After Iraq: Is Sovereignty Dead?
The thorny question of sovereignty is probably the strongest argument against the current war in Iraq.

John Roskam

Letter from America
The likely fortunes of the Democrats are of concern to everyone—Republicans and Democrats alike.

Nigel Ashford

Letter from London
While Tony Blair sticks to his (unpopular) guns, the economy and the public service are bedevilled by serious problems.

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Education Agenda
The suggestion that government schools are better than private schools at promoting social cohesion and 'the bonds of civic friendship' is a furphy.

Kevin Donnelly

The 'R' Files
The conflicting demands of irrigators and environmentalists, and the salinity of some of our major waterways, will force us to re-examine property rights in water.

Alan Moran

Free_Enterprise.com
The current conflict in Iraq gives cause to ponder the role of the UN and other international fora—with a word from their critics.

Stephen Dawson

Strange Times
The weird, the wacky and the wonderful from around the world.

Compiled by IPA staff and columnists

What's A Job?
The commercial building sector and the domestic housing sector are like chalk and cheese. And the reasons for the differences run deep within them.

Ken Phillips

Further Afield
Abusing the US Alien Torts Act, single-parent homes and health, the consequences of banning the fur trade, US trade policy and Islam, demographics and development.

... By Their Fruits Ye Shall Know Them
For a university that prides itself on being 'ethically sustainable', the ongoing saga at RMIT makes for very curious reading.

Andrew McIntyre

Stephen Dawson reviews The Blank Slate by Steven Pinker.

Gary Johns reviews The Elusive Quest for Growth by William Easterly.
Virginia Postrel’s argument that the central tension in society lies not in the battle between socialism and capitalism, but rather between people’s perceptions about the future and technology is being borne out. Moreover, in Australia the new Luddites are gaining the upper hand. Few issues show this more clearly than the debate on agricultural biotechnology.

Despite a steady stream of positive research, the rapid uptake of the technology abroad, and stringent testing, State governments around Australia are increasingly banning the technology. During the recent State election campaign, all political parties in NSW — with the support of the NSW Farmers Association — promised to ban new GM crops. Indeed the National Party—historically the party of the farmers—proposed the most stringent ban. This followed decisions in Tasmania and Western Australia to impose moratoriums on commercial use of GM crops. And South Australia is currently considering legislation to implement a similar moratorium.

The bans are certainly not being driven by the evidence, lack of safeguards or grower demands. The only GM crop currently grown commercially in Australia is Bt-cotton. It has been embraced by cotton growers, with plantings consistently at the maximum allowed by the regulators. Its popularity is due to its lower costs and reduced environmental impact. Bt-cotton allows a 50 per cent reduction in pesticide use, which not only saves on sprays but also on fuel, time, and application costs. Growers are now demanding that regulators reduce restrictions on the use of Bt-cotton. They are also looking forward to a new variety of Bt-cotton which is currently undergoing field trials and producing an even larger reduction—around 90 per cent in trials—in pesticide use and associated costs. Despite these demands and benefits, the new variety of Bt-cotton will be banned in the main cotton growing State—NSW.

The bans were brought on by the imminent introduction of GM canola. Two companies, Bayer and Monsanto, have spent six years and millions of dollars developing local varieties of GM canola. Since they have now passed all the tests and agreed to all safeguards, the regulators will have no real choice but give them the go-ahead. Fearful that if the matter were left up to individuals and rational debate, the technology might spread, the new Luddites have lobbied successfully for an outright ban.

That ‘fear’ is warranted—GM canola has also been a roaring success abroad and would have been so here. In Canada, around 70 per cent of farmers have adopted GM varieties since their introduction in 1996. They have done so because it provides, on average, 30 per cent higher net returns than non-GM varieties through lower costs as well as increased yields.

The latest research strongly suggests a similar outcome if the GM varieties were allowed to be grown locally. Norton forecasts widespread adoption of the GM varieties driven by higher net returns (around 34 per cent) and higher yield flows on wheat crops. It also found that GM varieties have a range of conservation values, including 30 per cent less pesticide use, a marked increase in the use of minimal tillage and other soil preservation techniques, lower fuel use and less soil compaction. In total, growers stand to gain around $135 million per annum from the introduction of GM canola.

One of the main concerns of growers is whether the introduction of GM canola will undermine their markets. While there have been many claims of a ‘non-GM premium’, it appears to be a chimera. A recent WA Government investigation found minimal risk to markets from the introduction of GM canola. 99.7 per cent of Australian canola exports go to four countries: Japan, Malaysia, Pakistan and China. All these countries are investing heavily in GM crop technology, import GM canola and import unsegregated canola.

While much has been made of Japan’s alleged biotech fears, the reality is starkly different. Japan has licensed the importation of 57 types of GM crops, including canola. Some 70 per cent of its canola imports are from Canada, which not only uses GM varieties but does not segregate GM from non-GM varieties. Although Japan does require many GM products to be labelled, canola oil is exempt, as it is in Australia. In fact Japan is the world’s largest importer of GM crops and foods.

Only the Europeans have been willing to pay a premium for non-GM...
canola and then only rarely and at a small level. The research found that some European importers have paid a very small premium of around $10 per tonne. Not only is this premium a fraction of the gains flowing to growers from the use of GM canola, but Europe is not, nor is it likely to become, a significant importer of Australian canola. France and Germany are major producers and exporters of canola and they use their non-GM laws to protect their highly subsidized production and export markets in Europe. Europe has only imported canola in times of drought when local production has fallen short of domestic demand.

How will Australian canola producers who receive the same FOB prices as the Canadians compete with the Canadians’ lower-cost GM varieties? The answer is simple: they will not be able to compete and farm incomes and the environment will suffer.

Why is Australia, with its large, lightly-subsidized, export-oriented and innovative rural sector deciding to ban the most promising advance in agricultural technology in a generation?

The explanation for the collective flight from technology lies with the influence and success of a new class of Luddites. Like their nineteenth-century forebears, the modern-day Luddites maintain the façade of acting in the public interest. Unlike their predecessors, however, the neo-Luddites are well-funded, well-organized and have special privileges. Funding has been crucial to the neo-Luddites’ success. According to The Wall Street Journal, the European Union has over the last five years given international NGOs $300 million to demonize GM food. The EU’s motivation is to create a non-tariff barrier to protect its inefficient farmers without being seen to do so. Aside from the cash, the NGOs are motivated by the desire to stop modernity—at least for others. Australian companies are also plying the Luddites with cash in a similar effort to inhibit competition or promote their niche in the market. Most anti-biotech spokesmen also have a direct commercial interest in demonizing modern agriculture as they often make their livelihood from the organic industry. On top of this, most anti-biotech organizations are subsidized by government. The result is that there is more money to be made from demonizing than from promoting ag-biotech.

Fear and uncertainty have also played an important role. The technology is novel and complex. While the regulators and proponents of biotech have concentrated on dealing with these complexities, the Luddites have focused on seeding fear with an endless series of scare campaigns. They have also been successful in demanding the impossible—that is, certainty in an inherently uncertain world.

The key to their success, however, has been their ability to masquerade as angels. The Luddites have captured the do-good institutions representing the environment, consumers, and the poor—and with this the community’s respect. They have been able to distort and falsify without being held to account. And they have been awarded with status and influence.

A prime example is Ms Louise Sylvan, head of the Australian Consumers Association (ACA) and president of Consumers International (CI).

Ms Sylvan and the ACA are given star billing in the media and have been invited and paid to represent ‘Australian consumers’ on 125 committees. In reality, ACA’s links with consumer are thin: it has about 400 real members (who are mostly anti-consumer activists) and very limited links with ordinary consumers.

With her ACA hat on, Ms Sylvan has led the push for stringent labelling laws, while with her CI hat, she has pushed for an outright ban.

In the introduction to the CI’s latest screed on GM food, Ms Sylvan claimed that ‘GM crops … currently being grown offer no benefits to consumers and nothing to most farmers. Even the intended ‘indirect’ advantages of the reduced pesticide and herbicide use are not being achieved’. In short, she lied with impunity.

She also claims that ‘GM is a new technology that poses many ethical, environmental and biological questions which can not fully be answered even by a well-designed safety testing regime. Consumers have a right to question why this technology should be used at all when it produces no benefits to society but has the potential for causing great damage’.

Not only has Ms Sylvan not been forced to justify her claims, but she is soon to become Deputy Director of the ACCC—in short, the nation’s second most influential business and technology regulator.

Given the success, money, fear and special treatment of the Luddites, politicians and farmers are starting to offer them support.

What is the future? Well, look at Europe. It has shown the way with similar bans and, as a result, investment in biotechnology research of all types has declined by 60 per cent, its research industry is fleeing to North America and its agricultural sector is going backwards economically and in terms of its impact on the environment and people’s health.

Forests have also long been a focus of the Luddites. They have pushed for a cessation of logging and other commercial uses, for a hands-off approach to forest management including a reduction of preventive burning, for increasing the number and size of national parks, for the closing of access roads and locking people out of the forest. As discussed at a recent IPA conference and summarized by Graham White (on pages 4–7 below), the new Luddites’ success has been a national catastrophe. Some 1.6 million hectares have been burnt with over $200 million in damage to homes, business and farms. It has also done great damage to flora and fauna.

Now they have water in their sights (see The ‘R’ Files, pages 29–31 below).

NOTES
A trio of experts has told the recent IPA conference that prescribed burning is the most effective tool for containing major bushfires in Australia. Properly conducted—and that means using a random rather than a programmed pattern of burning—it is also environmentally beneficial, because it replicates the conditions under which Australia’s forests and scrublands evolved.

Alas, the devastation that has occurred in the forests, parks and farms of eastern Australia during the first quarter of 2003—and which intruded deeply into the suburbs of Canberra, causing the loss of hundreds of homes—was cruelly exacerbated by the failure to conduct adequate prescribed burning. Examining the scientific evidence presented by experts at the conference, it is difficult not to conclude that much of the 1.6 million hectares of parks and forests destroyed this year could have been saved had proper prescribed burning been carried out over the past few years. So, too, could farms and houses.

**THE SCIENTISTS**

Why were these programmes not carried out? The three experts—Dr Phil Cheney of CSIRO; Dr Syd Shea, Professor of Environmental Management at the University of Notre Dame and a former head of WA’s Department of Conservation and Land Management; and Dr Kevin Tolhurst of the Forest Science Centre at the University of Melbourne—all declined to speculate, other than noting that there were limitations on the skills and resources available to conduct them and that there were elements of ‘community opposition’ to such burning.

There was no such reluctance, however, from the many delegates from fire-affected regions who crammed the auditorium. Many of them had made a ten-hour round trip by bus to present their views, and several were unhesitating in naming the influence of vocal but ill-informed green groups as the likely culprit.

These key messages—the failure of land managers to follow established scientific principles and the contribution of green policies to that failure—were two of three themes that dominated the conference. The third was property rights—the expectations of private landholders that adjoining public lands should be properly managed and the legal redress they have when that management fails.

While the text of the talks concentrated on these scientific and legal issues, the pictures used to illustrate the intensity of the fires raised more emotional responses. If the scale of human suffering—the burnt-out homes and scorched farms—was terrible, the damage to the natural environment was awesome. Pictures of National Parks and State forests, reduced to blackened stick-like remnants of trees poking from a carpet of smouldering ash, the devastation stretching seemingly to the horizon, brought cruel reminders of the millions of small marsupials and other native animals that died in this inferno.

Any committed conservationist could only ask: what did we do to unleash such devastation? The answer, provided forcefully by all three experts, was that it was not what we did, but what we didn’t do that allowed the fires to reach such horrific proportions.

Dr Cheney produced studies to show that, under any given climatic conditions, the intensity of a forest fire is essentially dependent on the volume of fuel build-up on the forest floor. This volume of fuel is in turn largely a factor of how long it has been since fire of some sort passed through the area. The longer the period since it was last burned, the greater the volume of fuel available.

When build-up reaches a certain level, the intensity of the blaze produced under typical bushfire conditions puts it beyond the capacity of fire-fighters to contain. With very high levels of fuel, the fire will be
beyond the capacity of fire-fighters even under less extreme conditions.

This message was reinforced by both Professor Shea and Dr Tolhurst: although an environmentally benign programme of prescribed burning will not prevent bush fires altogether—for under extreme conditions fires will always spread—it will allow them to be contained once conditions begin to ease even a little.

This would seem to have been an important factor in the Victorian fires: while they began under extreme conditions, they continued burning through more than a million hectares for a period of months, including periods when conditions were far less extreme. High fuel build-up—the result of inadequate prescribed burning programmes over several years—would seem, on the basis of this evidence, to have been a major factor in that.

Professor Shea said that WA’s good record of bushfire management in recent decades—despite the extreme conditions regularly created by the region’s long, hot and dry summers—had been largely due to acceptance of this principle. He feared, however, that even in WA, the execution of prescribed burning programmes was becoming less rigorous.

Why? Much of the blame, he said, lay in attitudes imported from Britain and Europe, which saw burning as ugly and destructive to the environment. These views did not take into account the very different ecology of Australia which had been fashioned by fire long before white settlement.

Foresters have discovered, he said, that the long-living grass-trees so common in southern WA contain in their trunks a record of the fire history they have endured. This reveals an irregular, but by no means infrequent, pattern of fire which stretches back before white settlement of these areas.

Dr Tolhurst said that studies of the fire-frequency patterns in which Australia’s ecology had evolved provided important lessons for prescribed burning programmes. The studies show that, in the past, fires appeared to follow a random pattern—some areas burning several times within a five- or ten-year period, while other pockets appeared to have escaped burning for long periods. This had ensured biodiversity.

A similar approach was needed with prescribed burning, he said. Rather than merely gridding a park to be systematically burned over, say, a ten- or 15-year cycle, it was better to replicate the natural order with a more varied approach, with some areas being burned more frequently than others. This would ensure that fuel build-up over large areas of forests and parks was kept to a level which prevented fires of the destructive scale and intensity of 2003, but which also ensured biodiversity.

**The failure of land managers to follow established scientific principles and the contribution of green policies to that failure were two of three themes that dominated the conference**

This would not only have ecological benefits, but would reduce the occurrence and impact of large, intense fires, reduce the cost of emergency operations and disaster relief, and create better land-management outcomes. The tragedy is that much of this thinking is already enshrined in forest management philosophies in Victoria, but has not been adequately resourced or implemented. Burning is possible only on a limited number of days each year and requires skilled personnel if it is to be carried out in an effective and environmentally beneficial way. Considerably greater resources were thus needed.

**THE PROPERTY OWNERS**

The three scientific experts were followed by presentations of case studies from individuals. The speakers were Ian Mott, a third-generation forester and self-confessed ‘bush lawyer’ with experience of land management issues in NSW and Queensland; David Coonan, who presented the views of the ACT Sustainable Rural Lands Group (a group of ACT landholders, members of which have been affected by two large fires in recent years) and Russell Smith, retired Army major and a resident of Bundarrah Valley, about 40km NNW of Omeo in North-East Victoria, an area which was swept by the recent bushfires.

While each took a distinctive approach, the issue of the obligations of public land managers—and the limitations even on the rights of private landholders to manage their land adequately—tended to intrude into all three presentations.

For Ian Mott the issues were fundamentally legal. The obligations on private landholders are extensive; are public land managers similarly obliged to keep the properties under their control equally safe? This is not the first time he has raised these issues, but the questions had an added relevance in the light of evidence from David Coonan’s group and from Russell Smith that failure to prevent fuel build-up on neighbouring public lands was a significant factor in the intensity of the fires that struck their own areas.

Russell Smith noted that Alpine Park and State Forests in his area had not apparently been given any prescribed burning in living memory. He has been on his property almost 20 years, but believes that the pr-
period without burning is far, far longer. The area is choked with noxious weeds and provides sanctuary for feral cats, dogs and goats which invade private property.

More relevant in the context of this forum was the fact that he estimated forest floor litter to have been in the order of ‘hundreds’ of tonnes per hectare rather than the 4 tonnes considered optimal for ecological balance. It was so thick and dense that it was impossible to ride a horse in parts and difficult to penetrate even on foot.

Similarly, despite repeated requests from Major Smith, the Victorian Department of Natural Resources and Environment (now Sustainability and Environment) had not forced a neighbouring absentee landowner to clear huge thickets of fire-hazardous blackberry and briar.

When the bushfires came, these unburnt public and private lands erupted into an inferno, and although a combination of rigorous fire-prevention measures (which included conducting his own fuel-reduction burning to create a fire break that extended well into the park; a decision he took unilaterally when the park managers declined) and a well-rehearsed action plan saved his own property, the fire swept though the rest of the valley.

