areas of duplication, and a federal leader brave enough to say that something is not an area for Commonwealth involvement, might not only lead to more efficient service delivery, it could reduce the scope for pork barrelling and may actually be politically appealing as well.

By its piecemeal involvement in a variety of State issues, the Howard government achieved the counterproductive outcome of making people feel that the Commonwealth was equally culpable for the failings of the State governments in areas such as hospitals. Pointing out failures in hospitals should have been left to state Opposites and, if the public agreed with their arguments, then maybe we would now have some State Liberal governments.

Unlike the Fraser government, the Howard government has left the nation’s economy in excellent shape. Yet, in many ways, the Howard government’s treatment of the federation is the equivalent of the Fraser government’s failure to deregulate the economy. However, just as in March 1983, when few would have expected the Hawke government to go down the path of economic deregulation, maybe the Rudd government will make useful reforms to the federation. Let’s also hope that, just as the Liberal Party supported the majority of the key economic reforms in the 1980s, the new Opposition takes a similar attitude if the Rudd government surprises us by proposing measures which genuinely improve the federation.

In the week after the election there was much discussion about the Liberal Party acknowledging that it got issues such as WorkChoices and global warming wrong. It would also do well to recognise that its ad hoc assaults on the federation were not only bad policy, but ended up being bad politics as well.
Are we seeing a repeat of what happened to the media industry in healthcare? A wave of media-literate consumers, using a host of new Internet tools, powered a dismantling of the big media monopoly on public opinion. Healthcare could be next.

With competition nearly absent and with unchecked increases in demand over the last two decades, health markets in industrialised countries are undergoing intense change at tsunami-like speed, responding to levels of health expenditure that are growing twice as fast as the economy at large.

As both the quality of state-run health services and doctors’ reimbursement for such services have declined, customers seem prepared to spend more cash for their own healthcare, taking control over expenditures to boot. The Canadian government, for example, spent US$87 billion on healthcare last year, but Canadian consumers added US$38 billion out of their own pockets.

Medical progress is not primarily to blame for exploding healthcare costs, as most such progress is paid for, by default, by the dominant third-party purchasers in healthcare such as governments, employers and insurers. It is telling that, before the introduction of Medicare in the 1960s, overall healthcare spending in the United States was only five per cent of the GDP. It now stands at 16 per cent and is projected to skyrocket to 25 per cent by 2030. The late Milton Friedman argued that healthcare in all Western countries is still an anomaly, given that it has always been protected against otherwise pervasive and successful market forces.

Indeed, market dominance by governments and third parties in Western countries is so great that there is scarce competition in healthcare over prices and quality. Private insurers are simply following the path of state-run healthcare, stifling entrepreneurship and innovation. The situation is already precarious given that attempts to control costs over the last decades have been largely unsuccessful.

This year, for the first time ever, the imminent meltdown of US Medicare has been suggested. The main reason for this is that all the reforms so far undertaken have addressed only the demand side of the market. The strange thing here is that buyers are telling sellers/providers how to practice medicine. We are talking about practice guidelines, preferred provider organisations (PPOs), managed care, health maintenance organisations (HMOs) and, more recently, health savings accounts (HSAs). Their effects are limited as long as doctors are not free to re-bundle and re-price health services and compete for customers.

In the US, for example, state regulations do not allow no-frills basic health insurance. Instead, they require insurance to cover anything from genetic tests and chiropractics, to acupuncture, marriage counselling or artificial insemination. Furthermore, insurers have to stick to community rating and guaranteed issues, which means that everyone has to be accepted and pays the same premium. There is, therefore, no possibility for proper risk-management. The result is unaffordable private insurance, which in turn has prompted more Americans to opt out of health insurance altogether. There is good evidence that, over the last decade, the steepest increase among uninsured Americans has occurred in the bracket of families well above the poverty level. People just seem to think that they don’t get their money’s worth with the available insurance packages.

Increasingly, waiting for doctors has become the prevailing form of rationing in the West: mild in the US, moderate in Australia and severe in Canada and the UK. This, in turn, has created millions of frustrated customers who have begun to look elsewhere. The Internet and cheap airfares have greatly increased consumers’ opportunities and choices by creating new consumer-driven markets. Cosmetic surgery, retail walk-in clinics, boutique medicine, Internet pharmacies and international medical tourism are only some examples. These areas, where the state and other third-party agencies are absent, are bristling with innovation and entrepreneurship: on a global scale, nurses and doctors are busy re-bundling and repackaging their services at competitive (and often lower) prices. Over the last decade, free competition has brought down the prices in cosmetic surgery by up to 30 per cent. Furthermore, a growing number of high-quality healthcare facilities in developing countries are catering for so-called medical tourists from industrialised countries, among them many uninsured Americans. Services abroad are, on average, 80 per cent cheaper according to the
founders of PlanetHospital. Their data show that heart surgery which costs more than $50,000 in the United States can be purchased for $20,000 in Singapore, for $12,000 in Thailand and between $3,000 and $10,000 in India. Though one may have doubts about the quality and safety of such a heavily discounted heart procedure, the success rate of coronary bypass surgery in India is reported to be 98.7 per cent as against 97.5 per cent in the US. Already, people can receive most major or complex procedures abroad. The competition is on, and most hospitals catering for the international market have either passed Western accreditation standards or are attempting to do so.

According to McKinsey & Company, India's health industry, one of the most promising in the field, is expected to grow from its present size of just US $25 billion to a whopping $190 billion in less than two decades. Many observers of the global healthcare industry are expecting that, in the coming decade, the increasing pressure on the supply of healthcare will set off a tsunami of sorts. Although up from 500,000 in 2006 to 750,000 in 2007, the number of Americans travelling abroad for healthcare is tipped to increase to 6 million by 2010.

There are plenty of signs of emerging global market responses to the Western supply crisis. The market for medical tourism was worth $60 billion in 2006 and is rapidly growing. Again, according to McKinsey & Company, it could rise to $100 billion by 2012. Big insurers are already adding global low-cost providers to their health plan networks. Blue Shield of California, for instance, allows enrollees of its health plan to have access to cheaper physicians across the Mexican border. Blue Cross of South Carolina allows treatment at the Bumrungrad International Hospital in Thailand, which treated 400,000 foreigners in the last year, including 80,000 Americans. Furthermore, India and China are already major suppliers of low-cost drugs and drug ingredients to US consumers, as the recent scandal over poisoned or toxic imports has revealed. India alone produces 350 varieties of antidepressants, heart medicines, antibiotics and other drugs purchased by Americans. Last year, China sold pharmaceuticals worth $670 million on the US market. The downside is that the risks to human health are also growing quickly and the US Food and Drug Administration is struggling to catch up, having conducted roughly 200 inspections of plants in China and India over the last seven years.

But there are even more instances of consumer-driven changes pushing for supply side reforms to health markets:

- Growing numbers of consumers are not willing to put up with the rationing-by-waiting for a doctor anymore and are paying out-of-pocket to jump the queue in industrialised countries. For instance, in Australia, patients are paying up to $600 for private treatment to avoid queues at crowded public hospital emergency departments. At Sydney Adventist Hospital, which has the largest private emergency section in NSW, doctors see 21,000 such patients per year. Australian dental tours to Thailand are already very popular.
- Web-based online patient networks and mailing lists are becoming an increasingly powerful force. One of the biggest is the US-based Association of Cancer Online Resources (ACOR) with 159 online cancer groups. Increasing numbers of people with health problems are looking for help on the Internet, as 5.4 million Americans purchased drugs from other countries over the Internet last year.
The Internet and cheap airfares have greatly increased consumers’ opportunities and choices by creating new consumer-driven markets.

- Another market response to hospital waiting lists is Internet-based services for medical expertise framed as a second opinion. Once a full patient record has been submitted, for a fee of $450, Connected Health grants access to 4,000 medical specialists. This is probably good value for the money. A 2003 review by the British Medical Journal showed that working diagnoses changed in only five per cent of cases, but that, in 90 per cent of cases, new treatment alternatives were developed.

- Triggered by the 2003 US-wide introduction of new tax-free health savings accounts (HSAs), about 1,000 banks entered the healthcare market by offering health coverage and developing new consumer models: US uptake of HSAs has surged from 1 million in 2005 to 3.5 million in 2006 and is expected to reach 10 million by 2008. With plenty of cash for health purchases, HSAs are fuelling the global market for medical tourism. Big US health insurers, such as United Health and Blue Cross/Blue Shield, have gained bank charters to get into the HSA market.

- In the face of an expected primary care physicians shortage of 200,000 over the coming decade, US retailers are responding with nurse-led and GP-backed (1 for 4) walk-in clinics. Five hundred of these are already operating across the United States, RediClinic, one of the new providers, is reported to have a 97 per cent patient satisfaction rating. Wal-Mart has announced that it will open such clinics in 2,000 of its outlets; Walgreens and CVS Pharmacies have purchased national retail clinic chains.

- In the UK, the NHS has responded in kind, opening walk-in centres with extended hours for patients who cannot gain access to their GPs. Private providers are also setting up walk-in clinics. Research has shown that people aged under 34 years old—that is, the next generation of healthcare consumers—are less loyal to their GPs than their parents’ generation and instead prefer fast access to walk-in clinics.

- Doctors are responding to rising out-of-pocket budgets for medical care by converting their traditional practices into “boutique” medical practices. Rather than the old-fashioned episodic and inefficient fee-for-service model, the boutique practice offers chronic care physicians (such as diabetics) care packages worth $1,500 for a whole year’s medical service.

- US employers, who had taken the brunt of rising health care costs over the last decades, are quietly shifting costs to employees through premium increases, higher deductibles or more out-of-pocket payments. New consumer-driven healthcare plans in the US, while still a small percentage, are expected to triple in the next five years.

- Health care tourism is expanding in Europe, with German and English patients opting to pay a third or a half of what they pay at home by travelling to Warsaw or Budapest for dental work. Patients have been travelling across Europe for years to obtain major procedures at lower costs. The European Court of Justice ruled a couple of years ago that these countries should mutually reimburse such services.

- Offering dental work at one-fifth of US prices and inexpensive drugs, Mexico is attracting the majority of American medical travellers. New hospitals have opened in Tijuana since some US health plans are now covering services in Mexico. Stomach surgery, eye exams and routine check-ups are among the major services that Americans are seeking in Mexico. This is thanks to a legal system in Mexico that makes it almost impossible to sue dentists.

- In the interest of huge cost savings, US insurance products such as ‘Mini-med’ plans allow a limited number of doctor visits in the US each year, with a much higher allowance in visits elsewhere. As a mini-med provider, PlanetHospital will cover all costs, including travel arrangements and treatment abroad for heart surgery for only $10,000.

These fledgling new health markets might finally undermine and outperform the behemoths of state-run health care, which only rarely use their purchasing power to benefit consumers. Walk-in customers, Internet drug buyers and healthcare tourists are building up pressure on providers in industrialised countries for more transparency in the quality and the prices of services, and finally for more consumer choices. One may be forgiven for thinking that this, of course, reflects the long-held conviction by classical liberals that markets perform better than governments in allocating resources, and are much faster to respond to the demands of consumers. Patients are realising that the power of the consumer vote, exercised many times every day on choices in different markets, is incomparably better than one political vote and a blank cheque to politicians every four years.
A great deal of scrutiny has recently been given to the problem presented to medical practitioners (and less recently to nurses) by violent patients. Clearly, something has eroded the relationship between patient and doctor.

Following the fatal attack on Dr Khulod Maarouf-Hassan in Melbourne in 2006, a nationwide Australian survey by Cegedim Strategic Data revealed that 83.3 per cent of GPs had been verbally abused by a patient, 43.3 per cent threatened and 12 per cent physically abused.

The Australian Medical Association and the Royal Australian College of General Practitioners both have position statements on personal safety for physicians. Among the suggestions made are that the taxpayer should fund (via incentive payments) infrastructure changes to improve practitioner safety and that safety protocols should be linked to accreditation. Other suggested measures include practical activities such as staff training, tracking of patients who have perpetrated repeated violence in general practice settings, enhanced cooperation with police and the judiciary and the involvement of patients in achieving a safe working environment.

However, not only does there appear to be no evidence that physicians and staff may actually be protected by any of these measures, but they may ultimately lead to increased costs to consumers (or taxpayers). At the same time, one-size-fits-all solutions will ensure that wastage is maximised.

Strangely, nobody has suggested why this problem may have arisen in the first place, other than to link it non-specifically and dubiously with increasing violence in the wider community.

**From demand to prevention**

There was a time when medical practice was demand driven: patients presented with a complaint for which the doctor attempted to find an explanation and prescribe a treatment.

Prevention, however, is now all the rage. One of the reasons for the modern focus on prevention is the limited success in identifying the root causes of the remaining scourges such as heart disease and cancer. Another reason is because governments believe that preventing the emergence of disease, rather than simply treating it when it presents, is the best strategy to limit the costs of taxpayer-funded health schemes—and the harm that increases in taxation may do to a government’s electoral prospects.

A critical result of this focus on prevention is that while the traditional role of the law was to intervene only when the actions of one individual threatened another, intervention now increasingly occurs when individuals harm themselves or they are harmed by chance (through the fault of no other person). Now, issues such as smoking, alcohol and obesity have been added to governments’ agendas.

The end result is a programme of social control masquerading as health promotion.

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Obviously, the role of the medical profession in these health promotional activities is critical. The concept of health as the new religion fits well with the bias of most physicians; physicians are generally comfortable with the idea that a happy and virtuous life must necessarily equate with a healthy one. Nothing is more important, that is, than good health and any choice that is inconsistent with the maintenance of good health is a bad choice.

But health preventive activities do not, of course, prevent the occurrence of illness. In many cases they merely delay its appearance. The emphasis placed on preventive care has also resulted in the introduction of a large number of new Medicare item numbers and incentive payments through which medical (and non-medical) practitioners are increasingly able to access the public purse. This has resulted in a windfall for many practices as the use of computer templates and the judicious employment of ancillary staff has enabled the generation of the paperwork necessary to access the not inconsiderable funds on offer. Where such interventions were necessary in the past, of course, they were done without these item numbers—and whether anything further has been achieved by their extensive uptake is extremely doubtful. The financial benefits, however, have provided considerable (and much needed) rises in the income levels of many practitioners—particularly those working in large group practices.

Doctors are now paid by the government to disseminate and act upon health promotional messages which (they may or may not know) are often of dubious validity and, rather than concentrate on people who present with a particular illness, much of their precious time is now taken up in doing ‘check-ups’, getting patients to fill in questionnaires and dealing with anxious patients who want to be screened for some illness that they have heard about and think they might or could have.

In those cases in which the patient does present with a particular malady, the doctor invariably raises some additional matter that is on his agenda (often because of the related payment incentives) but not on the patient’s.

Much of this activity is facilitated by the medicalisation of life so that the government may justify exercising control over all aspects of it. By describing health in a meaningless, content-free way such as a ‘state of complete physical, mental and social well-being’ and by classifying behaviours (such as eating or drinking too much) as ‘diseases’, what was previously the province of personal choice has become the province of the medical practitioner.

Where people may be held responsible for unacceptable ‘behaviour’ they cannot, or so the argument goes, be held equally responsible for some ‘disease’ or ‘illness’ from which they suffer. As Thomas Szasz once noted, there is never a question about whether a particular individual may actually like and choose to drink, smoke, take drugs or be overweight—the patient simply suffers from a ‘disease’ and must be treated.

A good general practitioner is now expected to actively enquire about the sex lives of patients, whether they might be subject to domestic abuse or engaged in child abuse, whether they smoke, gamble or drink or take forbidden substances and so on and on.

Answers to some of these questions could result in referral to a range of authorities, including the police. These referrals, furthermore, may be based not on what a patient is known to have done but on what he might do or might have done. Individuals may be reported on scant evidence—often because scant evidence is all that is required, or reporting is mandatory, or there are significant legal risks for the physician attendant upon failure to report.

Governments, for their part, are very pleased to be able to make use of doctors to perform these tasks; doctors are well placed to carry out surveillance and deliver the messages approved by government and its agencies, since so many citizens see their doctor at least once a year. Who better than their friendly physician to ferret out what patients are up to, advise them about the wisdom of their choices, refer dissidents for counselling, or report them to the appropriate authorities?

The theme for this year’s Family Doctor Week (22–28 July) was Your GP: Part of the Family. However, as a result of the changing nature of medical practice, your GP, rather than being a part of your family, has, to a significant extent, been converted into an agent of the government.

As doctors have moved away from being paid by the patient to being paid by the government, they have moved from having a commitment to the patient to having a role in tackling the problems of ‘society’.
Instead of treating illness and respecting the autonomy of the individual and the privacy of personal life, they are increasingly expected (and financially manipulated) to conform to the dictates of political correctness. Rather than simply presenting the facts (as currently known), physicians have become the guardians of public morality, interrogating patients about their lifestyle choices, making them feel guilty about making ‘bad’ choices and acting not to satisfy the patient’s wants but to satisfy the demands of the state.