Russell Smith now believes that there are vital lessons to be learned if this sort of disaster is not to be repeated. Fuel reduction is one important priority, but there is also a huge amount that can be done to improve planning, coordination and response. He has a dossier of planning and communications failings, many of which could have been avoided with greater training and preparation.

(For David Coonan there is a cruel irony in the fact that his group has presented extensive evidence to the ACT coroner investigating deaths that occurred during the 1991 Canberra fires. The coroner’s findings are not yet public, but Coonan is saddened that he and his colleagues may yet find themselves presenting similar evidence to any inquiry into the 2003 fires.)

One theme that emerged repeatedly in the Conference from all quarters (scientists, the case studies and delegates from the floor) is that State Governments are far more enthusiastic about creating electorally-popular National Parks than they are about funding the management of the parks they have created.

**Governments are for more enthusiastic about creating electorally-popular National Parks than they are about funding the management of the parks they have created**

Many people expressed their concerns at the possible influence of green activists on forest management policy. These concerns were only confirmed by Andrew Bolt, Associate Editor of Melbourne’s Herald-Sun newspaper, who gave a talk during post-conference refreshments. His theme was Green Religion: the triumph of a set of mystical values over science.

The thesis he advanced was that with the decline of traditional religions and belief in God, many modern individuals were left with the choice of either believing that human beings were in charge of their own destiny, or believing that they shouldn’t be, and subsume human fate to omniscient Nature. Given their lack of faith in fellow man, many had chosen the latter course. The result was a value-system in which scientific principles of sound ensure their management was given a secure funding base, he said.

The continued creation and extension of National Parks when there was not sufficient funding to manage even existing parks was seen as evidence of State Government surrender to uninformed, urban-based green populists who were, in turn, swayed more by emotion and symbolism than by any real understanding of environmental management.

The passion generated by these fires was evident in the packed auditorium (every seat was taken and many who tried to book late had to be refused). Scores of residents and firefighters from hard-hit areas of Victoria made the journey to Melbourne to hear the experts and to have their say. Several busses came from north-east Victoria, the epicentre of the fire disasters. For them it was a 16-hour day.

Other individuals made a similar journey from Victoria’s north-west, where more than 200,000 hectares of National Park, along with extensive farmlands, were also destroyed.

**GREEN GODS**

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environmental management were of little significance compared with the need for a re-creation of a mythical pristine Nature.

Elements of this attitude, he suggested, might underlie some of the pressures which discourage the prescribed burning of National Parks and State Forests.

Whether this hypothesis proves valid or not, there is little doubt that the management of Australia's parks, forests and other public lands will come under greater scrutiny as a result of the horrific fires of 2003. The scale of damage—human, economic and environmental—is such that at least three separate inquiries, Federal, Victorian and from the ACT, have already been proposed.

The overwhelming view of delegates at the IPA forum—as reflected in questions from the floor and in post-conference discussions—was that only a Federal inquiry is likely to achieve an adequate result. This is because State and Territory Governments, in their role as land managers, must share direct responsibility for any lack of prescribed burning and other forms of hazard reduction that might have contributed to these fires. This means that they could potentially face hugely expensive legal claims and that, as a result, there could be pressure on them to manipulate terms of reference and other criteria to diminish scrutiny of these important issues.

Even if this concern proves utterly unfounded, the public perception could still linger that any such investigation was a State Government inquiry into a matter in which the State had a very real vested interest. For these reasons, a Federal inquiry into a matter in which the State had a very real vested interest, and is in fact essential, if we are to come to a comprehensive understanding of the causes of last summer's catastrophic bushfires.

Graham White is an issues management consultant who chaired a session of the IPA bushfires forum.

IPA

Deceit in the Name of Conservation?

JENNIFER MAROHASY

On 28 January, the Queensland Government released Report on the study of land-sourced pollutants and their impacts on water quality in and adjacent to the Great Barrier Reef. In the associated media release, the Queensland Premier Peter Beattie said, ‘Now the report is in, work on the Great Barrier Reef Water Quality Protection Plan will continue without arguments about whether land activities harming the Reef. The report is the adjudicator’s decision, and is based on the best available science’.

The report, written by a panel of scientists chaired by Queensland’s Chief Scientist Dr Joe Baker, makes several key findings regarding impacts of land-based pollution on the reef. A key allegation in the report’s summary, highlighted in the Premier’s media release, is that elevated levels of pesticide residue have been found in dugongs.

Since publication of the book Silent Spring by Rachel Carson in 1962, there has been concern that pesticides can bio-accumulate in the fat tissue of animals. Prior to 1987, organochlorine pesticides (for example, DDT) were used in Great Barrier Reef catchments, including for sugarcane production. These chemicals have since been banned due to global concerns about their persistence in the environment and their capacity to bio-accumulate.

I first became aware of the specific issue of pesticide in dugongs in August 1998. A senior officer with the Great Barrier Reef Marine Park Authority (GBRMPA) phoned me with the news that a soon-to-be-published research study had found that elevated levels of pesticide residue, most likely from cane farming, were accumulating in the fat tissue of dugongs. Media headlines followed, including Pesticide in reef creatures and Cane burning link with dioxin in dugong.

I obtained a copy of the study and found it was primarily an analysis of the type and quantity of dioxins found in the fat tissue of dugong carcasses that had been killed in fishing nets.1 Dioxins are a group of organochlorine compounds commonly associated with industrial waste incineration. The research paper made reference to a different study that had analyzed the dioxins found in soils under sugarcane cultivation and commented that the cane-land soils and dugong fat samples both had elevated levels of the same type of dioxins.

Concerned by this news, I contacted a dioxin expert at the University of Queensland. Dr Brian Stanmore informed me that the type of dioxin considered by the GBRMPA to be elevated in the dugongs was common and the least toxic of all dioxins. Furthermore Dr Stanmore indicated that the level of dioxins found in the dugongs was less than the national average in people in the United States. He commented that ‘it looks like the dugong is better off than we are’.

The GBRMPA study clearly stated, ‘All (dugong) carcasses were in good condition at the time of sampling. All animal deaths were confirmed or suspected (fishing) net drowning.’ However, instead of focusing on net fishing practices, the
GBRMPA subsequently provided funding for a full investigation by the National Research Centre for Environmental Toxicology (NRCET) into the likely origin of the dioxin considered to be at elevated levels in the dugong carcasses, including possible links with sugarcane production.

Two years later, the NRCET investigation concluded that the dioxin of concern to the GBRMPA was common in soils along the entire Queensland coastline, including in regions beyond sugarcane cultivation. Analyses of dated marine sediment cores indicated that the chemical was present prior to European settlement in Queensland. In other words, the dioxin is a naturally occurring organochlorine and not a pesticide residue. There are, apparently, many naturally occurring non-toxic dioxins.

But what of the organochlorine insecticides used in the sugar industry from the late 1940s until they were banned in 1987? Have these pesticides been found in dugongs?

The GBRMPA and the Australian Institute of Marine Science (AIMS) have undertaken extensive surveys for traces of organochlorine insecticides, including an Australia-wide programme for collecting and testing samples from stranded or recently killed dugongs—from which the dioxins were isolated. While it was expected that these programmes would find persistent organochlorine pesticide, this has not been the case.

Estuarine and near-shore marine sediments have been extensively sampled on the basis that these areas are likely to contain the highest concentrations of contaminants from human activity in adjacent catchments. Trace amounts of some organochlorine insecticides have been found in sediment from a small number of river mouths. No organochlorine insecticides, however, have been found in near-shore marine sediments of the Great Barrier Reef. This finding has surprised many researchers, some of whom have postulated that the absence of organochlorine contamination in the inner shelf is a consequence of enhanced degradation of the organochlorines in the aquatic system.

In late November 2002, I received a copy of the draft summary of the Baker report—the report subsequently described by the Premier as the best available science. I noticed the allegation of elevated concentrations of fat-soluble pesticide in dugongs. I emailed Dr Baker querying this and other allegations in the draft summary. Dr Baker replied that he would consult with the Science Panel and get back to me. The report was published two months latter without any changes to the summary. The reef pesticide research is well-documented and should be understood by members of the Science Panel. In fact, a member of the Science Panel communicated the findings from the NRCET investigation to me in September 2001. Why, then, was the allegation of pesticide in dugongs included in the original summary report? Why was the allegation not corrected after I brought the error to Dr Baker’s attention in December 2002?

Two years earlier, following pressure from the World Wide Fund for Nature (WWF) and as part of the Queensland government’s reelection campaign, the Queensland Premier committed his government to saving the reef. Since this time it has been Queensland government policy that the reef is in trouble. The ongoing deception is perhaps necessary to maintain the perception that the reef is in trouble.

Why was the allegation of pesticide in dugongs included in the original summary report? Why was the allegation not corrected after I brought the error to Dr Baker’s attention in December 2002?

NOTES
The Past is the Key to the Present: Greenhouse and Icehouse over Time

IAN PLIMER

IN THE LONG AGO
Planet Earth condensed 4,550 million years ago (Ma) from recycled stardust. Since that time, the continents have been enlarging, Earth materials have been constantly recycled and the Earth and all associated systems have been dynamically evolving. The Earth has not stopped being an evolving dynamic system just because humans now live on the continents.

As soon as there was liquid water on Earth, there was life. Bacteria slowly diversified and, by the time the Earth was middle aged, one group of bacteria had emitted such large quantities of oxygen (O₂), that the atmosphere contained minor O₂. Some of this excess O₂ was trapped in rocks by weathering, most dissolved in the oceans resulting in the precipitation of iron oxides. It is these iron oxides that form the great iron ore fields of planet Earth (for example, in the Hamersley Basin). Life, the atmosphere, the oceans and the rocks interacted, a process that has been occurring for at least 2,500 million years on our dynamic evolving planet.

For at least the last 2,500 million years, the continents have been pulled apart and stitched back together. Every time the continents are pulled apart, huge quantities of volcanic water, carbon dioxide (CO₂) and methane (CH₄) are released into the atmosphere and greenhouse conditions prevail. When continents stitch together, mountain ranges form. Mountains are stripped of soils, new soils form and remove CO₂ from the atmosphere, these soils are stripped from the land and the CO₂ becomes locked in sediments on the ocean floor. When atmospheric CO₂ is low, glaciation occurs. Large climate cycles can be related to plate tectonics.

The origin of the greatest climate change on Earth is an enigma. Between 750 and 600 Ma, there were two major glacial events and numerous smaller events. Sea level changed by up to 400 metres and interglacial sea temperatures were 40°C. After glaciation, the atmosphere had some 20 per cent CO₂ and bacteria thrived and diversified in the warm oceans. Multicellular life appeared, diversified and used the CO₂ to make shells and skeletons. This explosion of life from 580 to 520 Ma gave us all of the major life forms currently present on Earth.

Plants appeared at 470 Ma and there was a major mass extinction of multicellular life at 430 Ma. The origin of this mass extinction is not known. Vacated ecologies were quickly filled and life continued diversifying. Between 368 and 248 Ma, massive coal deposits formed, there was a major 50 million-year period of glaciation and the atmosphere was blessed with a very high CO₂ and O₂ content. Life continued to diversify. Minor mass extinctions continued and, at 248 Ma, the biggest major mass extinction on Earth took place. Some 96 per cent of species became extinct. Life diversified quickly to fill the vacated ecologies. The record written in stone by fossils in the period 520 Ma to the present shows that the planet is a warm, wet, greenhouse, volcanic planet with the normal cycles of rising and fall.
ing sea levels, rising and falling land levels and changing climates.

**THE DAY BEFORE YESTERDAY**

Some 120 million years ago, Australia was at the South Pole enjoying a temperate climate. Global sea level was more than 100 metres higher than at present, the sea surface temperature was 10–15°C higher than now and many continents were covered by shallow tropical seas. Planet Earth was a warm, wet, greenhouse paradise and thick vegetation covered the land masses. Atmospheric CO₂ was about 1 per cent when the world’s major coal deposits formed 368 to 248 Ma.

From 250 to 120 Ma, the global CO₂ content varied greatly and increased to a peak 6 per cent CO₂ 120 Ma. This derived from intense volcanic activity associated with continental fragmentation. Thick vegetation covered the land masses.

Australia started to pull away from Antarctica at about 100 Ma. It drifted northwards, the Tasman Sea opened and the Indian Ocean opened with India starting to drift away from Western Australia. The opening of the Tasman Sea produced the rise of the Great Dividing Range, the diversion of the major river systems and changes to the climate of eastern Australia.

A minor mass extinction of life 90 million years ago was the result of volcanoes in the Indian and Pacific Oceans belching out CO₂ and other gases into the oceans and atmosphere. There was a runaway greenhouse until volcanism waned. But volcanic emissions of CO₂ are common. In 1984 and 1986, burps of CO₂ from the volcanic crater lakes of Monoun and Nyos respectively killed thousands and added CO₂ to the atmosphere. Near Mt Gambier, volcanic CO₂ is commercially extracted from rocks, one small hot spring on Milos contributes 1 per cent of the planet’s volcanic CO₂ and huge quantities of CO₂, the planet’s second most common volcanic gas, constantly leak from unseen submarine volcanoes.

Another minor mass extinction at 55 Ma was caused by a Caribbean volcano. There was a rise in sea temperatures by up to 8°C for 100,000 years and atmospheric CO₂ was 10 times that of today. During this greenhouse, plankton sucked up the atmospheric CO₂, mammals thrived and life filled the vacated ecologies. Atmospheric CO₂ decreased from 3500 to 700 ppm within a million years, stayed low until 47 Ma and went up and down to about the present level (365 ppm) at 40 Ma.

India collided with Asia at 50 Ma. Uplift produced the Tibetan Plateau which started to scrub CO₂ out of the atmosphere. The Tibetan plateau is still rising and CO₂ is still being scrubbed out of the atmosphere. The Drake Passage opened as South America drifted from Antarctica, a circumpolar current developed and Antarctica refrigerated. Southern Australia, from 17 to 14.5 Ma, was again tropical with mid-latitude temperatures 6°C warmer than today. Atmospheric CO₂ was 180–290 ppm. This greenhouse occurred when atmospheric CO₂ was 30–50 per cent lower than today!

By 5 Ma, Earth cooled, and was so cool that very slight orbital wobbles now had a bearing on climate, and every 100,000 years was characterized by 90,000 years of glaciation and 10,000 years of interglacial. We are currently in one of those interglacial periods.

The penultimate interglacial was 120,000 years ago. Homo erectus, Homo neanderthalensis and Homo sapiens coexisted, sea level was 6 metres higher than at present, the planet was far
warmer and wetter than now and atmospheric CO₂ was 78 per cent of that today. After warming, the atmospheric CO₂ and CH₄ content increased, suggesting that atmospheric temperature rise drives an increase in atmospheric carbon dioxide and methane contents. During the history of the latest glaciation, armadas of ice were released into the sea every 7,000 years resulting from the physical failure of thick ice sheets. These had a profound effect on climate. Small cool periods occurred every 1,100 to 1,300 years.

The zenith of the last glaciation was 18,000 years ago. Sea level was 130 metres lower than today, temperature was 10–15°C lower than today and the northern hemisphere was covered by ice to 38°N, up to 3 kilometres thick.

YESTERDAY
The northern polar ice sheet started to melt 14,700 years ago. There were very rapid and major temperature fluctuations, sea levels rose and fell and the total sea level rise over the last 14,700 years has been at least 130 metres. Sea level rise resulted in the breaching of the Mediterranean into the Black Sea Basin some 7,600 years ago and is probably the origin of the Sumerian, Babylonian and biblical stories of a great flood.

One of the consequences of a massive sea level rise over the last 14,700 years is that the West Antarctic Ice Sheet was no longer underpinned by the land. Two thirds of the West Antarctic Ice Sheet collapsed into the oceans and sea level rose 12 metres. The final third of the West Antarctic Ice Sheet has yet to collapse to produce a 6 metre sea level rise as part of the dynamic post-glacial climate on Earth. Climate changes induced by changes in ocean currents cooled North Africa, grasslands changed to a desert, humans migrated and the great Mesopotamian cities were established.

Sea levels were 1–3 metres higher in a greenhouse 6,000 years ago. There was 20 per cent more rainfall. Cold dry periods, glacier expansion and crop failures between 5,800 and 4,900 years ago resulted in deforestation, flooding, silting of irrigation channels, salinization and the collapse of the Sumerian city states. Long periods of El Niño-induced drought resulted in the abandonment of Middle Eastern, Indian and North American towns. In 1470 BC (?), Thira exploded, weakened the dominant Minoans and changed the course of western history.