While many patients have come to accept that this is a proper role for the doctor, others have come to regard their doctor with some apprehension—even with hostility and suspicion. Many find these questions impertinent and simply none of the doctor’s business—particularly when they come, as they often do, from someone who is younger and less mature than the patient being interrogated.

When doctors believe that it is a part of their job description to enquire actively into a patient’s sex life and so on, to inform on their patients and to collaborate with the local police and a whole range of other government agencies, it is not surprising that many patients become abusive and even physically violent.

Some of the most serious attacks have occurred when practitioners have been acting in the role of the government’s drug police. Surprisingly, many practitioners are actually keen to extend this kind of role through capitation and fundholding schemes—several of which are currently run by the General Practice Network (formerly Divisions of General Practice).

Roughly speaking, these are schemes whereby the health care needs of individual consumers in a particular geographical area are funded through access to a managed pool of funds. The managers of these funds then become the subject of consumer anger when they must be rationed in some way. Government is, of course, happy to have somebody else appear to be responsible for these kinds of decisions.

It is natural, therefore, when doctors are increasingly seen to be aligned with government rather than with their patients, that patients should be more inclined to vent their frustrations on doctors. And these frustrations must inevitably increase as it becomes increasingly difficult for individuals to live the lives they choose—because, for example, they are not permitted to exchange a shorter and less healthy life for a more enjoyable one when taxpayers bear a large proportion of the costs of an individual’s unhealthy choices.

This does not mean, however, that medical confidences should never be broken or that doctors should not engage in health promotional activities. Instead, it needs to be recognised that the doctor–patient relationship has been progressively poisoned as control of the relationship has shifted to the government.

It is not at all evident that the changing role of the doctor has been for the better, either from the perspective of the individual or of the community as a whole. When doctors are expected to manage the social as well as the medical complaints of their patients, it is little wonder that their relationships with patients can be torrid—and that they may be subject to abuse and attack. Not only have these changes placed doctors in harm’s way, but they also have a great deal to do with the workforce ‘crisis’ which general medical practice now faces.

All of this brings us back to the ‘non-specific’ link between violence towards physicians with increasing violence in the wider community. In fact, there is nothing non-specific about this link at all.

Violence towards physicians is simply another manifestation of the incivility and anti-social behaviour that a number of authors have identified in relation to the welfare state.
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James Buchanan—the founder of the Public Choice School in economics—has recently re-released his autobiography. First published in 1992, Better than plowing and other personal essays related the story of how a poor farm boy from Tennessee made his way in the world and had come to win the economics Nobel Prize. This year, Buchanan published Economics from the outside in: ‘Better than plowing’ and beyond. The first twelve chapters are reproduced from the 1992 book and another four chapters make up the new book. As always with Buchanan, it must be read carefully to capture the full meaning and nuance.

Do academics add value?
Buchanan makes the argument, in his final chapter, that ‘there is no ordinary quid pro quo between the academian and the institution, organization, or person for whom he nominally “works”, and who pays his salary….’ This is not an unusual attitude amongst academics. Henry Rosovsky, emeritus professor and former Dean of the Faculty of Arts and Sciences at Harvard University, relates a story about the famous historian Ernst Kantorowicz (1895–1963) who refused to take a McCarthy-era oath of loyalty required by the California University system. Professor Kantorowicz refused not because he held strong views about McCarthyism itself, he may well have, but because he argued that professors should not be considered employees in the usual sense. Rosovsky opines that ‘professors have the income of civil servants but the freedom of artists’.

Buchanan is responding to the argument put by the late Robert Staaf of Clemson University, ‘that academic life is fraudulent, that all of us are engaged in a gigantic shell game aimed at the exploitation of the general public’. Buchanan, of course, does not agree with Staaf—academic life is not fraudulent—but, more importantly, he also does not agree with the more common arguments for public funding of universities and public research. Buchanan argues that the notion that academics produce research as a by-product of advanced teaching is an argument that ‘must be rejected out of hand’. The academic, Buchanan says, struggles with ideas themselves and observers (that is, students) are irrelevant to that struggle.

Another argument that Buchanan partially rejects is the well-known down-stream benefits argument. Some practical benefit will come out of university research at some point in the future and so we should subsidise it now. (I wrote about the myths of infinite return and unfettered research in the December 2006 issue of the IPA Review.) Buchanan argues that this argument could only be true in the sciences, but never in the humanities. In the end, Buchanan argues that people aspire not to satisfy their existing wants, rather they aspire to better wants and this is the role of the ‘thinking classes’ and ‘scientist-philosophers’—helping people to aspire to better wants. Consequently, ‘society at large’ is willing to support universities. This is a fine argument, to be sure; it may even be correct. The difficulty relates to the notion of ‘society at large’. How individuals choose to spend their own after-tax income is their own business. Universities, however, expect to be supported out of individuals’ pre-tax income. It is not at all clear that the taxpayer should be funding the idle speculation of academics. This criticism is made somewhat difficult by the fact that Buchanan himself has been unusually prolific in his career and is widely considered to have been an excellent teacher. As he says, ‘The fact that my interests were always well within the boundaries of academic propriety gave me the sense of openness required for energized effort’.

Adam Smith, an academic for most of his life, had a poor view of universities. He took the view that universities need not be funded by the taxpayer—indeed, he suggests that taxpayer funded universities are likely to do a poor job at educating students. He tells us that professors at Oxford have ‘given up altogether even the pretense of teaching’. Smith held the view that universities should teach.

In order for people to earn an income, Smith argued that they

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need to ‘execute a certain quantity of work of a known value’ and, in a competitive environment, must do so ‘with a certain degree of exactness’. As regards academics, Buchanan seems to disagree with this statement. How would anyone ever know the value of academic work? This, of course, is always an important question. In the absence of a market, value can never be determined with any accuracy.

Smith then explores how academics might be monitored. The most obvious form of monitoring is self-monitoring, or peer-review as it is known in academic circles. Peer-review for research purposes probably works better than any other method, yet it is not without its problems. Yet, in general, as Smith suggests, academics are likely ‘to be all very indulgent to one another, and every man to consent that his neighbour may neglect his duty, provided he himself is allowed to neglect his own’.

A second mechanism whereby universities and academics are monitored is by some external body such as government. Here all the external body can do is specify the hours taught or the subject taught. Brendan Nelson was opposed, for example, to ‘cappuccino’ subjects. The external body cannot actually ensure diligent teaching. Smith argues that this type of monitoring will be ‘exercised both ignorantly and capriciously’.

Paying customers, however, are unlikely to tolerate poor behaviour. Smith makes the point that teaching is best where there are no public institutions. For example, when a young man ‘goes to a fencing or a dancing school, he does not indeed always learn to fence or dance very well; but he seldom fails of learning to fence or to dance’. In short, if people’s livelihood is independent of their efforts, they will often—but not always—tend to do less rather than more. Smith makes this point very strongly in the case of universities.

**The possibility of paying customers**

Paying customers are a foreign concept at Australian universities. Indeed it is mostly foreigners who pay for their university education. The notion of fee-paying Australian students has met with much resistance from academics, academic unions and some political parties. There are many arguments against the notion that students, or their parents, should pay for their own education. Yet few ever consider that paying customers would demand better education.

George Stigler has argued that ‘all public aid to higher education for teaching should be given to students, not to universities’. Stigler, known for his dry wit, recognised this to be a ‘dangerous proposal for what the economist calls “consumer sovereignty”’. Some might be tempted to argue that the Higher Education Contributions Scheme (HECS) is indeed such a proposal. That, however, is not the case. HECS is a loans scheme, not a voucher scheme. The government strictly controls the number of HECS places and the distribution of those places.

Universities should have to earn their way in the world by collecting money from paying customers—just like every other organisation does. Some of those paying customers may be happy to pay on the basis that ‘philosopher-scientists’ create better wants. Other paying customers may be happy to pay for the education they receive. Importantly, satisfied alumni are likely to make financial contributions to their alma mater, whereas dissatisfied paying customers may make no such contribution. Indeed, HECS may crowd out alumni donations in Australia. Although Australian universities have commercialised over the past 20 years, consumer sovereignty is still to be introduced.
In November 2007, the United Nations (UN) released the last of its much publicised fourth series of expert reports on climate change, with a comment from Secretary-General Ban Ki-Moon that the report’s findings are more terrifying than the worst-case scenario in a doomsday film. It is hard to reconcile the Secretary-General’s comment with the substance of the report.

But then again, when it comes to climate change, the hysteria appears to continually trump substance. In the same way that many people are thrilled by a good doomsday film, we seem to have become caught up in the drama of an imaginary climate crisis.