Global cooling from 1,300 to 500 BC gave rise to the advance of glaciers, migration, invasion and famine. Global warming commenced again at 500 BC, there was an excess of food and great empires such as the Ashoka, Ch‘hin and the Romans grew. Contemporary records and Roman clothing shows that conditions were some 5°C warmer than today.

In 535 AD Krakatoa exploded, as did Rabaul in 536 AD. The Earth passed through cometary dust in 536 AD. The dusty atmosphere reflected heat, and darkness prevailed. As a result, the climate cooled and there was famine and warfare. Changes in ocean currents resulted in the Medieval Warm Period from 900 to 1300 AD. The first to feel the change were the Vikings, who were able to navigate the northern waters, colonized Newfoundland, colonized Greenland and established extensive trade routes as far south as the modern Gulf States. On Greenland, crops were grown and there were cattle. This would not be possible today. The warmer, wetter climate of Europe produced excess crops and wealth which resulted in the building of castles, cathedrals and monasteries. As with previous greenhouse events, there was great prosperity.

In 1280 AD, volcanic eruptions on Iceland and a change in ocean currents started the Little Ice Age which finished in 1920. The North Sea froze in 1303 and 1306–1307, there was massive famine in 1315, and the plague
pandemic attacked the weakened population in 1347–1349. There was massive depopulation and it took Europe 250 years to reach the population of 1280 AD. During the Little Ice Age, there were warmer periods associated with sunspot activity. During minimum sunspot activity (1440–1460, 1687–1703 and 1808–1821), the intensely cold conditions were recorded by the Dutch masters, and King Henry VIII was able to roast oxen on the frozen Thames. There were food shortages. Short cold periods occurred after the eruptions of Tambora (1815) and Krakatoa (1883) respectively. In fact, 1816 was known as the ‘year without a summer’. This was the time when Turner painted stormy oceans and skies full of volcanic dust, Mary Shelley wrote Frankenstein and Byron wrote Darkness.

TODAY

The twentieth century and early twenty-first century AD are times of natural post-glacial rebound. Ice sheets, a rare phenomenon in the history of time, still exist. Sea level is relatively low, as are global temperatures and atmospheric CO$_2$. Between 1920 and 1945, there was a period of warming (0.37°C) and another that commenced in 1976 (0.32°C). In 1976–1977, global temperatures in the lower atmosphere jumped 0.3°C, sea surface temperature in the equatorial Pacific jumped 0.6°C, sea surface temperature during upwelling increased 1.5 to 3°C but there was reduced upwelling, the heat content of the upper 300 metres of the world’s oceans increased, there was increased wave activity in the North Sea and the length of the day changed. The stepwise increase in temperature in 1976–1977 shows that there was a major re-ordering of the ocean heat transport, coinciding with an orbital change expressed as a change in the length of the day. Maybe the global warming of the twentieth century is just a measure of the variability on a dynamic evolving planet?

To put such measurements into perspective over the history of time, changes in atmospheric temperature in the twentieth century can only be considered small and slow. A 24-year global coverage of satellite atmosphere temperatures shows only modest warming in the Northern Hemisphere and a slight cooling in the Southern Hemisphere. Temperature measurements from balloons agree with the satellite measurements for the period of overlap. Because greenhouse warming is a phenomenon of the atmosphere, significant changes should have been recorded. They have not.

CONCLUSIONS

Underpinning the global warming and climate change mantra is the imputation that humans live on a non-dynamic planet. On all scales of observation and measurement, sea level and climate are not constant. Change is normal and is driven by a large number of natural forces. Change can be slow or very fast. However, we see political slogans such as Stop Climate Change or government publications such as Living with Climate Change, demonstrating that both the community and government believe that climate variability and change are not normal. By using the past as the key to the present, we are facing the next inevitable glaciation, yet the climate, economic, political and social models of today assess the impact of a very slight warming and do not evaluate the higher risk of yet another glaciation. Geology, archaeology and history show that during glaciation, famine, war, depopulation and extinction are the norm.

In 1831, Admiral Sir James Robert George Graham had the Union Jack hoisted on a volcanic land mass that suddenly appeared near Sicily. It was called Graham Bank and was claimed by England. It was also claimed by the Kingdom of the Two Sicilies who called it Isola Ferdinandea, the French (L’Isle Julia) and other powers. In the subsequent dispute over ownership, France and the Kingdom of the Two Sicilies almost came to war and England and the Two Kingdoms of Sicily had a diplomatic row. During the intense diplomatic dispute, the island quietly slipped back underwater. Graham Banks serves to show that whatever political decisions we humans make, the land rises and falls, sea levels rise and fall, and climates change as they have done since the dawn of time.
Beyond Petroleum

OR two years, the world's second largest hydrocarbons producer spent beaucoup dollars on a clever public relations and advertising campaign to convince consumers that BP no longer stands for British Petroleum, but for Beyond Petroleum.

One advert proclaimed, 'We're one of the largest producers of natural gas ... and are investing in the new energy sources of the future—hydrogen and wind. It's a start'. Another tried to get this line past the guffaw test: 'We believe in alternative energy. Like solar cappuccino'.

Many people expressed surprise that a huge oil company was so committed to alternative energy technologies. They needn't have.

BP's total six-year investment in renewable technologies was $200 million—the same amount it spent on the 'Beyond Petroleum' advertising campaign. That's certainly an impressive tab for image enhancement. But it's a drop in the barrel for futuristic technologies that were the centrepiece for the slick marketing effort.

Indeed, all its preening and puffery notwithstanding, BP's actual investment in renewable energy was a whopping 0.05 per cent of the $91 billion it spent to buy oil giants Arco and Amoco back in the 1990s. Moreover, just as the advertising campaign was winding back in the 1990s. Moreover, just as the advertising campaign was winding down, BP announced it was spending $6.75 billion for a 50 per cent controlling interest in a rich Russian oil prospect—and will be spending another $20 billion over the next five years exploring this and other newer fields around the world.

In other words, the advertising campaign was little more than 'greenwashing'—disinformation intended to present an environmentally responsible public image. BP wanted people to perceive it as a 'socially responsible' leader and reward it accordingly. Few did.

Green activists denounced BP for 'hypocrisy' and blasted the company for continuing to 'exploit some of the world's most sensitive ecological areas'. A major business magazine said simply, 'Well, please: If the world's second largest oil company is beyond petroleum, Fortune is beyond words'.

Meanwhile, BP's total wind and solar electrical output last year was barely enough to keep the lights burning in Regina, Saskatchewan—and thoughtful observers are beginning to realize that wind and solar aren't quite as eco-friendly as activists claim.

One advert proclaimed, 'We're one planet occupies about ten acres; the giant 200-foot-tall windmills dominate thousands of once-scenic acres, and kill thousands of raptors and other birds every year. Current photovoltaic technology is just as habitat-hungry.

Worse, chief executive Lord John Browne was forced to lower BP's production estimates three times last year, and the company's 11 per cent return on average capital was well below that of arch-rivals ExxonMobil (13.7 per cent) and Royal Dutch/Shell (14.8 per cent). BP share prices reflected investors' displeasure with its poor performance and the fact that the company's profit margins would not improve for a decade or more if the company remained focused on renewable energy and old oil fields.

Thus, if BP ever really was Beyond Petroleum, going Back to Petroleum (and Bigger Profits) was a sound business decision.

However, the 'Great Beyondo' ad campaign involves more than mere greenwashing and disingenuous but theoretically harmless puffery. It also reflects the desire of many multinational companies to appease critics and gain a public relations advantage over competitors, by adopting the language of ideological environmentalism.

This radical school of thought increasingly uses ethical buzz-words and dogmas to justify its demands. Chief among them are sustainable development and the precautionary principle, the foundations of so-called 'corporate social responsibility' (CSR) and 'socially responsible investing' (SRI) doctrines.

Eco-activists from affluent Western countries developed the doctrines to promote their agendas and oppose energy and economic development. BP has long been at the forefront of these efforts, as a charter member of the World Business Council for Sustainable Development, through frequent meetings with activist groups, and by funding many radical groups.

The activists define what is 'responsible,' focusing debate on conjectural problems and theoretical needs of future generations of wealthy elites—and ignoring real, immediate, life-and-death needs of people who struggle daily just to survive. The stakes are huge.

More than 1.5 billion people in developing countries still do not have access to electricity. Half a billion women and children spend their days collecting firewood, or squatting in mud and animal faeces to collect and dry manure for fuel. Millions die every year from lung diseases caused by indoor air pollution from cooking fires, and dysentery due to contaminated drinking water.

Hydroelectric or fossil fuel projects could provide electricity for families, water purification plants and economic development. But radical activists op-
pose these projects and say that the world's rural poor should be content with solar panels on huts.

Investors are also at risk, particularly retirees whose futures depend on pension and mutual funds that own nearly $8 trillion in market share—50 per cent of the total stock market. Many of these funds are managed less to safeguard or benefit the investor than to promote radical principles under the disguise of so-called ethical funds.

These funds claim to provide professional, unbiased analytical and advisory services. But in reality, they support political agendas based on often-questionable analyses and on ‘stakeholder’ (activist) input to justify how they grade companies in client portfolios. They regularly exorcise companies such as ExxonMobil, claiming its refusal to back the Kyoto climate treaty will destroy shareholder value. Meanwhile, they praise companies such as BP and promote global governance, and solar panels on huts.

Australia’s energy consumers will become yet another example of ‘collateral damage’, if the radicals have their way over global warming. Once again, some of the culprits are right in the BP boardroom.

In 1997, BP chief Browne endorsed the global warming theory and said tough measures should be imposed quickly, even in the absence of scientific proof. A Clinton-era Energy Information Administration report concluded that the climate treaty would drain $340 billion a year from the US economy. The Australian economy would also get hammered. And all this pain, even assuming perfect compliance with the treaty, would reduce average global temperatures in 2050 by only 0.2°C below what they would be without the treaty, according to the USA's National Center for Atmospheric Research.

But BP Australasia President Greg Bourne is undaunted. He’s stumping the country from Melbourne to Brisbane, and Darwin to Perth, importuning businesses to pressure the PM to ratify Kyoto. Could it be pure altruism? Or might the old profit motive be at work?

A 1997 memo to Enron president Ken Lay described BP as Enron’s ‘international equivalent’. Indeed, BP is striving mightily to replace Enron as the world’s premier broker in the new business of buying and selling permits to emit greenhouse gases. The expectation is that playing the climate change game could earn BP billions of dollars via traditional petroleum operations—and billions more via emission trading schemes. The company is already trading credits among its units, as part of a training regimen for the anticipated emission Olympics.

One cannot help but suspect that this huge EU oil giant might also be motivated by Europe’s obvious desire to protect its industries from US and other foreign competition. They clearly see the Kyoto Protocol, not merely as an environmental programme, but also as a way to pressure the United States, Australia and other countries to reduce energy use and economic productivity.

EU Environment Commissioner Margot Wallstrom put it bluntly when President Bush abandoned the Kyoto climate treaty: ‘This is not a simple environmental issue,’ she railed. ‘This is about international relations, this is about economy, about trying to create a level playing field for big businesses throughout the world.’ Several EU officials echoed her sentiments, suggesting that America’s lower energy taxes constitute an unfair trade advantage that could justify trade sanctions against the US.

In short, what we are witnessing is a profound and disturbing convergence of ideology, activism, marketing, politics and financial gain—all in the service of radical policy agendas, and all beautifully attired in the lavish raiment of corporate ethics and responsibility. This is proof positive that social responsibility can be a wondrous thing in the dexterous hands of craftsmen who really know how to display and utilize it.

How can we stop the charade? For starters, demand that corporate social responsibility puts people first, puts development back into sustainable development, and ensures that precautionary guidelines safeguard people and communities from the havoc wreaked by radical green policies. Insist that all decisions be based on sound, peer-reviewed science and solid evidence—not on hysterical claims and shrill rhetoric by activists, regulators and journalists, who reward pseudo-scientific soul-mates and pillory any scientists who dare disagree with them.

Next, urge principled regulators and journalists to investigate these companies and investor firms for self-serving arrangements and breech of fiduciary duty. Demand that the companies, firms and activist groups open their books and provide full disclosure of their meetings, contacts, and monetary and other relationships.

Last, in this era of high-minded reform, prevail upon legislators to change the law, to make these groups subject to the same false advertising laws, and the same standards of transparency and accountability, that activists insist should govern for-profit corporations. Unbelievably, right now, these ideologies are mostly exempt.

The world will thank you. For it will be a better, safer, more ethical place—especially for energy consumers, retirees and the world’s poor.

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BP’s total six-year investment in renewable technologies was $200 million—the same amount it spent on the ‘Beyond Petroleum’ advertising campaign.
The Good Reputation Index 2002: A Tale of Two Strategies

GARY JOHNS

For three years, Reputation Measurement Ltd and The Age and The Sydney Morning Herald have been trying to impose their political agendas on Australia’s top 100 corporations. They think that Australia’s corporations should be good citizens, and that by measuring what they think it means to be a good citizen, they can change corporate behaviour.

Westpac ranked number one on the 2002 Index, and rated well in every category. Flight Centre ranked number one on financial performance, but 47 overall. It was in the doldrums in every other category, including being ranked 99 on environment. On the surface this seems very strange—Flight Centre manages shopfront travel agencies! The reason for this bizarre result was not hard to find.

Reputation Measurement suggested that ‘companies seeking to demonstrate their worthiness as socially responsible organizations are most successful when they widen their traditional business stakeholder base to include community stakeholders’. Further, ‘[l]investors and consumers are increasingly making decisions based on longer-term issues linked to a company’s capacity to contribute to a sustainable future’. In other words, the Reputation Index is an instrument for advancing a number of political agendas: corporate social responsibility, stakeholder capitalism, and sustainability.

For example, corporate social responsibility suggests a common agreement about what is good. Whose definition of good is to be believed—the electorate’s or the activists’? In a liberal democracy, the rules are set by a consensus that determines not so much what is good corporate behaviour, but what is, and what is not, acceptable behaviour. The Index is an exercise in capturing the reputation agenda and using it to regulate corporate behaviour.

Stakeholder theory suggests that all interests in an enterprise compete to obtain benefits from the enterprise, but that none has priority. It is in effect asking, ‘in whose interests should the enterprise be run?’ It assumes that society grants an enterprise the right to exist. The community, through its lawmakers, may grant licences and certain privileges in return for the enterprise complying with the law. It does not license stakeholders at large to impose their views on the corporation.

Sustainability refers to ecological sustainability, and ecological sustainability is premised on the notion of limits to growth, based on limits to resources. It argues that natural resources are becoming scarcer. It ignores the history of technological innovation, often promoted by competition between corporations, and the fact that such innovation has extended physical resources in ways untold.

An analysis of the 2002 Index reveals that those corporations whose score improved massively between 2001 and 2002 did so because they did not participate in 2001—they were rated anyway—but did so in 2002. Conversely, those whose score plummeted in 2002 did so because they participated in 2001 but not in 2002. Moreover, the corporations who rose massively in the ranks did not change their behaviour, they just filled out the forms better!

Greenpeace were very aggressive in their attitude to corporations: ‘To enable us to verify your responses, please provide us with further supporting documentation. If … we are unable to verify your response, we will default your response answer to a “don’t know” which will be marked and downgraded accordingly.’ Unfortunately, those of whom we would expect better—for example, The Brotherhood of St Laurence—also penalized non-respondents. As the technique was used by almost all of the research groups, this was presumably a deliberate strategy of Reputation Measurement Ltd.

More disconcerting were reports from corporations of the research groups touting for business, by ringing firms and offering their services to help fill out the questionnaire. Although the level of disclosure has increased since the 2001 survey, the touting continued.

The Index was published in October 2002, obviously to coincide with the reporting season, and in the hope that shareholders would use the Index to seek changes to corporate behaviour. A sample of the major gainers and losers on the Index reported no mention of the Index. More importantly, there was no discernible impact on share prices.

The good news is that the Index failed miserably to achieve its objectives. The bad news is that enough corporations played along to keep it alive in certain media and academic circles. It was a chance for self-appointed NGOs—who provided the questions—to regulate corporations by publishing a list of good capitalists and bad capitalists. Every corporation that participated in the Index should think carefully about whether it can justify the agenda to its shareholders.

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**Tomorrow’s Reform**

JOHN HYDE

ALPH Waldo Emerson told us that ‘a foolish consistency is the hobgoblin of little minds, adored by little statesmen, philosophers and divines’ and enjoined us ‘to speak what we think today in words as hard as cannon balls and tomorrow speak what tomorrow thinks’. While statesmen should not persist with known error, their wanton inconsistency makes policy formulation confoundedly difficult.

When he asserted that, ‘What determines the course of a nation’s economic policies is always the economic ideas held by public opinion’, Ludwig von Mises must have had even less confidence in little statesmen. His pupil, Friedrich von Hayek, urged Antony Fisher not to enter politics but, instead, to found think-tanks which, with fact and argument, would change public opinion.

Even among liberalism’s opponents, few today argue that Mises’ and Hayek’s ideas and Fisher’s liberal think-tanks did not lead the 1980s and 90s almost world-wide liberal revival. Why would they when, by much the same means, Fabian Socialism had brought the welfare state to Western nations? In neither trend, however, were politicians the mere agents of popular opinion. Especially in democracies, political leaders’ capacities to ignore it are indeed modest, but their abilities to influence it are very much less so. Even Saddam Hussein works hard at influencing Iraqi opinion. Can we hypothesize that the ways that leaders use their influence distinguish tyrants from democrats, and the purposes for which they use it distinguish politicians from statesmen?

Liberalism’s headlong charge through the corridors of power could not have proceeded without leaders such as Margaret Thatcher and Zhou Enlai who changed public opinion, as did Bob Hawke in Australia. Now, however, liberalism’s charge has slowed, even in some places been somewhat reversed. Canberra has not been immune from trends that see politicians no longer so firmly resisting demands for economic privileges or, as others see the same phenomenon, no longer so blindly following economic rationalism.

Very poor economic decisions abound—rejection of the Trebeck report on petrol pricing, preference for ethanol production, extending motor and textile protection, rural subsidies, taxpayer contribution to the Darwin-to-Alice Springs railway etc., etc. But there is also progress. The pride that John Howard takes in the fact that Australians are less divided against each other is surely justified. The hugely important labour, welfare and arguably also the health-care markets have been improved. Budget balance has been achieved, albeit with high taxes. Although net legislative and administrative progress toward a more liberal, more open, more efficient economy has dwindled, it would still be fair to say it has not been reversed.

Our statesmen’s words as hard as cannon balls, however, that is, those intended to enlighten rather than appeal to public opinion, are being reserved for the Iraqi conflict. In contrast, in the economic arena, we are no longer encouraged to accept any unwelcome truths. Even when defending measures that I am more than content to accept as beneficial, the government seems to select its defence measures that I am more welcomed truths. Even when defending measures that I am more than content to accept as beneficial, the government seems to select its argument at best randomly, ignoring principles of economic efficiency and equity. Policies for which textbook arguments could have been employed are nonetheless being defended by appeal to popular misconceptions of the sort that Pauline Hanson, the Democrats and Greens actually believe. Unless the major parties have had a radical change of heart, they believe differently.

Take the proposed Free Trade Agreement (FTA) with the United States. Trade experts are not of one mind about its net worth. My quarrel is, therefore, not with the FTA itself but with the Government’s defence of it. If the FTA will bring net benefits, then these will come mostly from improved access to American goods and capital, our own reduction of anti-competitive regulation of drugs, medical insurance, performing arts, professional services, textiles, rural commodities etc., and the dynamic advantages of mixing it with the Yanks. But the government is promoting the FTA almost solely in mercantilist (exports good/imports bad) terms.

To treat foreign goods, services, investment and ideas as an invasion parodies voluntary exchange, which does not happen unless both parties benefit. The Government trumpets a fact that nobody disputes, namely, that it pays to sell into the best paying markets, but says nothing to educate us in the advantages of buying well from foreigners as well as neighbours. Once, long ago, Howard criticized Pauline Hanson for her xenophobia. That day he seemed to understand the benefits of exchange with foreigners.

Until recently, Australia had been insisting that the only way to world trade reform was via the multilateral processes of the World Trade Organisation and, currently, the Doha round. A bilateral FTA with...
the US may or may not result in a net increase in trade flows but, if it is not a meaningless piece of paper delivering only political benefits to the Government, it will certainly divert trade from our other trading partners. How will China, Korea, Japan, etc. react to losing their ‘most favoured nation’ status? Such questions should be addressed in terms that do better than reinforce our xenophobic prejudices.

By appealing to Hansonite misconceptions, the Government may, and probably will, improve its chances of bringing forward a policy that I am more than willing to accept it believes is a good one. It is, after all, the recommendation of the Department of Foreign Affairs and Trade. However, by so doing, it is reinforcing delusions it must overcome for further economic reform. What is more, I am reminded of a quip that I am sure the PM has also heard: ‘No Government is really dangerous until it believes its own bullshit’. Politicians, and I suspect bureaucrats also, are all too prone to believing their own utterances. Unwilling to admit their deceptions even when speaking in house, they quickly convince themselves of the truth of their own and colleagues’ loose rhetoric and worse. These are the people who must negotiate the Agreement while looking over their shoulders at an Australian electorate whose already strong mercantilist tendencies have been reinforced by the people best placed to disabuse them. The potential cost is obvious.

The US Free Trade Agreement is but an example of a tendency that ought to be worrying. In debate about refugee policy, motor fuel supply, single-desk wheat sales, the supply of medical practitioners and preservation of the environment, has not the Government employed arguments that are not compatible with its professed liberal philosophy? Has it not seemed that it does not know the standard liberal responses to the self-serving demands of vested interests and bigots? With due respect to Emerson, consistency allows decisions to be made without the necessity of thinking every one through from fundamental principles, which nobody in authority has the time or the mental agility to do.

Politically disinterested educators, such as the IPA, can often call some pretty good minds to their aid. Even so, when the Government itself fosters public misconception, they cannot be expected to undo the error. The single greatest sin of the current government is that it is not building opinion for tomorrow’s reform. Why not?

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**While statesmen should not persist with known error, their wanton inconsistency makes policy formulation confoundedly difficult**

I suggest because it is politically difficult. Whereas calls to resist outsiders appeal to deeply ingrained tribal instincts, calls to uphold the civilizing and wealth-building institutions that afford protection to strangers and admit their goods, services, persons and ideas make no such visceral appeal. These codes are much later developments in the march of mankind and to many people they remain counter-intuitive. They must therefore be defended by sustained argument. Hayek knew that politicians, whose time horizons in the absence of known crises tend to be the next election, would (to use Howard’s own expression) seldom have the tickers. He turned, therefore, to the less articulate but far more resolute think-tanks.

It is relatively easy to appeal to the sort of Chauvinism that surrounds sporting activity and arguments about refugees and meat quotas. When a Prime Minister talks of sovereignty, guaranteeing our borders, or the interests of our exporters or domestic manufacturers, he is not necessarily wrong, but his task is easier than that of defending rules that permit voluntary co-operation among strangers. The principle that defends the non-unionist’s right to work, the consumer’s right to buy foreign goods, and everyone’s right to hear alien ideas, and which should protect racial and religious minorities from exclusion, still needs his leadership.

Unless statesmen recognize the inconsistencies that arise not from the changed opinions that concerned Emerson but from trying to be all things to all men, they are likely to govern in ways that are unfair and inefficient. If the public does not recognize consistency, then the ‘little statesmen’ may find themselves compelled to yield to the demands of the more articulate vested interests. In such a case, Heaven help the inarticulate, who will be effectively disenfranchised. But the institutions which, when consistently applied, give us liberty, equity and prosperity are not strongly intuitive.

They, nevertheless, distinguish Australian society from, say, Iraqi society. They give us the economic strength to defy tyrants and they give us a land worth defending. They are certainly not in danger of disappearing, but they are in danger of being eroded. Lead us Mr Howard!

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IPA
Despite the obsessive public attention to prices at the petrol pump, the petroleum-refining sector rarely registers on the media radar screen. This is unfortunate as the sector fuels most movement of people and goods in our economy and society. And it is in trouble.

It is fragmented, stunted and survives by abjuring profit and mortgaging its future. Without radical reshaping, it is likely to wither, leaving us exposed to the vagaries of the international refined-products market.

Features of the Australian Refining Sector

The first thing to note is that, by international standards, Australia is a relatively small player. The most recent international figures show that our total output of refined products in the third quarter of 2002 was 8.9 million tonnes. This compared with OECD production of 486 million tonnes, including US production of 202 million tonnes. Total Australian refinery capacity of 870,000 thousand barrels per day (bpd) compares with the figures for China (5.3 million), South Korea (2.6 million) and Singapore (1.1 million). Total regional refining capacity and production continues to grow as Australia’s stagnates. In the five years to 2000, regional output grew by 22 per cent.

Second, the structure of the industry is weak. The dispersed geographical distribution of our refining sector reflects its historical development, with each State capital city supporting one or more refineries. Over the last two decades, the number of major oil companies operating in Australia has shrunk from nine to four. Although the number of players has more than halved, the number of refineries has reduced by only two, from ten to eight. The average capacity of Australian refineries is around 100,000 bpd. New refineries in the region are generally significantly larger. Singapore’s largest has a capacity of 375,000 bpd.

Given the open Australian market, our ex-refinery prices are virtually set by the major exporters in the region who are also operating on tight margins. Moreover, the proportionately heavy demand for diesel in SE Asia tends to generate a persistent surplus of gasoline which is available for export to Australia at discounted prices.

The pattern of relatively small scattered refineries is no longer optimal in an open market in which we are a price-taker.

Third, despite its sub-optimal structure, the Australian refining industry is not grossly inefficient. One indicator is the value added per employee, which is in the top five performers in the Australian manufacturing sector.

The cost competitiveness of Australian products is indicated by the fact that we have the cheapest ex-tax price of petrol in the OECD. Performance comparisons with the rest of the Asia-Pacific, however, suggest that we lag the average efficiency in the region. And the best performers in the region are superior to our best.

Finally, the financial performance of the industry is poor: gross annual revenues for the whole industry, including marketing, were $32 billion in calendar year 2001. For the five years to 2001, the return on assets for refining and marketing averaged 3.8 per cent and was negative in the last two years. The indications are that 2002 may have been a better year for the industry but that the return on assets remains well below the cost of capital. Over the four years to 2001, the fixed asset base of the industry declined by almost 6 per cent to $12 billion, even after $2.4 billion of new investment in the period.

This is clearly unsustainable and it raises the question: Why is no-one leaving the game?

There are, perhaps, four main reasons.

• First, the industry has engaged in continual productivity improvement, allowing it to keep within range of ruling prices.
• Second, each refiner hopes that someone else will blink first, so that the waiting will pay off.
• Third, the costs of leaving the table, the exit costs, are very high because of the nature of the product and the long occupancy of most sites.
• Fourth, even while profitability is low, the industry has generally been marginally cash positive. These add up to a big ‘first mover disadvantage’.

Future Trends

Clearly, petroleum will remain our most important energy source. Petroleum products constitute 52 per cent of Australia’s final consumption of energy. Liquid petroleum fuels provide more than 95 per cent of Australia’s transport needs. There are no major, foreseeable influences that will affect this pattern dramatically. There
have been major advances in fuel economy and these will no doubt continue. But more than counterbalancing this is the inexorable growth in demand for personal mobility and for goods from distant parts. Although growth in energy consumption may slow down in Australia, we will not be reducing our consumption to any significant degree.

Our export role will also be limited. Australian export volumes have tended to be steady over recent years and future new export potential for petroleum products seems likely to be minimal. China and India have recently become major exporters, particularly of gasoline. Refinery capacity is planned to continue to grow strongly in the region, even though there is already significant excess. The decline in capacity utilization in major exporters such as Singapore will make exporting difficult. Furthermore, it is expected that product specifications in Asia, the US and Europe will converge in the coming years, thereby eliminating niche export opportunities.

The choice we face is what to do about our essentially import-competing industry.

INCENTIVES NOT STRONG
While there are strong pressures for the industry to restructure, there is little incentive to invest for this purpose. Investments in the Australian refining industry have to compete with many alternatives across the globe.

Lack of sufficient return is the single biggest deterrent to investment in the industry at present. But there are others:

- **There is no prospect of strong growth in demand to offset the substantial risks associated with large new investments.**
- **The persistent refinery capacity overhang in our region will keep sustained pressure on our margins.**
- **The corporate taxation regime is now less favourable than hitherto after the substitution of effective-life for accelerated depreciation.**
- **The regulatory cost burden is growing.** This applies to all Australian industry but is potent in overseas comparisons. Tighter fuel standards, environmental restrictions, intervention in prices, and industrial law are some of the factors.

**While there are strong pressures for the industry to restructure, there is little incentive to invest for this purpose**

- **There is increased sovereign risk stemming from inconsistent regulations.** We have eight parliaments, which enact inconsistent laws. A current example is the higher fuel standards applied in Western Australia.
- **The sovereign risk also arises from uncertainty in the regulatory process.** There are unpredictable changes of direction (the deferral of the diesel sulphur excise differential [DSED]) and uncertainty in the face of conflicting interests (will the Government act on ethanol content?)

All these factors enter into the risk/reward calculation. When the rewards are minimal, the risks take on an extra dimension.

**WHAT INDUSTRY STRUCTURE DO WE NEED?**
The short answer is: we cannot know in detail.

In the *Downstream Petroleum Industry Framework 2002*, the Department of Industry, Tourism and Resources set out a broad vision:

- **A preference for market-based solutions.**
- **A strong, efficient, environmentally responsible industry supplying most of the nation’s needs for products.**
- **Regulation only for market failure or national interest objectives.**
- **Regulation to be transparent and consistent.**
- **Reform and regulation to maximize long-term community benefit.**

This vision has some prescriptive elements, but the Government has made it clear that it will not nominate an optimal number of refineries or a pattern of production.

The general public would probably opt for a structure that guaranteed lower, more stable automotive fuel prices. Unfortunately, they cannot have both in the short term.

In fairness, the investors in the industry are the ones entitled and best fitted to determine its future. In the extreme, they will do it anyway by persisting or walking away. Generally speaking, they will seek to maximize their returns and thus promote the most efficient use of resources.

Australian refineries are not inefficient, but that is not the point. Our market is open, so the competition we face is the best of the overseas performers, often with more favourable tax and subsidy regimes.

Nor is this simply a question of closing the smallest refineries. A better approach might well be to allow refining companies to concentrate on what they do best—perhaps through refinery alliances. Caltex and Shell have co-operated in this way in Thailand.

The fact is that the detail of the decisions can only be made by the industry, relatively free of government direction. The series of detailed decisions entailed will determine the overall structure of the industry.

**COMPETITION REGULATION CAN IMPede RESTRUCTURING**
The relevant provision of Section 50 of the *Trade Practices Act (TPA)* provides...
hibits mergers or asset acquisitions: that would have the effect, or be likely to have the effect, of substantially lessening competition in a market.

It is both potentially and in practice an extremely restrictive provision. The Australian Consumer and Competition Commission (ACCC) has expressed concern at concentration in the sector in applying the provision.

The ACCC’s concerns seem exaggerated in the light of history. But they are complemented by a persistent public misapprehension that large petrol price swings equal profiteering. This perception has been so exploited for political advantage and media excitement that it is now almost impossible for the truth to emerge.

The future intensity of competition in this industry—if it is allowed to restructure—should not be in doubt. Any rationalization would, in all likelihood, still leave strong domestic competition in each major product category, perhaps with fewer, more efficient production units.

The market is also contestable. There would be numerous potential importers and many independent retailers. High margins would be rapidly eroded by competition. As recently ruled in the Boral case, market reality is more conclusive than a perception of anti-competitiveness.

Proposed mergers have been permitted in the past, but the process is slow and permission is generally only granted with severe conditions. Nonetheless, there is a strong case for allowing restructuring within the terms of the merger provisions.

**AUTHORIZATION COULD BE THE KEY**

If Section 50 of the TPA is an impassable barrier, then the authorization provisions of the Act could be the way to greater efficiency. The tests under these provisions require a public benefit which outweighs the competition detriment. The ACCC lists fostering business efficiency, industry rationalization and import-competitiveness as important public benefits.

There is a strong prima facie case that rationalization of the industry could satisfy these tests. It would allow greater scale of production, economies in distribution and closure of the least efficient production units.

But the authorization process is slow, and the onus for demonstrating the public benefits rests on the applicant. Slow process can amount to effective rejection.