Type the two words ‘climate crisis’ into Google and the first link is to the film *An Inconvenient Truth*. The film, about how the earth is being destroyed by greenhouse gases, not only won Al Gore a Academy Award in the documentary category but also the 2007 Nobel Peace Prize. Its website explains how we can take action as individuals to reduce greenhouse gas emissions—including by running our dishwashers only when there’s a full load. If only I had a dishwasher!

Then again we don’t have a climate crisis—at least not in Australia. The evidence for this comes directly from Bureau of Meteorology records on cyclones, rainfall and temperature over the last 100-or-so years.

### Cyclones

There has been little overall change in the number of cyclones in the Australian region since 1910, but there has been a shift to more intense systems—particularly category four and five cyclones. According to the Bureau of Meteorology, over the Southern Hemisphere as a whole, the number of cyclones has increased from the 1950s but there has been little change since around 1970.

Cyclones have the potential to wreak havoc. On 10 November 2007, *The Australian* published an article entitled ‘Australia facing worst cyclones in years’. It began, ‘Australia should brace itself for the worst tropical cyclone season since 1998/1999’.

### Rainfall

There was good rain in Brisbane during 1998/1999. The city is now running out of water because of a dramatic increase in population, a lack of investment in new water infrastructure and the absence of the cyclones which once brought downpours that filled the catchment dams.

Not a day goes by without some reference in the Australian media to water restrictions in our cities and the drought gripping the Murray–Darling Basin. Is this evidence of a climate crisis?

This year many regions received good autumn rain—there was even flooding in the Hunter Valley. Large areas were planted to wheat in the Murray–Darling Basin. But there was no follow-up rain, so crops failed—particularly in western NSW. It was a cruel blow to many farming families.

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and so the drought continues despite the earlier prediction from the Bureau of Meteorology that La Nina conditions could bring good winter rain.

The Murray–Darling Basin Commission’s latest ‘Drought Update’ states that rainfall (July–September) over much of the Basin has continued to be below average or very much below average, with patches of ‘lowest on record’ in northern NSW. Water flowing into rivers over August and September has receded towards the record low levels of 2006 and system storages are lower than this time last year.

Regrowth from the 2003 bushfires, more plantations of blue gums and almonds, combined with more farm dams and more water recycling has further reduced the amount of water running into rivers and streams in the Murray–Darling Basin. So there is a severe water shortage, although it is partly demand-driven, and it may get much worse if it doesn’t rain soon. But the long-term rainfall record for the basin shows no sudden downturn. Rather, we are going through a very dry patch.

**Temperatures**

There has been a general warming trend, globally and in Australia, over the last 100 years. At the beginning of this year, the Australian Bureau of Meteorology announced that, last year, 2006, was the eleventh warmest on record since comparable temperature observations become available in 1910, with an annual mean temperature 0.47°C above the standard 1961–1990 average.

The Bureau also commented that despite record warm daytime temperatures in the drought-affected southeast, last year was cooler than the previous year (2005) when averaged across the whole country. This was attributed to a very active tropical wet season resulting in cooler temperatures through the north, and clear skies associated with the drought in the south—resulting in cold overnight temperatures from April to July. The annual mean maximum temperature was 0.60°C above average (ninth highest), while the mean minimum temperature was 0.34°C above average (seventeenth highest). Temperature anomalies varied throughout the year, but spring 2006 was particularly warm (+1.42°C), being Australia’s warmest spring season on record.

Given that climate always changes—the earth is generally either warming out of an ice age or cooling into one—the warming over the last 100 years is nothing out of the ordinary.

**Conclusion**

One should never take the climate for granted. Next year, the drought may continue in the Murray–Darling Basin or it may start raining at Christmas time with flooding in August 2008 as bad as that experienced in 1956. I use the word ‘may’ because I don’t know what the future holds, but given the available data, I can confidently conclude that we are not now experiencing a climate crisis.

The United Nations first started publishing climate change reports in 1990. More than two decades later, these reports are still equivocal about the extent and the reasons for what has become known as ‘global warming’. But the hype surrounding the release of each report has intensified, with the UN Chief describing the most recent report as ‘terrifying’. This report will be the focus of international discussion in Bali in December with undoubtedly more dramatic media headlines. There will be very public politicking as those who believe in the doomsday scenarios insist that dramatic cuts are made to greenhouse gas emissions, particularly in countries such as Australia. And it is likely that, as perception continues to define the political reality, there will be more serious demands made on us as individuals—not just that we fill our dishwasher completely before turning it on.
CUBA
CORREOS 1968

COMANDANTE
ERNESTO GUEVARA

"HASTA LA VICTORIA SIEMPRE"

OCTUBRE 8 DÍA DEL GUERRILLERO HEROICO
What’s the appeal of “totalitarian chic”?

In politics there have been many powerful symbols, but few have crossed over from politics into popular culture like Albert Korda’s photograph of the ‘heroic guerrilla’, Che Guevara. The image sells and has been emblazoned on a diverse range of objects from clothes to piggy banks. Guevara’s image has come to represent rebellion and has achieved a recognition that few political activists have. Yet Guevara’s life and works were hardly the sum of his so-called political achievements. Guevara was an enthusiastic and deluded Marxist revolutionary with a penchant for executions, making his status as a political hero questionable, particularly when there are so many more deserving.

Lately, a cadre of anti-Guevara activists have become quite vocal in their disdain for Guevara and the status he has achieved. One of his most vocal critics is the Cuban exile, Humberto Fontova, who recently published Exposing the real Che Guevara and the useful idiots who idolize him.

As a child, Fontova’s family was separated as they tried to flee the (then undeclared) new communist nation. His family was eventually reunited when they arrived in the United States, but Fontova is incapable of letting those he holds responsible for their exile get away unscathed. His book is designed to tear apart the credibility of the man who he believes responsible for so much of the past and contemporary hardship of the Cuban people, while also taking a swipe at the ‘useful idiots’ in the United States who dutifully, but unthinkingly, revere his image.

But Guevara is not the only murderer in history who has achieved significant public support after their passing. Despite being responsible for up to 70 million deaths, Chairman Mao still enjoys reverence amongst large sections of the Chinese people. The Politburo now only pays lip service to his legacy, but he is still glorified in public mosaics and buildings throughout the country.

Stalin enjoys similar treatment. Stalin once famously had the census-takers shot after they reported that 30 million people had died under his regime. Yet today he still commands considerable respect amongst the Russian people. His years of power often generate respect amongst a population which appears more content with the certainty of totalitarianism than the unpredictability of freedom.

The Kims of North Korea have also built cult followings within their realm. However, any cult status achieved in the West is for their quirikiness, as portrayed by the Kim Jong-il marionette in the film Team America: World Police.

But only Guevara’s image has managed to transcend politics into popular culture. Ironically, his stature is highest in the countries to which he was most passionately opposed.

In a recent article in the Washington Post, journalist David Segal argued that an image of Guevara in an art exhibition was demonstrative of his cult status—‘Che is politics’ answer to James Dean’. But Guevara is not Dean: Che was very much a rebel with a cause.

Yet, as Fontova argues, Guevara was hardly the anti-materialist, harbinger of peace that many Hollywood celebrities would like him to be. Guevara was killed by Bolivian troops, with support from the CIA, during his attempts to stir up a revolution in Bolivia. Following his capture, Guevara accepted that he had executed up to ‘a couple of thousand’ people. Documentation is available to prove that he executed at least seven hundred. Furthermore, Guevara hardly rejected materialism: proudly owning Rolex watches and living in mansions in the most exclusive parts of Havana.

Guevara’s image is often used to evoke rebellion against the established order and few would doubt that the ‘heroic guerrilla’ was also not afraid to use violence to achieve his aims. Yet Fontova points out that Guevara’s life is largely a myth cobbled together to maintain the legitimacy of his status. In particular, most of his fans and critics know Guevara as a guerrilla who used his military skills to help Castro take Cuba. But Fontova shows convincingly that Guevara’s military career was a mirage perpetuated in the magazines and newspapers of the West. During the Bay of Pigs invasion, Guevara was fooled and diverted by a CIA plot which involved fireworks, mirrors and the playback of a recorded battle. His involvement in the defeat of anti-communist rebels was to arrive at the real battlefield on the final day after the rebels were essentially defeated. The irony is that despite not seeing a real battlefield he still suffered injuries—he accidentally shot himself.

Equally, during the Battle of Santa Clara, where Che’s forces overthrew the Cuban Batista regime, the US print media claimed that one thousand people were killed. However, as Fontova details, the Batista troops gave up with little struggle and only one person was killed.