**POLICY OPTIONS AND RECOMMENDATIONS**

If government cannot help the industry to adjust, it should allow it to adjust by supporting sensible change. This would involve both improving the operating environment through regulatory reform and altering the balance of competition regulation so that the industry could restructure voluntarily. The Commonwealth Government has already indicated a willingness to support both, but has not yet delivered.

The ball would then be in the industry’s court to bring forward new proposals if a new policy environment could be created. This could all happen within a very broad strategic framework, agreed with the industry, whereby Australia continued to be sure of sufficient refining capacity to meet a severe international fuel shortage.

We therefore recommend that:

- The Commonwealth Government provide explicit indication to the ACCC of the public benefits it sees from the rationalization of the refining sector. In particular, joint ventures should be contemplated.
- The ACCC give sufficient weight to the public interest benefits of restructuring to allow rationalization of production facilities.
- All governments reduce distorting fuel subsidies and taxes that favour particular sectors or fuels.
- The State Governments act immediately to harmonize their regulation of the industry and agree not to issue any new inconsistent regulation.
- More specifically, the States have a single set of fuel standards with which refiners can reasonably comply, withdraw from all forms of price regulation, and refrain from thwarting or distorting the rationalization process.
- Governments generally not introduce new regulations mandating the use of alternative fuels.

**CONCLUSION**

The choice for the industry appears to be between accelerated rationalization and atrophy. The process of change is something which the industry must plan and effect. The task is not impossible, but it will require the active support of government at all levels. For the time being, there is an expressed willingness at the Commonwealth level but no real solutions.

If nothing is done, the refiners will continue to stumble along in a regulatory fog and will invest only when obliged to do so by changing fuel standards. They will become increasingly vulnerable to low-priced imports and eventual closure.

Jim Hoggett is a Senior Fellow at the Institute of Public Affairs. 

IPA
Restoring the Rule of Law in the Construction Industry

Tony Abbott, MHR

As this issue of the IPA Review was at the press, we were alerted to the delivery of the following speech by the Minister for Employment and Workplace Relations. The paper marks a seminal change in the government’s approach to systemic corruption in the construction industry, and is another major step in the reform of workplace relations in Australia.

Last week, the Government tabled 22 volumes of the Cole Royal Commission into the Building and Construction Industry. Former Court of Appeal judge Terence Cole made 392 specific findings of unlawful conduct and, in the confidential final volume, recommended that 31 individuals be referred for possible criminal prosecution. As was to be expected, the construction unions claimed that the report was a witch-hunt and people who should have known better claimed that Cole was biased.

The anti-union allegations were never very plausible given that most unions had refused to cooperate with the Commission and had even boycotted the Commission’s special conference on occupational health and safety. As things have turned out, one of their own has fatally undermined the unions’ case. No less an authority than the National Secretary of the Construction Division of the CFMEU has unwittingly confirmed that Cole is right. In what was, no doubt, an unguarded moment, John Sutton admitted to a Melbourne newspaper that “virtually everything we do breaches part of this Act”. Sutton’s admission means that Cole’s description of a largely lawless industry can be disputed at the margins but not credibly denied. The problems of the industry have been established beyond credible doubt and the question now is: what needs to be done about it?

Nothing, says the CFMEU, because it’s alright to break the law in the best interests of the working class. Leading union officials take the view that, in a tough industry, only wimps take the law seriously. The news that “only” 31 individuals had been recommended to face criminal charges was greeted with something approaching jubilation, as if the industry’s code of silence based on fear had largely kept the Royal Commission at bay.

As the Australian Financial Review commented in an editorial, the union’s dismissive reaction to Cole’s report “speaks as loudly as his damning findings of entrenched lawlessness”. Imagine the reaction if a royal commissioner had identified 31 people in the finance industry or the steel industry for possible criminal charges. This would rightly be regarded as the sign of an industry in crisis demanding urgent government intervention.

Change won’t be easy in an industry conditioned to think that might is right. Change which shifts power from one unscrupulous group to another will not be reform. As Grocon has discovered, the first company to “buck the system” is liable to heavy-duty industrial payback. No one wants to be the first to change but change is necessary in the national interest.

In 2002, the Victorian construction industry alone accounted for 17 per cent of all days lost through strikes. The West Australian construction industry accounted for another 8 per cent of the national strike tally. Construction is a $40 billion a year industry comprising nearly six per cent of GDP and employing nearly 500,000 Australians. Due to over-manning, demarcation disputes and chronic stoppages, labour productivity in commercial construction averages 13 per cent less than in home building. Plastering the same wall in the same way costs 40 per cent more in a high rise building than in a standard house. Just raising labour productivity in commercial construction to the home building standard (let alone the 50 per cent increase needed to match North American levels) would mean, according to Econtech, a one per cent drop in the cost of living, a one per cent increase in GDP and $2.3 billion in benefits to consumers, workers and taxpayers every year.

Still, change is about decent Australian values not just a more efficient industry. Workers don’t like late night house calls, compulsory attendance at demos, and days spent sitting in the shed to make an industrial point any more than bosses. Threats of violence, contempt for court and commission orders, mob rampages when one...
side doesn’t get its way, habitual failure to honour agreements and routine harassment of people exercising their legal rights are not acceptable in modern Australia and cannot be excused even in a good cause.

Breaching “bourgeois law” may not matter to militant activists but few others take such a self-indulgent view. It’s said that “oppositions can afford to be irresponsible” but no government or alternative government can accept the principle of optional obedience to the law of the land. No less than the Howard Government, the federal Labor Opposition and the state Labor Governments understand the dangers of playing politics with the rule of law—even the authority of laws they might prefer to change such as the federal Workplace Relations Act.

The rule of law is not a smorgasbord from which a few favoured items can be chosen and the rest ignored. Freedom under the law requires respect for the law generally, not just the laws individuals personally support. Obedience to the law is not a question of choice. It is a requirement of civilisation because the law is our guarantee of equal treatment after a fair hearing. “Be you ever so high, the law is above you”. This reproach, hurled at the Stuart kings, has rightly echoed through the centuries as a warning against the conceits of office and the arrogance of power, regardless of the cause in which it’s exercised.

After last week’s meeting of the Workplace Relations Ministerial Council of the Council of Australian Governments, state and territory ministers were keen to declare in a communiqué: “there was unanimous agreement that unlawful behaviour in the building and construction industry is not acceptable”. This was an important affirmation of the rule of law in circumstances where some Labor ministers might have been tempted to put politics ahead of principle.

Unfortunately, the state and territory ministers supported more powers for the Australian Industrial Relations Commission to settle construction industry disputes. In fact, the Commission already has power to settle disputes. What’s missing is effective power to enforce agreements. The issue is not settling disputes. The issue is enforcing the law.

The construction industry typically conducts itself like this: A certified agreement is in place including an agreed dispute resolution procedure. Unions identify a grievance, often a spurious safety issue. Agreed dispute procedures are not followed and a strike ensues, even though strikes outside “bargaining periods” are “unprotected” and theoretically subject to damages orders. At that point, employers often ask the Commission to end industrial action but instead of ordering an immediate return to work because an agreement has been breached, the Commission will typically seek to conciliate on the basis of the “merits” of the issue. After a couple of days with costs escalating and liquidated damages looming, the employer invariably agrees to rectify the matter alleged and to pay increased allowances (including pay for days on strike). At this point, the Commission orders a return to work on the basis of the agreed settlement—which lasts only until the union decides on its next move.

The union has ignored the law and broken its original agreement but typically suffers no adverse consequences whatsoever. The employer has been manoeuvred into conceding most of a demand that should never have been made. A façade of legality conceals a travesty of unionism and a travesty of justice. Nearly all construction industry strikes are unprotected and potentially unlawful under section 170MN of the Workplace Relations Act. Even so, employers nearly always opt to pass the costs onto consumers, while existing arrangements for gathering information, launching prosecutions and imposing fines don’t work well anywhere but hardly work at all in an industry where giving evidence against the unions is thought to mean commercial suicide.

The construction industry is a classic case not of market failure but of regulatory failure. The fact that the construction industry does not face potential import competition limits its exposure to market discipline. Still, the main reason why unions can get what they want from business and business can get what it needs from hapless consumers is the absence of independent policing and enforcement of the industrial equivalent of fair trading laws. To an extraordinary degree, in this industry the
commissions lack sufficient power, the courts lack sufficient speed, the employment advocate lacks sufficient authority and the police lack sufficient interest.

Not before time, the Cole Commission has acted as a giant searchlight probing the dark underside of this potentially great Australian industry. It confirmed what policy makers had long suspected and what influential insiders knew but had always tried to deny or explain away: that the industry operates under the rule of the jungle and that there will be no improvement until the people who work in it understand that the law has to be taken seriously. Legislative, institutional and structural change will start to mean something when law breakers in this industry are charged, convicted and punished, like law breakers everywhere else. A few salutary bars of that old song need to waft over construction sites: “I fought the law and the law won”.

Late last year, in response to the Royal Commission’s first report, the federal Government set up the Building and Construction Industry Interim Task Force. The Government’s brief to the Task Force is to ensure zero tolerance of industrial law-breaking. The Task Force is not primarily to enforce the tax laws or the safety rules because other bodies exist for this (although the Task Force will certainly share information with them). The Task Force is to investigate and enforce Workplace Relations Act prohibitions on coercion, unprotected strikes, strike pay, and breach of industrial agreements. So far, the Task Force has visited nearly 300 sites, launched more than 50 investigations, brought three prosecutions and referred nine other matters to state police, the Australian Federal Police or the Australian Competition and Consumer Commission for further action.

These are the first public prosecutions arising out of industrial action in the construction industry at least since the 1980s and are the result of a public policy commitment to law enforcement not seen since the humiliating Clarrie O’Shea case in 1969 and the end of “penal sanctions”. Yesterday, Cabinet decided to extend the interim Task Force’s operations until more permanent arrangements to secure the rule of law can be established.

Task Force agents have the powers of inspectors under the Workplace Relations Act. They can enter premises and request documents but they can’t compel witnesses to answer or demand that material be produced. Although it is a criminal offence under the Workplace Relations Act to hinder workplace inspectors, the Cole report noted that no prosecutions have yet been launched despite evidence that Office of the Employment Advocate inspectors have been abused, had objects thrown at them and their property damaged. It has been common practice for the arrival of OEA inspectors to lead to work stoppages and even site invasions in a bid to thwart and demoralise an independent investigator not susceptible to the union’s usual weapon of commercial retaliation.

One of the problems with the workplace relations system is the assumption that parties will enforce the law against each other. This works up to a point in industries where workplace parties are more-or-less evenly matched and the issues are the workplace equivalent of an argument between neighbours over the height of a fence. It completely breaks down when one side has an effective monopoly over the supply of labour and disputes resemble a more-or-less normal family telling the house full of footballers next door that the party’s over. Expecting contractors to enforce the law against the CFMEU is like expecting people in the street to make citizen’s arrests, hence Cole’s principal recommendations are an Australian Building and Construction Commission to investigate, prosecute and enforce the provisions of a beefed-up industry specific workplace relations act.

Yesterday, Cabinet decided to support Cole’s key recommendations. First, the Government will seek a separate act governing workplace relations in the construction industry providing for secret ballots before strikes, compulsory cooling off periods after extended strikes, and damages awards in the event of unprotected industrial action. Second, the Government will establish a new law enforcement agency for the industry with powers to compel witnesses to testify, bring prosecutions and enforce judgments and with sufficient on-the-ground presence to police CBD building sites. Third, the Government will establish a Safety Commissioner to monitor federally-funded construction sites to try to ensure that these become industry models. Fourth, the

The main reason why unions can get what they want from business and business can get what it needs from hapless consumers is the absence of independent policing and enforcement of the industrial equivalent of fair trading laws.
Government will insist on the application of the National Construction Code and implementation guidelines to all significant new projects which are fully or partly federally funded.

Directly or indirectly, the federal Government funds about $5 billion worth of construction projects every year and is determined to use its role as client to drive change in the industry. In essence, the National Construction Code stipulates that construction projects must take place in conformity with the Workplace Relations Act. Under the Code and implementation guidelines, the federal Government will not engage tenderers whose workplace agreements and practices ensure a closed shop on site. The Task Force (and any replacement body) will have full access to federally funded sites to ensure that the law is being observed and workplace agreements complied with.

For the federal Government, the issue is upholding the law and trying to tackle the “union rules” culture which is at the heart of lawlessness in the industry. For the states, the issue is whether they are prepared to refuse federal money in order to protect the closed shop. However much they might prefer different federal laws, the states ought to accept that construction projects have to comply with the law as it stands, including the law mandating compliance with certified agreements.

State Labor governments which have made a point of their middle-ground credentials risk losing some $4 billion a year in federal building and construction grants if they side with the union movement’s most militant minority. There are likely to be limits to Labor’s defence of a union whose stock-in-trade (at least in some states) is the site invasion and the demand for payment and which quietly reinstates organisers sacked for assault or perjury. Opposition senators will find it hard to brand as “ideological” the recommendations of a royal commission which spent 171 days in public hearings and which pursued 11 shop stewards and 97 union officials to obtain their side of the argument.

As Justice Cole pointed out in his report, previous attempts to reform the industry have proven ineffective despite two earlier royal commissions and numerous enquiries. Although this Royal Commission’s investigations seem to have temporarily checked lawlessness in the industry, a campaign is now emerging to extend the anarchic culture of CBD construction into regional centres and the domestic housing industry. Things will certainly be different this time if parliament approves a permanent, well resourced watchdog with new powers, new personnel and new attitudes. Unlike previous arrangements, a new statutory watchdog with the powers of a law enforcement agency should be effective and permanent.

Hundreds of people took big risks with their commercial future and even their personal security to testify to the Royal Commission. It should never again be so hard for people in this industry to exercise their ordinary rights and responsibilities as Australian citizens. They expected the Government to take the Commission’s report seriously and the Government, for its part, is determined not to let them down. The Government understands that joining fights you’re not prepared to win only makes bad situations worse. Establishing the rule of law in the construction industry is a challenge Australia can’t afford to fail.

Some of the world’s best workers should no longer have to put up with some of the world’s worst industrial practices. They have a right to an honest industry where they can earn a fair day’s pay for a fair day’s work and expect to come home uninjured. The enduring image of this industry should not be noisy marchers replaying the ideological struggles of the 1970s and raising clenched fists against authorities they don’t like. At its best, the Australian industry is capable of work which is stunningly beautiful yet intensely practical and it now needs to perform consistently on time, on budget and in accordance with law.

NOTE
The foregoing speech was first delivered as an Address to the National Press Club on 2 April 2003.
Aid Detox for PNG

PETER URBAN

In psychology, behaviour is defined as irrational if an action continues to be repeated despite its repeated failure to achieve the desired outcome. On this definition, our aid policy towards Papua New Guinea has been irrational.

Despite over twelve billion dollars in Australian aid to PNG since that country’s independence in 1975, key development indicators, such as literacy rates, infant mortality, life expectancy and real income per capita, are either stagnating or deteriorating. Worse, we’ve known for over a decade.1

Today, acknowledgement of the failure of our aid policy in PNG has gone well beyond the writings of individual international policy analysts such as myself to institution-sponsored reports such as Beyond Bali, which was released by the Australian Strategic Policy Institute (the Australian Government’s own strategic policy adviser) and Papua New Guinea on the Brink which was written by Susan Windybank and Mike Manning for the Centre for Independent Studies. Both reports confirm the gross failure of Australian aid policy in PNG.

Yet still our aid policy irrationality towards Papua New Guinea continues. While the ASPI and CIS reports acknowledge the gross failure of our aid policy in PNG, they also argue that we need to continue our aid to that country. Indeed, the ASPI report argues that we should increase our aid to Papua New Guinea. The policy saviour? The ASPI report argues that we should exert greater control over our aid. Not just over the form of our aid, but direct intervention in policy and implementation in PNG—in essence, for a return to pre-independence days in PNG where, as UN-sanctioned administrator, we ran government in that country.

Despite the mind-frame of security-focused strategists such as those at ASPI and the CIS (which endorses the aid approach advocated by ASPI), the reality is that we can’t. PNG is now independent and to ignore this reality would simply compound the problems of our past aid policy irrationality with irrationality about our political relationship with our nearest neighbour.

We have to accept that, to be successful, aid policy must not just help reduce mass poverty, it also has to do so as a guest in the aid recipient country.

A more interventionist aid policy towards PNG on our part as advocated in Beyond Bali and by Hugh White (the executive director of ASPSI) in the media might have populist appeal, but it would have serious adverse implications for our relationship with other Pacific island countries and even Indonesia. Worse, it would give succour to the views of our east Asian critics (such as Malaysian PM Dr Mahathir) who claim that Australia continues to harbour colonial aspirations.