Rather than a military victory, Castro’s success in Cuba was more a public affairs

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Throughout and following Castro’s and Guevara’s takeover of Cuba, The New York Times often ran stories recognising their significant military achievements against the Batista rebels, despite it now coming to light that most battles involved few shots, let alone casualties.

What is clear is that Guevara, like Castro, has achieved his cult status despite his failures and the pain that he inflicted. It would be more appropriate to argue that Guevara was less the ‘heroic guerrilla,’ and more the ‘artful dodger’.

How has Guevara successfully escaped his reputation, well described by one of his friends as that of an executioner who engaged in ‘bloodletting for its own sake’? Is Guevara’s appeal based simply on the idealism that he portrayed (outside of the execution chambers) to a youth market waiting to be led? Or was the ‘Heroic Guerilla’ just an image that prints well and communicates a subconscious message?

What is perhaps of interest is that there is no conservative idol. There is no conservative pop icon that enjoys unparalleled support amongst young people and movie stars.

Perhaps the closest ‘icon’ conservatives have to an idol is the former President of the United States, Ronald Reagan. Particularly in US politics, candidates now actively invoke the spirit of Reagan to secure elections. The current Republican Presidential Primary is filled with candidates who all claim to be the heir to the Reagan legacy.

Guevara was a man of many words and he often spoke in crusading language when he talked about the success of communist Cuba and his interest in overthrowing the United States. Equally, Reagan evoked very strong language in defence of the United States, conservatism and the justification for the overthrow of the Soviet Union. Both leaders also spoke about sacrifice in achieving their stated goals.

Both men also tapped into the imaginative psyche of their audiences. Guevara’s imaginative appeal appears to have been established long after his passing, aided by a number of hagiographies and a gullible media.

The capacity for Reagan to tap into the imagination of the American people was the topic of Richard Reeves’ book, President Reagan—The triumph of imagination. Reeves depicted a political leader who understood the value of words as well as action, and who understood the need to articulate a future of hope for his audience. Reeves’ argues that, after Reagan’s passing, conservatives romanticised his Presidency and achievements beyond reality.

The period between his death and his burial supports this view. Reagan’s demise gripped the United States—there was a week of mourning and his body was on display 24 hours-a-day in the Capitol Building. The long hours were uncommon but necessary to clear the hordes that attended to pay their respects.

Reagan also remains the only conservative political hero to have his ideology endorsed with a moniker—Reaganism. Reagan had clearly tapped into the imagination of the American people and has been revered despite the gulf that separates the day-to-day details of his Administration from the legends that now surround him.

Despite his success, Reagan has not achieved the same degree of celebration that Guevara has: he hasn’t appeared in fashion houses or been tattooed on an unmentionable part of Angelina Jolie’s body.

The image of Reagan at the rally in support of Senator Durenberg, with his weathered face and stiff posture framed by a sea of American flags, is the closest photograph that encapsulates the image now portrayed of Reagan—a stoic, uncompromising crusader. Yet it has only made its way onto t-shirts on conservative websites and the occasional political memorabilia store in Washington DC.

Perhaps it is their defeat that makes their memory fashionable. Purchasing pro-communist memorabilia is not limited to naïve celebrities and left-wing political activists who are capable of turning a blind eye. Conservatives often buy communism’s memorabilia for its chic value. I confess to owning North Vietnamese propaganda prints, and North Korea is one of the top ten destinations to which I want to travel. If it is defeat that transforms communism’s face into pop-culture, perhaps we should be celebrating Guevara’s t-shirts.
At the heart of the Trade Practices Act is Section 45. Over some 20 pages, this section explains the illegality of businesses conspiring to fix prices or otherwise diminish competition in a market. Issues concerning combines, or cartels of firms which avoid competing with each other and share the market, have been brought to prominence in Australia with the acknowledgement by Visy and Amcor that such agreements had been made and were current, at least between 2000 and 2002. This has given new impetus to the role of the Australian Competition and Consumer Commission (ACCC) in uncovering such agreements.

A phrase of Adam Smith’s is frequently the starting point for people favouring government control over cartels. Smith maintained that, ‘People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.’ What those invoking Smith’s authority rarely point out is that Smith went on to counsel against intervention by the authorities, saying: ‘In a free trade an effectual combination cannot be established but by the unanimous consent of every single trader, and it cannot last longer than every single trader continues of the same mind.’

Over the past century, the existence of suppliers’ market power, its endurance and the appropriate role for government in controlling it have been major issues for economic and political analysts.

Legal measures to control or prevent monopoly come under the title ‘antitrust’, an American term dating from the nineteenth century for laws that originally targeted firms such as the successful Standard Oil enterprise built up by John D. Rockefeller. In fact, Standard Oil was by no means the ruthless price-boosting monopoly that has been depicted. Its share of refining capacity was under pressure from major rivals such as Shell and Texaco and it fell from 82 per cent in 1899 to 64 per cent at the time of its break-up in 1911. Prices of kerosene (the main petroleum product) fell precipitously during the period of Standard Oil’s industry domination.

Standard Oil was not the last firm to come under unjustified regulatory attack. Many high profile businesses are now seen as having been ludicrously targeted in light of the obvious lack of market power that was revealed by commercial processes. Modern-day victims of the regulatory agencies have included large firms, for example, GM and IBM, both of which faced years of scrutiny and legal action before claims about their monopolistic abuse collapsed in the face of market positions that had crumbled under the weight of competition. Microsoft and Google are now the targets of this regulatory aggression.

It is argued with some cogency that individual firms that have achieved market domination bring benefits involving economies of scale that are far less likely in the case of market domination by inter-firm agreements. Cartels are, accordingly, lacking an important attribute that an individual monopolist might have. Cartel agreements are of greatest importance in Australia where there is no provision to break up a dominant firm once it has reached such a market position (although there is provision to prevent that being achieved through takeover activity).

Economic analysis of cartel issues tends to fall within two schools. Legal authorities such as the ACCC and many economists maintain that there is a great deal of collusion taking place and that prices across many product areas are much higher as a result. In this respect, one writer in the Australian Financial Review this year (13 October) reported the current Chairman of the ACCC to have said, ‘If I can find an industry where they were not involved in, I will tell you.’

Others are sceptical. They argue that some unique circumstances are required for a cartel to hold together. Among

Many high profile businesses were ludicrously targeted by anti-trust laws, in the light of their obvious lack of market power.

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these is an inability of firms outside the cartel (attracted by the high prices and profits that the cartel is creating) to enter the market. Such entry undermines the cartel and forces its collapse. Of course, where such entry is forbidden and the cartel enjoys other support from government, as was the case in the long-standing Australian domestic airline cartel, its existence can be enduring. Even where entry is difficult—because, for example, it requires some scale economies and the building of a reputation—cartels will often be vulnerable because the partner firms are likely to have different costs and marketing aspirations and will frequently cheat on each other.

The most comprehensive studies of cartels have been conducted at Purdue University by John Connor and his associates. In a 2005 paper, ‘Price-Fixing Overcharges’, Connor examined data on 237 cartelised international markets covering 512 episodes. From this meta-analysis he estimated that overcharging was 25-30 per cent on average (one study he drew from conducted by the OECD may have been more rigorous, but still put the level at 15 per cent).

Connor believes that cartels are pervasive and he is generally in favour of more vigorous government intervention to enforce competition. His analysis does not attempt to estimate the longevity of the price distortion of the cartels—although it does suggest that some persisted for decades. Moreover, the counterfactual is not easy to assemble. How do we judge what the excessive price has been? Often industries that are relatively concentrated (as is almost mandatory for those where firms can agree to subdue their inter-firm rivalry) see some price volatility as competitors jostle for market share. After an agreement has collapsed, a spate of price-cutting would be expected and prices can fall to marginal costs (and below) for certain periods.

In this respect, analysis is made more difficult because economics has never provided a useful guide on how prices are actually set. Marginal costs are sometimes used to define where firms should offer product, but this cannot be useful as a price determinant except as a possible price floor in cases where the market is highly over-supplied. Thus, nobody would claim that cartelisation occurs in the car market, yet cars, which embody a high fixed-cost component, normally sell for at least twice their marginal costs.

Connor makes some curious statements in his analysis. For example, he argues that if cartels are charging a price sufficient to allow the highest cost member to be profitable, this proves that all others are making ‘economic profits’ and overcharging. In fact a dispersion of costs across an industry is almost inevitable, with some firms earning far more than others. Even in highly disaggregated
There is no evidence that the industries that are alleged to be prone to cartelisation have experienced lower productivity or that their customers have been markedly disadvantaged.

supply cases such as wheat, at any given world price, the most marginal suppliers are likely to be barely profitable, while some suppliers will earn high profits.

No piece of work has attempted to analyse these cases from the sceptical perspective. The issue for most of those who are wary of government involvement is the degree to which cartels actually boost prices above competitive market levels. Dominick T. Armentano, in his 1986 monograph Antitrust Policy: The Case for Repeal, appears to favour no law restricting cartels, but this would mean no restraint on measures like sellers’ rings parcelling up contracts in areas where few suppliers are qualified. At the very least, the absence of legal constraint on firms striking anti-competitive agreements would mean more of them would exist and they would have far more potent effects if the next logical step were to be made—namely, allowing such agreements to be judicially enforceable.

There are those who argue that, instead of agreements on price being disallowed per se, the ‘rule of reason’ should apply to all such agreements. While provision is available for the ACCC to allow agreements, this must be subject to considerable prior analysis and be open to scrutiny. No such agreements have been registered in recent years.

Shipping conferences—associations of shipping firms to set rates and schedules—are one sort of cartel that many consider to be benevolent, although this was not a view shared by the ACCC or by a recent Productivity Commission report. They are covered by specific provisions (Part X) in the Trade Practices Act. Many shipping conferences simply attempt to coordinate sailings in such a way that frequency and reliability is facilitated and, as such, are clearly pro-consumer. Others attempt to fix rates and share the market, but none of these endure—the different costs, rivalry and the ability of non-conference competition to poach trade ensures that such measures cannot diverge from market rates for very long. By and large, Australian governments have taken the view that trying to prevent these attempts at market-sharing would undermine other advantages that the Conferences bring in terms of greater frequency and reliability of sailings, coordination and risk-sharing.

The invariable instability observed with shipping cartels was also seen in the Visy/Amcor agreement. Visy used the agreement to shed unwanted customers (those that were seasonal and unprofitable for other reasons) while chiselling away at the more valuable elements of Amcor’s customer base. During the course of the agreement, Visy’s market share grew from roughly 50/50 to 55/45, with Amcor’s share bolstered by being burdened by the less valuable customers.

Neither price falls nor major shifts in market shares are characteristic of traditionally described cartels. If, as seems to be the case, the agreement largely clouded a different form of competition through which Visy continued to attack those of Amcor’s markets that it valued, does this constitute an agreement to defraud the public? It is by no means illegitimate for firms (or political parties or football teams for that matter) to deceive their competitors. Indeed, secrecy and deception are major parts of the competitive armory.

The issues therefore revolve around the following questions:

- Are there cases where cartels may proffer advantages as are generally accepted by most governments in the case of shipping conferences, some of which also have price agreements?
- Should it be illegal to offer to enter into price/production agreements even if there is no intent to abide by them?
- If agreements are as widespread as are asserted by the ACCC Chairman, should there be a major increase in funding for regulatory agencies to combat them? (While this is doubtless a view of the agencies themselves, they are not disinterested parties. Furthermore, increased activity and funding by regulatory agencies is likely to bring about the sort of misplaced aggression that has been seen in the US and in Australia where, for example, the ACCC has used imaginary data when trying to pursue cases against petrol retailers.)

Finally, those who believe that cartelisation is widespread need to identify just how great the detrimental effects have been. There is no evidence that the industries that are alleged to be prone to cartelisation have experienced lower productivity or that their customers have been markedly disadvantaged. Moreover, if the level of cartelisation has been and remains pervasive, this does not appear to have been accompanied by lower levels of productivity for economies as a whole.
Theft?

What has been stolen?

Sinclair Davidson, Alex Robson & Chris Textor

Cartels are theft, usually by well dressed thieves.


The defining characteristic of theft is that it is a non-voluntary transfer of property rights. How is a price-fixing cartel similar?

Cartels do not obtain wealth directly by force. Consumers voluntarily agree to pay the price that is charged. Trivially, price-fixing is not theft in the usual sense of the word.

Exchange lies at the heart of all economic transactions—even those involving cartels. Parties give up property rights over certain goods in order to obtain rights over others. Both want to give up as little as possible in exchange for as much as possible. There is nothing immoral about the desire of each party to obtain a rate of exchange that favours them.

Of course, some prices are obtained as a result of coercion, duress, or other forms of pressure (such as blackmail or extortion). But a cartel does none of these things. It never forces consumers to agree to a particular price or transaction. Because the price paid is always voluntary, price-fixing is not theft in this weaker sense.

What about other, less direct forms of ‘theft’? Cartels do not defraud consumers or engage in any form of deceptive conduct or deliberate or negligent misrepresentation which would make consumers less well off after the exchange than they initially anticipated. Consumers receive exactly the benefits from exchange that they thought they would.

Perhaps it is the secret way in which prices are determined in a cartel that is bothersome. But all companies choose their prices in a way that could be deemed ‘secret’. Indeed, consumers do the same thing, and individuals do likewise when they negotiate wages. Secretly determining your desired rate of exchange does not violate anyone’s property rights.

So much for theft. But is a cartel unfair? Ownership of a bundle of property rights does not entitle the holder to consume the goods of others at an arbitrarily determined ‘correct’ or ‘fair’ price. Thus, cartels do not violate that property right either—since no such right exists.

When a consumer buys from a cartel, he does not receive fewer benefits than he anticipated; nor do producers receive more benefits than they anticipated.

Indeed, the expectations of both parties are completely fulfilled. A price does not suddenly become ‘unfair’ just because one or both of the parties in retrospect would have liked it to be different. In that case, we could abolish all trades, since consumers and producers always would have preferred a different price, even at the time of agreement.

Is it unfair that firms profit by charging ‘high’ prices? Consumers would always like to pay lower prices. So, irrespective of whether a firm makes a profit or not, there will never be a price that is not ‘too high’. In any case, is the enjoyment of the profits of mutually beneficial exchange (even when they are not shared evenly) really immoral or evil? In that case, no mutually beneficial or ‘profitable’ trade would ever be allowed.

Perhaps the worst that can be said about a cartel is that by charging a ‘high’ price, it may leave some gains from trade unexploited. Some resources may not move from low- to high-valued uses. In other words, the cartel misses out on some profit. But that hardly qualifies as ‘theft’ or as being ‘unfair’.

Price-fixing only involves a violation of property rights when participants are protected by government regulation or artificial barriers to entry. For example, in most modern economies, the largest and most extensive cartel is organised labour. Unions bid up their members’ wages and then try to prevent non-members (‘scabs’) from working at a lower wage.

Unions are protected by minimum wage laws and other labour market regulations that are designed to help them achieve this goal. But here it is the property rights of ‘scabs’ or potential entrants that are violated. And it is the government that violates their rights by erecting these artificial barriers, not the union itself.

In summary, cartels are not thieves, and are not ‘unfair’. On the contrary, in a free society, firms should be permitted to ask whatever price they wish. Nobody is forced to agree to this price. Outlawing price-fixing is a violation of private property rights. Preventing price-fixing is theft.

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Louise Staley reviews

Nanny State: How Food Fascists, Teetotaling Do-Gooders, Priggish Moralists, and Other Boneheaded Bureaucrats Are Turning America into a Nation of Children

by David Harsanyi

(Broadway, 2007, 304 pages)

B
oose, smokes, porn—the usual suspects—are joined by trans-fats, cheerleaders and jungle gyms in the long list of life's pleasures being regulated out of existence by an ever-expanding government in Nanny State: How Food Fascists, Teetotaling Do-Gooders, Priggish Moralists, and Other Boneheaded Bureaucrats Are Turning America into a Nation of Children by David Harsanyi.

David Harsanyi's book is an amusing tour of the worst excesses of the Nanny State.

His examples are appropriately bizarre, such as the legislation drafted by Californian congressman Doug Ose to control swearing on the airwaves, which sets out in excruciating detail which words, hyphenated compounds, and other grammatical forms are banned. Or the 50-year-old being asked for his ID in a Kentucky bar because a 70-year-old had successfully sued on the grounds of age discrimination when he wasn't asked.

Apart from that small and virtuous group called libertarians, everyone else is a target for Harsanyi. He saves particular scorn for what he sees as the inherent hypocrisy of moral conservative crusades against porn, Internet gambling and Janet Jackson's nipple, while simultaneously promoting less intrusive government as a political ideology. However do-gooders of the left are named and shamed in greater numbers for their multitude of Nanny State interventions. For those opposed to excessive regulation, it is always tempting to highlight the overlap of conservatives and the left. But this is a cheap shot without at least attempting to explain the motivations of both groups.

It may be that the conservatives causes (porn, gambling, drugs and prostitution) are the last faint echoes of what was previously a full-blown symphony of control, while the regulation of the left is just beginning in limiting individual choices.