We have to accept that, to be successful, aid policy must not just help reduce mass poverty, it also has to do so as a guest in the aid recipient country. To do otherwise is not aid, but imperialism—whether intentional or not.

A more interventionist approach to aid policy in PNG would also give the current corrupt political elite in Port Moresby a rallying point against us and an excuse to delay changing their own policies. Neither Australia nor PNG can afford any further delays to policy reform. For us to give PNG politicians yet another excuse to delay reform would be not only irrational, it would be inexcusable.

While our aid continues, so will the corrupt elite that is at the heart of PNG’s problems. Until we send the message to the PNG political elite that we are prepared to stop our aid—to put them on aid detox—we will continue to waste our aid in the corruption that is PNG politics. It may be hard to accept, but the sad reality we face in PNG is that no aid may prove to be good aid, at least in the short to medium-term.2

NOTES
2 With Iraq also likely to require very significant Australian aid funding over the next few years, the Government will need to review our aid program as part of the 2003-04 federal Budget. A decision to suspend aid to PNG could be taken as part of that review.

Peter Urban is former chief economist with the Department of Foreign Affairs and Trade.
Irreconcilable Differences

DON D’CRUZ

In his speech to the National Press Club on the prospect of war with Iraq and the case for disarmament, Prime Minister Howard stated that Australia will play a significant humanitarian role in Iraq.

If so, the Howard Government needs to evaluate carefully the foreign-aid non-government organizations (FANGOs) which it funds to carry out this humanitarian programme. Many FANGOs have made it clear that they do not share the Australian Government’s objectives and values in Iraq. Moreover, some do not agree with the Government’s overall aid policies in general.

THE COALITION OF THE UNWILLING

In the lead-up to latest Gulf War, some 30 Australian aid agencies put their names to an Open Letter to the Prime Minister organized by the Australian Council of Foreign and Overseas Aid (ACFOA). The aim of the letter was to ‘speak out against war in Iraq’ and it expressed grave concerns about the humanitarian consequences of the war and the effects of the existing sanctions. The FANGOs that signed the letter were: Oxfam Community Aid Abroad; World Vision Australia; TEAR Australia; Union Aid Australia - APHEDA; Caritas Australia; National Council of Churches; Australian Council for Foreign and Overseas Aid; Save the Children Australia; CARE Australia; Oz Green; United Nations Association of Australia; Family Planning Australia; Mercy Works; Marist Mission Centre Australia; Every Home for Christ; Baptist World Aid for Christ; CCF Australia; Quaker Service Australia; Australian Lutheran World Service; Australian Relief and Mercy Services; Anglican Board of Mission; AUSTCARE; Community Development and Health Group; Amnesty International Australia; AnglicORD; Australian Aid for Cambodia Fund; Burnet Institute; RedR; Friends of the Earth; PLAN Australia; and Australian Volunteers International.2

This open letter highlighted a number of problems with the FANGOs sector. First, it highlighted the weak logic that passes for advocacy in the sector. The letter argued against military action, was critical of sanctions and suggested that nations should settle issues only by diplomatic means. It is a viewpoint which totally ignores the fact that the Government had to deal with Saddam Hussein.

The shallowness of their logic was best exposed by the Prime Minister in his response to the open letter, in which he stated that the humanitarian situation in Iraq is best addressed by Saddam Hussein’s removal and, perhaps more pointedly, that Saddam’s manipulation of foreign aid had allowed him to maintain and pursue his weapons of mass destruction capability and human rights abuses.3

Second, it also highlighted the fact that the so-called ‘human rights-based approach’ to development (embraced by several of the signatories) is not so much about realizing human rights (as its proponents argue) but is more about providing them with an excuse to ‘play politics’. According to the theory, the human rights-based approach to development allows FANGOs to tackle the root causes of poverty and injustice.

Yet the root cause of the Iraqi people’s suffering can be summed up in two simple words—Saddam Hussein. The fact that the FANGOs who subscribe to this particular approach have been obsessed with imaginary human rights abuses committed by Shell, Nike, Rio Tinto, BHP-Billiton, and Aurora Gold, while the activities of Saddam Hussein have been virtually ignored, is a searing indictment of the warped ideology, feeble analysis, and moral blindness of the sector. For them now to rediscover the plight of the Iraqi people and to invoke their name in the media is beyond contempt.

THE OXFAM COMMUNITY AID ABROAD POSITION

Of the 30 FANGO signatories to the open letter, Oxfam Community Aid Abroad (OCAA) has been perhaps the most outspoken. It opposed military action—even with UN Security Council approval.4 In spite of all the evidence to the contrary, OCAA was comfortable with Saddam Hussein’s assurances that he did not have weapons of mass destruction.5 Adopting the common policy agreed to by the other Oxfam affiliates, OCAA stated that it will not take any money from the ‘belligerents’—a quaint term used to describe democratic nations planning to disarm a dictator guilty of countless human rights abuses.

OCAA’s outrage against the so-called ‘belligerents’ appears to be geographically confined to Iraq. OCAA appears happy to take government money from the belligerents elsewhere around the world.

According to OCAA’s Executive Director Andrew Hewitt, refusing to take money from the belligerents was done ‘to protect its impartiality’.6 This is a very curious position from Australia’s arguably most political FANGO. OCAA has a long track-record of being anything but impartial or reluctant to take sides in military action. It wasn’t impartial in East Timor, where it sided with Fretlin in its quest for independence. According to its own testimony to a Senate committee, OCAA was given the choice by the Indonesian Government between ‘playing politics’ or delivering aid projects in Indonesia.7
It chose the former, thus making it persona non grata in Indonesia for almost a decade. It wasn’t impartial in Mozambique when it sided with Frelimo in the country’s civil war. It wasn’t impartial in Ethiopia when it developed links to the Eritrean People’s Liberation Front during its war against the then government. It was not impartial or anti-war when it sided with the Tigray People’s Liberation Front in the neighbouring province to Eritrea, when that group was waging a guerrilla war against the government. And recently, there have been claims that in the Middle East it was little more than an ‘eager propagandist’ for the Palestinians.

In East Timor, Ethiopia, and Mozambique, OCAA was linked with organizations which supported direct military action that led to the deaths of thousands of civilians. In none of these locations were the enemies of their friend any worse than Saddam Hussein. Indeed, in many cases OCAA’s friends were arguably no better than their enemies in terms of human rights.

OCAA’s decision not to accept Australian Government funding is the correct one in the sense that it clearly does not share the Government’s values on the question of Iraq and therefore shouldn’t receive any government money.

Hewitt went on to state in a press release that: ‘We will not take funds that might allow a government to use humanitarian efforts as an instrument of foreign policy.’

This is fine—except the Australian Government’s foreign aid is an instrument of foreign policy. And it always has been. This is spelt out quite clearly in the Australian Government’s latest foreign and trade policy White Paper Advancing the National Interest.

FANGOs that cannot accept this rather basic proposition should not be getting taxpayers’ money. They are clearly unsuitable for the task at hand.

The consequences of Australian taxpayers’ money falling into the wrong hands were brought home to Prime Minister Howard when he met Indonesian President Megawati Sukarnoputri to discuss the war against terrorism and Australia’s involvement against Iraq. At the top of the Indonesian agenda was the issue of Australian funding to FANGOs being used to support separatist movements in Indonesia.

Post-war Iraq will be a better place without Saddam Hussein and his thugs. This does not mean that it will be a safe place or necessarily a stable place. After all, one of the reasons for Western toleration of Saddam Hussein for many years was his ability to hold the various ethnic minorities in Iraq together, albeit rather brutally, thereby maintaining a balance of power in the Middle East. His departure would see strains on Iraq from the various ethnic minorities that make up Iraq. There is a strong chance that Iraq will fragment.

The last thing the Australian Government or any of the so-called belligerents need in a post-war Iraq is western NGOs running around and becoming self-styled advocates for national self-determination for Iraq’s ethnic minorities and injecting themselves into Iraq’s internal politics. This is a real risk. The behaviour of Australian foreign aid NGOs in Indonesia should make Australian decision-makers extremely wary of funding any NGOs with Australian taxpayers’ money so that they can operate in Iraq.

As things stand now, FANGOs face very few restrictions on their actions from government. If they undertake activity that is inconsistent with being an agent of government, they may lose funding for specific projects or, in more dramatic circumstances, lose funding in a country. Nonetheless, they are generally able to access Australian Government funding for other projects and countries. In other words, the penalties for becoming caught up in political activities are very light for NGOs and pose them no serious problems.

Foreign aid NGOs that ‘play politics’ are unsuitable contractors for the delivery of aid. That these overtly political organizations have been allowed to gain government accreditation and receive government funding points to some serious problems at AusAID, Australia’s official aid agency. The time has come for this to change.

**NOTES**

1 http://www.acfoa.asn.au/media_releases/2003/releases/26_3_03.PDF
2 http://www.acfoa.asn.au/emergencies/openletter.PDF
6 Hewitt, quoted in Liz Gooch, ‘Oxfam: we’ll say no cash’, The Age, 16 March 2003
7 Community Aid Abroad, Submission to the Senate Foreign Affairs, Defence and Trade References Committee Inquiry into East Timor. Downloaded at http://www.caa.org.au/campaigns/submissions/timor.html
8 Ibid.
10 Ibid. pages 325-333 passim.
11 Ibid.

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**OCAA has a long track-record of being anything but impartial or reluctant to take sides in military action**

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George Bush, Tony Blair and John Howard have provided many reasons for supporting military action against Iraq. One of those reasons has become known as the ‘humanitarian’ justification. Put simply, the ‘humanitarian’ justification for the US-led invasion of Iraq is that such action is necessary to free the Iraqi people from their totalitarian dictator.

Such an argument is attractive to those who believe that there are some fundamental human rights that all individuals possess regardless of where and how they live. What serves as the source of those rights has been the subject of debate for centuries. One of the pre-eminent statements on the subject was made by John Locke who, in *The Second Treatise of Government*, wrote that mankind was ‘equal and independent’ and that ‘no-one ought to harm another in his life, health, liberty, or possessions’.

Saddam Hussein’s mass murder, torture, and terror are reasonably clear breaches of human rights. Therefore, some would ask why there should be opposition to the United States and its allies taking whatever measures might be necessary to topple the Iraqi regime. Surely the same standard of behaviour that applies to individuals applies also to nation states? If an individual walking in the street witnessed a rape occurring, wouldn’t that individual be entitled to do everything in his power to stop the crime and assist the victim?

The point is, of course, that international law and convention do not allow nation states to act in the same way as individuals. Countries cannot simply ‘take the law into their own hands’. To restrain ‘vigilante states’ (who might be acting from either ‘good’ or ‘bad’ motives) a number of legal and political theories have been developed. One of these is the doctrine of ‘sovereignty’, which provides that states should not intervene in the domestic affairs of other states.

In relation to Iraq, the ‘sovereignty’ question is perhaps the strongest argument against the US-led Coalition. Most of the other criticisms of ‘humanitarian’ intervention in Iraq are either grounded in simple anti-Americanism or are fallacious. For example, there is the claim that because some of the countries in the Coalition have previously ignored Hussein’s cruelties, therefore it is illegitimate to take action now. Such a view has been expressed by a Melbourne international relations academic:

While there is no disputing the brutal nature of Saddam Hussein’s regime, the case for intervention made by those in Canberra, London and Washington is weakened by the fact that at the peak of Saddam’s crimes in the late 1980s, they were either directly supporting him with weapons, technology and intelligence or were entirely indifferent to his behaviour. Even if they have belatedly recognised the error of their ways, how seriously can we take their concerns about weapons of mass destruction now, given they were his suppliers then?

On the basis of this argument it could be said that Britain’s (and Australia’s) case for intervening to assist Poland upon the German invasion in 1939 was ‘weakened’ because Britain had previously acquiesced to Germany’s rearmament, the remilitarization of the Rhineland, and the annexation of both Austria and parts of Czechoslovakia. Few people who chanted ‘Freedom for East Timor’ said that the Howard Government should not act, because a quarter of a century before the Whitlam Government had been ‘indifferent’ to Indonesia’s occupation of the island.

There is also the claim that although Hussein is bad, he is not the worst dictator in the world and that it is hypocritical for the Americans to attack only Iraq. This is an astounding proposition. It attempts to apply to the United States a standard of behaviour that is impossible to satisfy. Should the police not attempt to solve any crimes because they can’t solve all crimes? If a crime is committed by two people and the police arrest one perpetrator, unless the other is also caught must the first perpetrator be released? When individuals donate money for famine relief in Africa, very few believe that their donation is pointless because it might prevent the starvation of only one person rather than thousands. Christian ethics sets down no requirement that we should help no-one unless we can help everyone.

The issue about state sovereignty, however, is one that deserves to be taken seriously. Regardless of one’s opinions on the extent and limits of state sovereignty, it is true that our
The ‘sovereignty’ question is perhaps the strongest argument against 
the US-led Coalition

Countries whose standards did not meet their own. (In The Second Treatise of Government, Locke argued that a characteristic of a ‘state of war’ between individuals was the absence of a superior authority to adjudicate disputes and prevent individuals from administering justice themselves.)

Iraq might be claimed as a reasonably clear-cut case for intervention, but other situations are not likely to be as simple. In Culture and Equality, first published in 2001, Brian Barry explored a ‘liberal’ perspective on this question:

The liberal position is clear. Nobody, anywhere in the world, should be denied liberal protections against injustice and oppression. However, in exactly the same way as liberals are pragmatic about what liberalism means in terms of boundaries, so here the move from principle to intervention has to be mediated by practical considerations…


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IPA
Which Way for the Democrats?

The 2002 mid-term elections were a dramatic victory for President George W. Bush and the Republicans. Instead of the historical norm of the party controlling the White House losing, Bush’s party gained seats in the Senate, House, Governors’ races and State legislatures. The result was a bitter disappointment for the Democrats and has led to a fierce debate between the Left and Centrists about the future policy direction of the party towards the 2004 elections.

The Left’s analysis is that the majority of Americans are natural Democrats. Electoral defeat was due to the failure to energize that base of Democrats. The party failed to distinguish itself sufficiently from Bush, and thus give their voters a reason to turn out. The majority of Democrats opposed Bush on tax cuts and the war with Iraq, a significant minority supported him, and campaigned on that support. The result, the Left claim, was that the Democrats lacked a consistent message in contrast to Bush.

Support for this argument can be found in the higher turnout amongst Republicans than Democrats in 2002, while in 2000 the combined vote for Gore and Nader was 51 per cent. An influential book by John Judis and Ruy Texeira identified ‘The Emerging Democrat Majority’. They claimed that growing demographic groups trended Democrat, including the young, socially liberal professionals, minorities and women.

What policies would motivate this natural Democrat base? The Left call for rescinding the Bush tax cut, a class war against the corporate world, a major increase in ‘public investment’ in schools, childcare, health care and public transport, and strong opposition to the war.

Centrists, however, have a very different analysis of the Democrats’ problems: the public did not trust them to pursue the war against terrorism vigorously, to keep down taxes, to spend their tax dollars wisely or to reflect their cultural values.

A Gallup opinion poll found that 57 per cent of Americans asked thought that the Democrats were not tough enough on the war on terrorism, while 64 per cent thought the Republicans were. There was the perception that the Democrats were not serious on the issue and just playing politics. Evidence for this was the debate over the new Department of Homeland Security, blocked because the Democrats wanted to protect union rights while the President demanded more flexibility to deploy the workforce. Many voters saw the issue as the national interest versus a special interest—in this case, that of the unions. The Democrats were seen as putting the interests of one of their major constituencies before national security.

The Democratic Leadership Council, in ‘The Road Ahead’ by Al From and Bruce Reed, presented the Centrist case. ‘Stop pretending we can win a majority simply by energizing our base’. The Democrats were not trusted on the war against terrorism, were hostile to the cultural concerns of many working-class Democrats on abortion and guns, and still seen as the tax-and-spend party. ‘Too many Americans don’t trust us to keep their taxes down or to spend their money well.’

The Centrist agenda is to strongly prosecute the war against terrorism, whether against al-Qa’eda, Saddam or others, and to abandon knee-jerk isolationism arising from the experience of the Vietnam War, to defend capitalism and support small investors against irresponsible managers, to cut payroll taxes, and to downplay the cultural issues that divide Democrats.

Which path will the Democrats take? The Left is in the ascendancy. Most of the remaining Democrats in office come from left-wing districts. Nancy Pelosi, a left-liberal from San Francisco, was easily elected the new leader of the House Democrats, overwhelming her Centrist opponent and rising star, African-American Harold Ford. The early field of presidential candidates for 2004 is dominated by the Left tendency, including Senator John Kerry, Representative Dick Gephardt, Governor Howard Dean, Rev. Al Sharpton, former Senator Carol Moseley-Braun and Representative Dennis Kucinich. Only Senator Joe Lieberman and Senator John Edwards represent the Centrist wing.

The future of US politics may depend on which road the Democrats decide to take. The US is currently a ‘50–50’ nation, evenly balanced between the parties. A left turn could lead to Republican dominance far into the future.

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Trusting Tony

Frankly, it’s all just too depressing. The economy’s heading for trouble. Business confidence is low: investment in 2002 was 9.2 per cent lower than the previous year, and manufacturing investment was nearly 18 per cent down. The budget deficit is spiralling because our once ‘prudent’ Chancellor (treasurer) Gordon Brown made over-optimistic growth projections and started throwing money at problems.

There’s a load of health-and-safety and anti-discrimination measures that—to put it most politely—are examples of letting the best be the enemy of the good. Every school trip needs a formal risk assessment, with the result that many trips are simply not taking place. New trains ordered for London commuter routes won’t have toilets, because the rules say that at least one toilet in each four-car unit must be wheelchair-accessible, which would have cost ten or a dozen seats on every overcrowded train.

Some of this is just insane. Some local authorities say that safety at work rules mean that home-care workers mustn’t lift the disabled people they are looking after. Or there’s rail safety. Until recently we were seriously proposing to spend $10 billion on a better system to stop trains going through red signals. On average this would have saved the lives of about three passengers every four years, which is a lousy bargain compared with other safety investments. Worse, it would also have reduced the capacity of the network by up to 15 per cent and forced more people onto the roads, which are much more dangerous than even our clapped-out railways. The result was a projected net increase of 13 to 21 deaths per year.

Meanwhile, in London, the Central line of the Underground has been closed for weeks after a train derailed when one of its motors fell off. There were no deaths or major injuries in the accident—but it’s a safe bet that some of the people who haven’t been able to use the Central line have been injured or killed on the roads.

What can one say? If the authorities took the same attitude to the risk of fatal accidents in the health service, every hospital in the country would have been closed for years.

Despite all this, the Conservatives are still hopeless. Their leader Ian Duncan Smith has a new wheeze: when a journalist asks him anything difficult, he chortles merrily and says it’s the most uninteresting question imaginable and he’s not going to waste anyone’s time by answering it. His colleagues have their knives out for him.

Meanwhile, in spite of the government’s problems with the economy and the public services, Tony Blair is growing in stature, having his way—and antagonising large sections of his own party in the process. On several recent issues, he has faced down the formidable Gordon Brown in a way that not long ago was hard to imagine.

Then he shocked everyone by coming out against having elected members in the reformed House of Lords, when most voters want an all-elected chamber and most MPs want a partly-elected one. In the event, Parliament couldn’t agree on any of the options for reform, so we’re stuck with the status quo—which is fine by Mr Blair.

Then there’s the war. By the time you read this it may be over, or we may still be waiting, or our lads may be fighting. Mr Blair’s strong line against Iraq has made him very unpopular. The anti-war march on 15 February was the biggest demonstration London has ever seen. A few days later, 122 Labour backbenchers voted against the government, and many more abstained.

Mr Blair didn’t budge. War is a serious thing, he says. ‘But in a situation such as this you have to do what you believe to be right because that’s the price of having responsibility.’

He has often been accused of governing by focus group. Certainly he has seemed reluctant to antagonise any powerful group. That has clearly changed. In a sense his stand on Iraq merely follows his action in sending troops to Sierra Leone and Kosovo—but it has stirred up far stronger domestic and international opposition.

The irony is that now, when he really needs people to trust him, we don’t. Even in the desperately serious business of justifying an unpopular war, Downing Street can’t play it straight: remember the dossier from ‘intelligence sources’ that turned out to be largely cribbed from a PhD thesis on the Internet?

NOTE
1 The Guardian, 1 March 2003.

John Nurick is a management consultant based in the South of England. From 1985 to 1990, he was editorial director of the Australian Institute for Public Policy, and later edited newsletters reporting on the UK Parliament and European Union institutions.
Private Education Equals Public Good

When it comes to choosing between government and non-government schools, Australian parents are 'voting with their feet'. As shown by recent ABS figures (Schools Australia 2002), over the last decade there has been a dramatic increase in non-government school enrolments.

Approximately 30 per cent of students now attend non-government schools, compared with 22 per cent in 1980 and 28 per cent in 1990. Over the last decade, while the number of government schools has fallen by 6.4 per cent, non-government schools have grown by 6.1 per cent.

Of course, not everybody values parents’ right to choose, and the Australian Education Union (AEU), Labor governments and ‘left-wing’ academics, in particular, consistently argue against non-government schools.

One of the arguments put forward by those opposed to giving parents greater freedom of choice is that government schools are better at promoting social cohesion and a strong sense of what Ken Boston, the ex-head of the NSW Education Department, terms ‘the bonds of civic friendship’.

The assumption is that because students attend non-government schools there will be greater social divisiveness and a breakdown in the civic values needed to hold society together. But there is no credible evidence offered to support the claim that government schools are better at promoting the common good.

In fact, there is much to prove the opposite.

First, as anyone familiar with the ‘culture wars‘ and politically correct curricula will know, instead of government-controlled education promoting unity and cohesion, it has led to public angst and parental complaints.

Witness the very bitter debate in Queensland, a year or two ago, when the government-mandated Studies of Society and Environment (SOSE) curriculum was introduced into schools. Such was the ‘left-wing’ bias in the curricula, in particular in the areas of multiculturalism and the environment, that many parents felt betrayed.

The Queensland debate is mirrored by what is happening in the United States. As noted by Stephen Arons in his book Short Route to Chaos, instead of promoting unity, government control of the curriculum leads to the opposite:

What the school wars tell us is that somehow we have been transforming a vital instrument for creating social cohesion into a source of division and hostility; that there is something built into the structure of public schooling that undermines one of its most important functions.

Aron’s argument that government schools no longer transmit a viable sense of a common culture or agreed civic values is reinforced by another noted United States educationalist, Diane Ravitch.

In a recent article in the journal Education Next, Ravitch bemoans the impact of cultural relativism and the post-modern on the school curriculum (where there are no commonly agreed values) and even goes so far as to argue that parents should be free to choose non-government schools, because such schools have a better chance of reflecting their values.

In the current education system, with the public schools committed to multiculturalism, bilingualism, and other forms of particularism, it is difficult to argue that parents should not be able to choose schools that meet their cultural needs.

Second, if one accepts that ‘social capital’—the networks, voluntary associations and civic bonds that hold a community together—is important for the health of a democratic society, then non-government schools clearly have the advantage.

Unlike the government school system, characterized by a heavy-handed, centralized bureaucracy and teacher union control, non-government schools are closer to the communities they serve. By their very nature, non-government
Private property rights: the key to achieving efficiency in rural water use

WATER IN AUSTRALIA
Water has always been a defining issue in Australia’s prosperity. And in recent decades irrigation has grown rapidly. Even so, the proportion of Australia that is irrigated, at two per cent of the land, comprises a share that is amongst the lowest among OECD countries. Only Canada and the rainiest countries, New Zealand and the UK, have lower shares; that of the US is 11 per cent and in Japan it reaches 60 per cent.

Modern agriculture is only 200 years old in Australia and though in the first 100 years agricultural productivity was increased to equal that of anywhere in the world, gains continue to be made—output has doubled over the past 50 years, a growth that could not have taken place without a similar expansion of irrigation. Irrigation in the Murray–Darling agricultural province alone contributes $5 billion to Australian agricultural output, and non-irrigated agriculture in the region contributes a further $5 billion. This makes the area, which comprises 14 per cent of Australia’s land mass responsible for a third of the nation’s $35 billion agricultural output.

Applying Property Rights to Water
Most of the uses of water involve choices or compromises—drinking water versus irrigation versus industrial and so on. Some, however, involve complementarities, particularly certain recreational uses, such as water sports that are facilitated by storage and consistent availability.

In many cases, water will perform sequential functions—the same water can be used and reused for irrigation, used for industrial cooling and finish as drinking water. Water with different, sometimes competing, productive uses will be optimally used as long as two conditions are in place. The first is that its ownership is clearly specified and the owners’ obligations to other users (or claims from other beneficiaries) are well understood. The second requires each property right to be tradable to enable acquisition by those who value it most, thereby maximizing its value.

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and relatively inviolable. This provides the incentive for them to be improved and for their owners and others to search out ways in which the assets they represent can be used to provide increased value or other benefits.

If confidence in the exclusivity an owner has over the property right is lost or was never present, the asset will be used less productively. For example, owners will milk them for their current-use value rather than trade-off present value for a future value that is less certain.

Even without a total emasculation of individual rights (for example, when title to the property depends on continuing governmental assent), lack of certainty brings lower incomes and diminished asset protection. One outcome of this can be observed in the Murray–Darling system. Water rights on the Victorian side of the Murray are secure, while those on the NSW side have been over-allocated and are subject to administrative discretion, including having a firm duration of only ten years. In Victoria, high security water (available 95 per cent of the time) comprises the great bulk of entitlements. In contrast, in NSW high security water is available only 60-80 per cent of the time. The result is that farmers on the Victorian side plant perennial crops while those in NSW tend to focus on annual crops, especially rice.

There are claims that Victoria’s more robust property rights mean that the State Government has lost ‘capability’ to manage compared with NSW. The flip side of this is the increased risk and associated lower value of production north of the Murray where property rights are attenuated. Governments that give themselves increased capacity to direct production or to take individual’s property will need to accept lower levels of income and output.

**IRRIGATION, ENVIRONMENTAL BENEFITS AND SALINITY**

**The Types of Issues**

Issues stemming from irrigation comprise two types: those impacting on the environment and those impacting on private uses. The former includes issues such as preventing loss of species, ensuring that certain sorts of species flourish and avoiding unattractive growths such as blue-green algae which result from fertilizer build-up.

The second involves economic impacts on different users.

While environmental flows to ensure species flourish are often highlighted, salinity is the main focus. And, while salinity has an impact on the environment, its importance is in the conflict of interest between productive users—the complaint of ‘damaged goods’ by downstream users against those upstream.

The Murray–Darling Basin Salinity Strategy 2001–2015 has estimated that increased salinity brings costs of $294 million per annum to the basin.

Yet data on the salinity of the Murray Darling shows levels upstream of South Australia are lower than they were in the early 1980s and are only seriously above these levels as the river approaches its mouth at the Goolwa Barrage.

The Basin Salinity Management Strategy argues that progress achieved over the past decade will ‘be cancelled within 20-50 years, and median salinity levels would exceed the Australian Drinking Water Guidelines for good water quality within 50-100 years’. The cause of this is said to be rising groundwater tables due to land use changes across the Basin.

The disputes over salinization are largely disputes between commercial parties. Full specification of rights and obligations will allow these to be resolved, as long as the impacts are measurable, their causes identifiable and the various rights and obligations are known and stable. In this respect, technology to measure salt in water and to trace increases to particular locations is readily available.

Agreements about the allocation of water rights between jurisdictions and to the main irrigation provinces have been in place for over a century. In the

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**Average Salinity in the River Murray (EC Units)**

- **January 2003**
- **July 2002–January 2003**
- **July 1982–January 2003**
case of the Murray, the ‘cap’ on water abstractions agreed between the various jurisdictions in 1995 largely validated agreements made early in the last century and before. Disturbing these agreements would greatly undermine the trust in the sanctity of property rights and seriously reduce agricultural productivity. Hence, increased allocations for certain parties or for certain uses (including environmental flows) would need to be purchased at market prices.

Developments in Australia over recent decades have conspired to make irrigation water far more valuable. This is exacerbated by:

1. Activation of NSW ‘sleeper’ and ‘dozer’ water rights as a result of the increased scarcity value, a change that brings even greater pressure on the available supply.

2. Increased scarcity leading to measures that more carefully husband the water. While some of these prevent evaporation loss and have therefore brought a net increase in effective availability, others have reduced availability (these include a more careful watering which results in reduced run-off and re-use).

3. Increased capture of water within the land on which it falls; once water is recognized as scarce, landowners will seek to ensure it does not leave their land. NSW and Victoria have placed limits (a strict 10 per cent in NSW) of water falling on property as entitlements of the owner; Queensland has not yet enacted an equivalent to this. Such adaptations of the common law are essential, however, if downstream users are not to be expropriated.

There is likely to be constant bickering over water rights, especially if State Governments seek to elevate sharing issues and to sanctify them with claims about promoting an improved environment. Real solutions require the issue be placed within a normal commercial framework which involves:

1. Clarifying the property rights.
2. Allowing water rights to be fully detachable from property and able to be used however the holder wishes, subject to any damage this might impose on others.
3. Ensuring full rights to buy and sell the water.
4. Defining rights so as not to reduce the quality of other users. This means ensuring that farming practices that do not bring greater salination than some standard.
5. Allowing rights holders to bank their water and ensure even greater certainty.

Allocating specific individual ownership rights to water and allowing its trade is a well-founded means of maximizing the use value. It would also be likely to have the beneficial side-effects of reducing salinity and farm-based pollutants caused by intensive use. We should grasp such opportunities. But if the impending salinity problem is as great as some claim, other solutions might well include buying out some allocated irrigators’ rights. However, alternatives may be to remove salt from the water by engineering solutions or simply to live with higher salt.

**NOTE**

1. Human drinking water should be less than 800 ECs (electrical conductivity; one EC equals about 0.6 mg/litre) while higher levels are acceptable for much farming activity.
UNITED OR DIVIDED?
I write just hours after US President George W Bush has delivered his ultimatum to Iraqi President Saddam Hussein: leave Iraq within 48 hours or be removed. By the time this appears before your eyes, you will know whether Hussein has decided his chances of survival will be significantly greater by choosing exile, or by remaining in Iraq. The recent creation of the International Criminal Court, of course, makes war more likely, since Hussein can have no guarantee of a peaceful ‘retirement’.

In the event that Hussein remains in Iraq, you will also know whether Bush has kept his word and, most likely, the outcome of this military venture.

This matter is immensely important for the people of Iraq and for the military personnel involved (including our own Australian soldiers, sailors and aviators). But then so was the previous Gulf War, the US invasion of Grenada, the Australian intervention in East Timor, and so on. But a difference between the current conflict and those others could be the impact it has upon international institutions. Actually, just one international institution: the United Nations.

Prior to the first Gulf War, I feared the coalition’s success for the reason that some of it might have rubbed off onto the United Nations. I hasten to deny that I fear the UN as some vast conspiracy for world domination. I feared, instead, that it could stumble into a piecemeal centralization of power (just as Federal political systems worldwide have consistently accreted power to the centre, often in the face of clear constitutional imperatives to the contrary). I feared, instead, that a UN that had been patently successful in something—anything—might be granted greater powers, to the point where it would kill true diversity and individualism (or try to, anyway) through inevitable bureaucratic practices.

Is such a fear unfounded? Apparently not, if many people share the moral touchstone of the Opposition Leader, Simon Crean. He believes, according to his own words in Parliament, that what the UN Security Council declares is moral, what it refuses is immoral.

The latest manoeuvrings over Iraq have, therefore, been heartening. It seems that the desires of the powers, small and large, to promote their own interests will continue to hobble the UN.

The problem with a united world is that, as the threatening impasse over Iraq suggested, there are very divergent views about how that world ought to be run on an international level, just as there are at national and sub-national levels. The virtue of multi-layered levels of governments is that competing jurisdictions give the individual a degree of choice.

The greatest sin of totalitarian governments, past and present, is to deny their citizens the right to leave. The greatest danger that the United Nations poses, as far off as it now (happily) seems, is that leaving its jurisdiction is, for all practical purposes, impossible.