The proper limits of regulation and the symbiotic relationship that much of the new regulation has with risk avoidance raise tons of questions that would make for a fascinating book, but this is, unfortunately, not that book. Nanny State is long on examples of nanny-state regulations, but is disappointingly short on analysis and argument.

Over the past 30 years, the nature of regulation has changed markedly in all developed societies. In Australia, shop trading laws were heavily restricted in all states, price controls existed for many foodstuffs, such as milk, eggs and bread, and monopoly providers delivered telecommunications and electricity. In addition to economic controls, abortion was illegal, homosexual sex was against the law and married women were barred from working in the public service.

It would be a mistake, therefore, to regard the more recent past as a golden age of freedom. In many important respects, individuals have much greater freedoms now than they did in the past; both in how they choose to live their lives and in their economic freedoms. The nature of what might be called regulation of the personal sphere is, however, changing. The religious basis for laws relating to temperance, abortion, homosexuality, and mixed-race relationships has given way to ever-increasing state paternalism. In the past, certain behaviours were seen as morally wrong, now new laws are passed ostensibly to protect others from our actions and increasingly to protect us from ourselves.

Why this is occurring in the personal sphere, at a time when the limits of regulation in the economic and moral spheres are receding, is immensely interesting. For the first time in human history, people in developed societies are free to make many fundamental life choices: in fertility, sexuality, and timing of death, yet at the same time are losing the choice to smoke, to eat certain types of food, to drink alcohol when pregnant. How this reversal of the traditional approach—that is, regulating others from our actions and increasingly to protect us from ourselves—will pan out for individual's lives is still unknown.

This book has much to recommend it as a handy and enjoyable compendium of some of the most excessive examples of law-making. No case can be proved by example, however, so Harsanyi's claim that the rise of this new regulation stops people learning common sense and lose the capacity for personal responsibility remains open to attack from the equally possible examples of people behaving with immense stupidity.

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The history of food hints at its future

Agriculture began in Australia with the arrival of the first European settlers in 1788. In the early years, wheat was grown in coastal New South Wales, with the flour produced rationed along with a fixed quantity of beef, sugar and tea. Many early settlers considered fruit and vegetables a health hazard—indeed, a Dr Johnson suggested that cucumber should be well sliced, dressed with pepper and vinegar and then properly thrown out, as it was good for nothing.

Over the last two hundred years much has changed—including not only where and how our food is grown but what we like to eat. This history is detailed, commodity by commodity, in a new book by Ted Henzell with the deceptively bland title *Australian Agriculture: Its History and Challenges*.

Henzell’s book contains much of interest for food buffs on the history of different products and their methods of production. It is surprising to learn that it was Chinese migrants who grew most of the vegetables for Sydney at the turn of the twentieth century and that they practised one of the most sustainable organic farming systems in the world—the use of nightsoil (human manure). This perhaps explains why recipe books back then recommended that carrots be boiled for two hours!

There are also stories for those interested in wine, including material on some of the colourful characters who pioneered wine-making in our hot climate before the advent of mechanical refrigeration. Interestingly, the Forster brothers in Melbourne were using refrigeration to make their lager beer 50 years before South Australian wine producers realised how important refrigeration was for the production of light white wines. Furthermore, fortified wines are remarkably tolerant of hot oxidant conditions during fermentation, which perhaps explains why they accounted for about 85 per cent of Australian wine sales during the 1930s and 1940s.

Henzell puts the modern animal liberation campaign in some context, when he describes just how many cattle died on the early sailing ships on their way to Botany Bay. Nearly all the early introductions were financed by the government, as live importation was such a costly and risky business. Only 227 beasts survived of the 364 boarded in the first 10 years of settlement.

In the chapter on sheep and wool, Henzell explains that with the industrial revolution underpinning the development of the wool industry, there was an excess of mutton. So, in the 1840s, when there was a sharp fall in demand for stocking new stations, about a million head of sheep a year were boiled down for tallow.

While some have suggested that the recent failed wheat crop is a sign of inappropriate intensive European agricultural techniques and climate change, *Australian Agriculture* documents the tremendous increases in wheat yields over the last 100 years—particularly the last 20 years—as a result of innovations such as high-yielding varieties, rotation with canola and improved management with nutrition and diseases.

Henzell also documents the extent to which yield per hectare has increased dramatically in cotton, driven by a significant investment in research and development and the adoption of new genetically modified varieties. In contrast, productivity in the sugar industry has suffered from the banning of organochlorine pesticides and growing the crop as a monoculture. Not only does Henzell illustrate how Australia’s fruit and vegetable industries have used quarantine policy to limit competition from imports, but he also shows the extent to which those policies have hampered opportunities to develop export markets.

The most powerful message to draw from Henzell’s book is not only that each commodity has a unique history, but that each commodity will only survive as an Australian industry into the twenty-first century if it manages to stay internationally competitive—in particular, through the development and implementation of new and innovative technologies, from the planting of the crop through to the sale of the final product. And considering how recent an addition many ‘staple’ foods such as tomatoes are to Australian kitchens, we may be eating very different foods in many different ways by the end of this century.


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When you are the new kid on the block, the swiftest and surest way of making a name for yourself is to pick a fight with whoever is the current king of the heap. If the competition is to see who knows the most about directing foreign aid, and your name is William Easterly, you pick a fight with Jeffrey Sachs.

Professor Jeffrey Sachs, Director of the Earth Institute at Columbia University and special adviser to the UN on the ‘Millennium Development’ project, provides the intellectual grunt behind pop-star Bono’s more charismatic efforts to ‘Make Poverty History’. Sachs is the only academic on Time magazine’s list of the world’s most influential people.

Easterly, on the other hand, toiled for years as a research economist for the World Bank, and sought to reach out to a wider audience during the 1990s with a series of articles in Foreign Policy critically examining US and `western' foreign aid.

While Sachs and Bono focused on African poverty and called for a massive increase in foreign aid, Easterly was trying to point out the incredible record of failure arising from the programmes already in place. While Tony Blair and Gordon Brown played to the ‘Make Poverty History’ crowd, Easterly was pointing out the absurdity of perpetuating a cycle of debt forgiveness for recidivist defaulters.

This dispute did serve to open up the field for public debate, but the focus on the protagonists took attention away from other voices, such as Dr George Ayittey, a prominent Ghanaian economist and President of the Free Africa Foundation. He told this reviewer:

There are so many parties involved in utopian programmes that no-one need take responsibility for failure.

Africa is a mess. To fix it, the Sachs/Bono approach seeks more aid. Easterly believes World Bank/IMF policies contributed to Africa’s ruination and, therefore, a reform of their policies would help.

I believe that Africa’s salvation lies in Africa itself—not inside the U.S. Congress or the corridors of the World Bank. And its salvation lies in returning to and building upon its own indigenous institutions….

Easterly’s ‘Us and Them’ style determines the structure of the book, describing aid providers and recipients as either Planners (bad) or Searchers (good). ‘Planners determine what to supply; Searchers find out what is in demand’, Easterly said.

Planners, such as Sachs, are those who prefer grandiose plans such as the UN’s Millennium Development goals, which set elaborate goals for poverty reduction and health improvements around the world by 2015. Providing voluminous (and damning) evidence, Easterly shows that it is precisely this kind of ‘big push’ that is most likely to fail.

There are so many parties involved in such utopian programmes that no-one need take responsibility and there is no accountability for failure. Easterly approvingly quotes Edmund Burke’s caution against revolutionary utopianism, and sees himself very much at one with the ‘Searchers’. While the Planners dominate the World Bank and the International Monetary Fund (IMF), Searchers tend to work on the ground. In the case studies of AIDS-prevention programmes or infrastructure projects, searchers seek to understand the local cultures, establish direct incentives for good behaviours, and achieve remarkable results.
Easterly is frustrated with the outcomes of the recent focus on culture as a driver of economic development. While any supporter of economic and political freedom would agree on the importance of supportive cultural institutions—democracy, property rights, the rule of law, civility, etc.—in the hands of Western Planners what often occurs is the forced transplantation of Western institutions into very different societies. A true Burkean would not look at the outcomes of 500 years of Western societal development and then transplant them into the very different context of Africa. For Easterly, as for Burke, the evolutionary process is just as important.

As a good research economist, Easterly wants more reliance placed on measurable outcomes and accountability. But this is where the artificiality of the supposed conflict between Easterly and Sachs becomes clearer. Amartya Sen, Nobel prize winning economist, has rightly pointed out that for all Easterly’s ‘purple prose’, his objectives, if not his methods, are not so different from those of Sachs:

in Easterly’s rejection of plans to aid developing countries, there is nothing of the false ethics that finds frequent expression in the anti-aid attitudes of those who argue … the affluent have no moral responsibility to help the wretched.

A truly radical view would come from someone like Dr Ayittey, quoted earlier, who went on to say:

Africa doesn’t need aid. The aid resources it desperately needs can be found in Africa itself because its begging bowl leaks horribly.

Perhaps inevitably, given the gravitational force of power and money, Dr Ayittey’s think-tank is nevertheless based in Washington, DC.

Easterly criticises the neo-colonialism of Western aid agencies, and the not so ‘neo’ imperialism of American foreign policy, but seems unable to imagine a world in which Western aid agencies are not somehow prime movers in creating economic development in recipient countries. The supposedly ironic tone of the book’s title—The White Man’s Burden—comes back to haunt the author.

George Ayittey’s book, Africa Unchained: The Blueprint for Africa’s Future, was published in 2004 by Palgrave Macmillan.
Transport policy wars are usually fought on two battlefields. On one, the combatants fight over the funding mix between roads and public transport, while on the other, there is vigorous dispute about the relative merits of public versus private provision of infrastructure and services.

This book considers a third front in the transport wars—‘mass’ transit pitted against ‘social’ transit.

Of course, for those who like really big government there is no battle here at all (just fund everything), but for the saner parts of the political spectrum, there is a real need to weigh up priorities.

But can transport policy usefully be an extension of welfare policy?

The contributors to No Way To Go: Transport and Social Disadvantage in Australian Communities generally take an implicit position in the mass versus social debate, but it becomes explicit when two of the editors write that ‘the individual benefits of reduced social exclusion to the people involved are likely to be many times greater in ultimate value than those that focus on people who are already included’.

In other words, taxpayers are likely to get more bang for their buck by providing a base level of service for the currently transport disadvantaged (social transit), rather than by increasing levels of service where there is already reasonable provision (mass transit).

A key premise of the book is that ‘poverty has less to do with absence of income than with people’s lack of capacity to choose and do what they want to be’. While this may generally be a dubious proposition, it is true that in the area of transport it is the lack of availability of a base service, rather than unit trip price, which is the obvious manifestation of comparative disadvantage.

One of the strengths of this book is that it does consider this important debate without too many diversions into the other contentious transport debates.

Refreshingly, for a public transport book, it is recognised that ‘car availability is a strong defence against transport disadvantage, particularly if the car is your own’ and that ‘the car will continue to be central to assuring social inclusion for very large numbers of Australians’. While co-editor John Stanley has in the past written critically on how the Victorian train and tram privatisation was undertaken, the fact that he is CEO of the private bus industry association in Victoria means that No Way To Go also contains no in-principle opposition to private operation of services.

Overall, the book provides useful information about international trends in addressing transport disadvantage, considers particular categories of disadvantaged groups and assesses some current trends in government policy.

The fact that most of the contributors are academics means that, at times, the book gets weighed down by academic style and prejudice, a problem compounded by an unusual structure (partly arising from its origins as an ‘e-book’), some repetition and some deviation from the main task of the work.

Although the mobility issues confronting those in remote indigenous communities are undoubtedly among the most serious in the nation, they are so far removed in nature from those facing other disadvantaged people in normal urban situations that they could well have been considered elsewhere.

More illustrative of the main issues of the book are the chapters which consider such issues as how the ageing of the population will increase the num-

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It hardly seems equitable to include welfare-motivated social transit in the transport budget.

bers of people unable to drive cars for health reasons. Undoubtedly, the most powerful case study is provided by Anne Hurni, who contributes a chapter looking at the transport problems confronting sole parents and young people in western Sydney.

Decades ago, the poorest members of the community lived in inner urban areas where both extensive public transport and the ability to walk to many destinations prevented specific problems of transport disadvantage from arising. Today, the location of many of the poorest members of the community on the urban fringe, or in provincial centres, means that walking or public transport are not viable options and living in such places therefore produces comparative transport disadvantage.

Warrnambool provides the case study for a regional centre and the chapter about it contains some interesting examples of how the funding of community transport can provide counterproductive outcomes for those it is designed to help.

This chapter includes some useful suggestions for regulatory reform. The authors argue that non-students should be allowed to access spare capacity on school buses and also that school buses should be allowed to be used to provide route bus services at other times of the day. Currently, they are prevented from doing so as school buses do not meet Disability Discrimination Act (DDA) requirements.

The DDA is clearly going to have a major impact on transport funding priorities for the next two decades. State governments have been handed an enormous cost burden by this piece of federal legislation and, in many cases, meeting its requirements will preclude consideration of spending on other priorities.

The main problem with No Way To Go is that it does not offer any real answers to questions about how anyone in government should assess the merits of different measures to address transport disadvantage. Nor does it provide a workable model for weighing these up against measures to improve mass transit. Actually, the more one considers the topic the more one concludes that if public transport is to have a viable future, it really will be necessary to include social transit in the welfare budget and leave transport authorities only responsible for mass transit.

After all, if the socially disadvantaged are provided sufficient welfare payments so that they can afford to buy a car, those welfare payments are not included in road budgets. Thus, it hardly seems equitable to include welfare-motivated social transit in the public transport budget.

Addressing transport disadvantage is surely an aspect of a policy to address general disadvantage. The value of spending on social transit can be more easily compared with other welfare measures, as opposed to other transport measures. And, if the decision is made to spend welfare dollars on social transit, community services departments can contract-in services in the same way that education departments have historically contracted school bus services.

Transport authorities should be solely charged with the responsibility of moving as many people as possible as efficiently as possible.
PSYCHIC POLICE TO BAN POTENTIAL DRUNKS

Authorities in England and Wales have clearly decided that prevention is better than the cure when it comes to thwarting drunken shenanigans.

Police will now have the authority to ban citizens from city centres for up to 48 hours based on the belief that they might cause disorder or commit alcohol-related crimes. Further, punters who haven't even had any alcohol can be banned if police predict that they are likely to drink.

‘Orders to leave’ are given at the discretion of officers and need not be based on anything other than their own ‘suspicions’.

YOGA VERSUS SCIENCE

The WA Minister for Agriculture, Kim Chance, has taken a gamble by enlisting the advice of an author whose credentials appear to be largely in his head.

Jeffrey Smith, anti-GM author of Seeds of Deception and Genetic Roulette, perhaps sees his authority on the issue as arising from arguably less ‘scientific pursuits’. Smith, a devotee of transcendental meditation and levitation, claims that ‘yogic flying’ can increase a person’s IQ. In the absence of any suitable scientific training or background, perhaps his ‘augmented intelligence’ is the reason Smith sees himself as being worthy of weighing into the debate on GM foods.

As to why Kim Chance thought it would be a good idea to seek Smith’s ‘expertise’ is anyone’s guess. As Peter Lee of the Bush Telegraph in Farm Weekly WA points out, the large base of scientific evidence championing GM foods probably made Mr Chance quite uncomfortable. Perhaps Chance believed his discomfort was nothing that a little yogic flying couldn’t fix. At the very least, it might distract his learned colleagues from their evidence-based arguments.

WORKING FOR OPRAH CAN BE A REAL KILLER

Aussie PR firm Markson Sparks recently distributed a press release pointing out the perks of being a celebrity’s personal assistant, such as first class flights, accommodation and gifts. However, the release then went on to say that ‘A story sadly underreported is the number of celebrity personal assistants who die from opening their boss’es’ anthrax-filled mail. Oprah Winfrey’s entire staff of 45 personal assistants was wiped out by the dangerous spores’.

The incident made international headlines and some of Markson Sparks’ clients certainly weren’t laughing, with one saying they were ‘appalled’ by the stunt, and another calling it ‘trash’.

While all of Oprah’s 45 personal assistants appear to be alive and well, the story might be a little different for the Aussie PR company.

EAT SAFE

Before tucking into a bowl of penis pasta, or nibbling on an erotic candy, Norwegians will now know exactly how ‘healthy and safe’ their erotic food really is. After a surprise inspection by Norwegian food regulation authorities, the country’s largest erotic chain store has had to re-label its erotic foods to comply with regulations.

The authority said that current labels violate the rights of consumers to know that their food is ‘healthy and safe’.

A fairly miffed ‘sexual adviser’ in one of the stores commented that ‘we were a bit surprised… Food is not really our core product’. However, the stores will comply with the regulations and label all food products, including panties, bras and handcuffs made out of candy.

Also, for failing to report the importation of erotic candy within 24 hours of its arrival, the company got a slap on the wrist. Obviously, they’ve been a very naughty store.