THE IMPASSE JUST PASSED
I listened to Prime Minister Howard speaking to the motion before Parliament in relation to the war. It was a good speech, but neither he nor President Bush seems able to structure and lay out an argument with the style and content of British Prime Minister Blair. His equivalent speech before the British Commons provides a masterful summary of the reasons for this war, and includes an immensely readable time-line of the utter ineffectiveness of the UN processes in dealing with Iraq. He nicely deals with allegations of the ‘rush’ to war: ‘Our fault has not been impatience. The truth...
ATTACKING THE GLOBAL GOVERNORS
The Cato Institute is a wholesome body, as demonstrated by its opposition to such international organizations as the International Criminal Court and, for that matter, the United Nations itself. Ted Galen Carpenter, for example, argues in 'Putting the United Nations on Notice' that the UN can, and has, done some modest good occasionally. It is, he says, 'a good idea to have a place where governments can gather to air grievances'. But, he adds, if it 'attempts to acquire a taxing authority [or] raise a standing army', then the US should withdraw (as, indeed, should Australia). Because that would turn it into an 'embryonic superstate that would menace liberty'.

Go to:  
www.cato.org/foreignpolicy/un.html

THE INTERNATIONAL ORGANIZATIONS THEMSELVES
The United Nations has been accused of being often ineffective and always slow. Well, every time I’ve hit the UN’s Web-site, even with my nifty broadband Internet connection, slowness rules. Perhaps the site is being continually accessed by the teeming masses. Anyway, go to:

www.un.org

Then there is the World Trade Organization, the organization behind which protectionist nations can hide from unilateral trade liberalization by pretending to support multilateral trade liberalization. Go to:

www.wto.org

And we mustn’t forget the International Criminal Court, fear of which was no doubt a feature of Saddam Hussein’s rejection of exile as an option, and the fury of which is promised by a number of prominent lawyers to be visited upon our very own Prime Minister. Go to:

www.icc-cpi.int

FEEDBACK
I would welcome advice from readers on any other sites of interest to IPA Review readers. E-mail me on scdawson@bigpond.net.au.

His piece on the future decline of Europe, vis-à-vis America, makes for fascinating reading. Go to:

www.spectator.co.uk

FARM NANNYS
Last month, Great Britain enacted a new European Union law that forces hog farmers to give their animals 'environmental enrichment', under penalty of stiff fines and three months in jail.

A British spokesman told the Times of London: 'We mean footballs and basketballs. Farmers may also need to change the balls so the pigs don’t get tired with the same one'.

One UK farmer chuckled to a Reuters reporter: ‘It really is unbelievable. Every farmer I’ve spoken to thinks it’s hilarious’. Another told the BBC: ‘I’m just looking at a calendar to see if it’s 1 April’.

The laws will not stop with pigs. People for the Ethical Treatment of Animals—the lobbyists behind the Act—have broiler hens in the sights, demanding that farmers spruce up their coops with hanging toys, golf balls and bottle tops.

I wonder if the pigs and chickens will be forced to clean-up their toys before bed?

THE AUSTRALIAN CONSUMERS ASSOCIATION IS AGAINST CHOICE
It now official—the Australian Consumers Association (ACA) is against choice.

Last month, Louise Sylvan—the Director of the ACA—announced that her organization no longer supported peoples’ right to choose their own superannuation fund.

Now this may surprise some people as choice is supposedly the cornerstone of ACA’s philosophy, and few choices are more crucial to individuals than superannuation. Clearly the ACA’s stance had nothing to do with the desire of real consumers because, as a recent Roy Morgan survey indicated, a solid 70 per cent of consumers surveyed are in favour of choice of super fund (importantly only 14 per cent remained against choice of fund).

The ACA’s decision was supposedly based on a study they undertook which found that much advice from financial advisers was not up to scratch. Logically, however, such a finding re-enforces rather than undermines the need for choice. After all, how else are consumers—forced by law to have a financial adviser—to avoid being ripped-off by their advisers? ACA’s solution is to leave it up to them and their friends in the Australian Securities Investment Commission—they, not the consumer, know best.

For her contribution to limiting the choice of consumers, Ms Sylvan is set to be elevated to Deputy Head of the Australian Competition and Consumer Commission or ACCC.

FORESTRY-FIRE INQUIRY
Over the last few months, forest fires have ravaged the State of Victoria, destroying over 1 million hectares of forest, thousands of animals, hundreds of farms and houses, and the livelihoods of many rural families.

What is the concern of the Department of Sustainability and Environment (now known locally as the Department of Scorched Earth)? That foresters might have a job to come back to after they put out the fires.

The Government has convened an inquiry into reports that logs cut to make a firebreak on the edge of the Snowy River National Park were sent to a local sawmill to be made into timber rather than being chipped and burnt.

A local mill admitted receiving timber from fire breaks, but only those that were of no use to the Park Service and destined for destruction. It also states that without these logs the mill would be forced to close, as it has no stock because its workforce and equipment have been busy saving the State from the fires.

The demands by the community for an open and full inquiry into the causes of the fires are unanswered, while demonization of forestry workers continues.

HUMAN SHIELDS GET COLD FEET
Most peace activists who went to Iraq to serve as human shields returned home before the fighting started, fearing for their safety.

The human shields were mostly European activists who drove from London to Baghdad in two double-decker party buses in February. Their aim was to spawn a mass migration of human shields. Alas, they only got a few hundred.

Aside from their numbers, there were also a few problems with their friend Saddam Hussein. While he was kind enough to arrange transportation, accommodation and news conferences for the human shields, he only let them protect military installations. Hospitals, schools and community centres were out of bounds.

As a result, most of the human shields have now left Baghdad before the bombing starts, deciding that their commitment to peace and Saddam comes second to their lives.
Building choices

Recently, a friend was silly enough to think she could renovate her house without the use of a builder. Bravely she set out to organize all the tradespeople needed. She required separate skilled tradespeople for carpentry, plumbing, electrical work, waterproofing the bathroom, guttering, roof tiling, plastering, bathroom tiling and bricklaying to name just some. She organized an architect for drawings, arranged building permits and gathered quotations for work.

To her delight, the tradespeople were generally prompt and professional, but she discovered she had to spend nearly four hours a day for four months coordinating the work. She knew nothing about building—but quickly learnt. The tiler couldn’t do the bathroom until the carpenter had levelled the floor and the waterproofer had done his job. None of this could happen until the plumber and electrician had done parts of their jobs, which in part depended on the needs of the plasterer. She found she had to become a professional manager of contracts if everything was to fit together in this complex jigsaw. The work is now finished. She is happy with the outcome and is only twelve per cent over budget. (She changed her mind on a few items during construction!)

The marvel in the whole exercise was that she had a wide choice of tradespeople who all wanted to please if the price was right. None told her what she had to pay. Price was determined by competitive bids and her assessment of who could do the job to her satisfaction.

It wasn’t easy but somehow it all came together. She had, in effect, experienced the miracle of an open, competitive market economy in the building industry. How different this is to reports coming from the Cole Royal Commission into the commercial construction industry!

That sector is proving to be an industry of systemic, institutionalized sorting and destruction of competitive market systems. Choice of labour is controlled. Prices are fixed within certain parameters and physical and commercial thuggery is rampant. ‘Inside’ players seek to control the game through alliances of building contractors, sub-contractors and unions. It’s dirty, nasty, inefficient and ultimately costs the Australian consumer a bundle.

Why there is such a stark difference between the two building industries is explained by many factors, but from a policy perspective the commercial construction sector suffers from systemic failure in the application of competition law. The Australian Consumer and Competition Commission robustly applies trade practices law to the domestic housing industry, but fails to apply the full law to the commercial construction industry. This failure originates from provisions in the Trade Practices Act which prevent the ACCC from interfering in ‘employment’ matters. And unions in conjunction with employers play this technicality to its maximum to avoid competition requirements. Ducking competition in this way is seen by some employers as the underpinning of business in Australia.

In a late submission to the Cole Commission from the Australian Industry Group, the AIG expresses concern that the Commission should contemplate suggestions to remove or change ‘employment’ exemptions from the Trade Practice Act. AIG claims that these exemptions are ‘the very foundations upon which Australia’s industrial relations system is built’.

The AIG seems to suggest that Australian business could not function if it had to apply commercial law to labour areas, and states that the removal of the employment exemptions would ‘cripple a private employer’s human resources activities’ and ‘prevent employer associations and unions effectively representing the collective interests of their members’.

But this is a ‘big business’ view that does not explain how the 20 per cent of the private sector workforce who work, but are not ‘employed,’ manage to earn a living while subject to the full provisions of the TPA. It does not explain how my friend managed to renovate her house through the use of independent contractors who are all subject to the full responsibilities and protections available under the Trade Practices Act.

The differences between the two building sectors challenge the myth that Australia is a fully open and competitive economy. It is in fact multi-tiered, where some levels are subject to competition regimes and others receive institutionalized protection from competition. The challenge for government is to create competitive consistency for all Australians.

Ken Phillips is a workplace reform practitioner who promotes the principles of ‘markets in the firm’.

KEN PHILLIPS

MARCH 2003

REVIEW

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Critics say that misuse of the Alien Tort Claims Act constitutes bad law, bad economics and bad foreign policy and that Congress should pass legislation to close the loophole.


Children growing up in single-parent homes are at twice the risk of developing serious psychiatric illnesses and addictions later in life, according to a comprehensive new Swedish study in the British medical journal Lancet. Tracking about a million Swedish children for a decade into their mid-20s, the study found that:

- Children with single parents were twice as likely as others to develop a psychiatric illness, such as severe depression or schizophrenia, to kill themselves or attempt suicide, and to develop an alcohol-related disease.
- Girls were three times more likely to become drug addicts if they lived with a sole parent, and boys were four times more likely.
- Financial hardship, which the researchers defined as renting rather than owning a home and as being on welfare, made a big difference. Other researchers question whether poverty is the cause—noting that mothers in Sweden are not typically poor compared with those in other countries. In fact, outcomes in Sweden are similar to outcomes for single-parent households in other countries.


The unintended consequences of the war against fur have hurt the livelihoods of thousands of Canadian Indians, and have enticed them to replace their lost incomes by welcoming into unspoiled areas the oil, gas and mining interests they once opposed.

The collapse of the fur trade was a disaster for people who are guardians of the environment, say observers.

- Trappers who once used to report to environmental groups when logging companies were clear-cutting forests, or to the Canadian military when low-flying jets were disrupting caribou herds, are no longer in a position to perform those custodial roles.
- Populations of wolves, once killed by trappers to protect the skins of animals caught in their traps, have soared to the detriment of buffalo and caribou herds.
- An explosion in the population of beavers, which were almost extinct a century ago but now number an estimated 20 million in Canada, has caused the
flooding of farmland as the animals eagerly pursue their dam-building.

'I'm still bitter about what was done to us', said Stephen Kakfwi, the premier of the Northwest Territories. 'We pleaded with Greenpeace and the others. We told them we would have to turn to oil and gas and mining for jobs if they took such a hard stance against the import of wild furs to Europe'.

Hunting seals was central to a way of life for the 45,000 Inuit who used blubber for fuel, and skins for clothing and tents and insulation for their igloos and wooden huts. That way of life is now almost gone, replaced by an emerging urban landscape on the tundra. Seal meat has been replaced largely by a modern diet high in unsaturated fats and sugar, raising local rates of diabetes.


TRADE POLICY ISOLATES MUSLIM STATES

US trade policy risks isolating the Muslim states on the front lines in the war on terrorism, according to a new study. Due largely to internal conditions, most of the large Muslim countries have become increasingly isolated from the global economy over the past two decades, and US trade policies have added to the problem.

• The Middle East’s share of global foreign direct investment, for example, has fallen from nearly 5 per cent in 1985 to just 1.4 per cent last year.

• Its share of global exports also fell from 13.5 per cent to 4.6 per cent between 1980 and 2001.

• The fall in trade is mostly a consequence of oil-dominated economies, high barriers to trade and investment, and political tensions.

• Seven of the ten largest Arab League members, including Syria and Saudi Arabia, remain outside the World Trade Organization, as does Iran.

But US trade policies have worsened the Muslim world’s isolation, say analysts. Although the United States is conducting negotiations to establish a free trade area with Latin America, among Muslim nations it has signed agreements lowering tariffs and other trade barriers with only Jordan and Morocco. However, the five largest Muslim countries—Bangladesh, Egypt, Indonesia, Pakistan and Turkey—face some of the highest tariffs on exports to the United States.


YOUTHFUL DEMOGRAPHICS OF DEVELOPING COUNTRIES MAY BE THEIR ECONOMIC SALVATION

Many western industrialized countries are experiencing an ageing of their workforce, while poor, developing countries enjoy a much younger work force. Demographers suggest that this may give them a one-time-only window to catch up with the more affluent countries.

But to seize that opportunity, they would have to emphasize education, job creation and improved health care, experts point out.

• According to a new United Nations population report, less-developed countries have a median age of only 24.1 years—projected to rise to 35.7 years by mid-century.

• By contrast, the median age of the developed world two years ago was 37.5—projected to rise to 45.2 years by 2050.

• The favourable age structure of populations in China, India, Brazil, Mexico and other countries will allow them to surge economically, while western European countries and Japan are trying to cope with an onslaught of pensioners.

Australia is somewhat better off than other advanced countries, thanks to a higher birth rate and a more open immigration policy. And by raising the age for retirement and encouraging people to fund their own pensions, Australia may be constructing a more realistic policy.


For text (WSJ subscription required) http://online.wsj.com/article/0,,SB104629702862877943-search,00.html
Y LAST column talked about RMIT’s leadership role (as an expensive, government-funded tertiary educational institution) in its support of anti-globalization protests and activist training for its students in agitprop, and its drive to encourage non-rational economic principles [aka triple bottom line]. The aim of it all is to make the uni ‘ethically sustainable’. The sort of place parents would love to pay for their children to attend.

Given that the IPA received a rare complaint to our column from a researcher at the Globalism Institute over our allegations, and given that the RMIT has been in the headlines for some weeks now over massive haemorrhaging of both its money and its board, we thought we should revisit the institution to see exactly what is happening. There just may be some lessons to learn from it all.

Crikey dot com has been running some pretty harsh words on the administration of RMIT and we thought it worth repeating some of them, especially since The Age newspaper, which has been regularly reporting on the vicissitudes of the Vice-Chancellor and her sinking ship, seems to have been loathe to give all the background.

RMIT has gone from an internationally outstanding technology university, with foreign students earning it about $100 million per year in 2000 to a loss of over $50 million, through managerial incompetence—indeed, they are even trying to sell some of their land to stay afloat.

The most striking element in the crisis is that, over the last few weeks, no fewer than seven board members have resigned or been sacked—all of them outsiders to the University. In any normally accountable corporation, one would have reasonably expected the Vice-Chancellor, Ruth Dunkin, to fall on her sword. But she hasn’t.

It appears that the pattern of political patronage allows her to ride out the storms raging around her. But it does seem to confirm the worst fears anyone might have had about the connection between ideology, moral posturing and economic management.

Dunkin was warned privately that things were going badly wrong over a year ago, but has done nothing since to arrest the decline, except, as Crikey observes, to conduct ‘ruthless purges of those critical of her management’. According to Crikey, Finance Director Ian Raines was sacked recently as he had consistently and fearlessly told the unpalatable truth about where the finances were going. It was for this reason, they allege that, out of frustration, the high profile and reputable former ANZ Bank chief Don Mercer resigned from his position as Chancellor.

The union covering most academics at the university, the NTEU, has sided with Dunkin. Why? The University conveniently funds half the salary of the union president. The only people complaining of the situation are the student union and some of the staff.

If it is really as bad as reported, how does she survive? Crikey tells us. It’s all to do with Labor mates. ALP Minister Kosky clearly supports Dunkin over the Kennett appointee Mercer. It turns out that they are Williamstown neighbours, along with Joan Kirner, and Joan is (guess what?) in line for the Chancellor’s job. Joan’s qualification? Well, she had the Victoria University’s Business School building named after her, so she must be sharp with figures. As Crikey concludes, RMIT will become a one-party state (or narrower than that, a one-faction, Kosky–Dunkin–Kirner Williams-town Labor state).

So the second obvious question is, how did she get there in the first place? With the help of her mates, she was succession planned into the top job. It was felt that she needed a PhD. Dunkin had never been an academic, taught or researched. Through a long and sordid path, that Crikey goes into in considerable detail—‘soft marking’, ‘special treatment’ and lots of ‘outside help’—she was awarded a PhD in 1999, just before slipping into the top job.

One could go on about the economic fantasies that led to a ‘staggering 53 per cent of the university’s costs being taken up by the administration’, including the Vice-Chancellor’s nice little $120k salary increase. But we wouldn’t want another letter complaining of ‘blind barracking’, or that we had confused economics with ethics.

We recommend our readers visit www.crikey.com for details.

Andrew McIntyre is Public Relations Manager at the Institute of Public Affairs.
Skewering the Dogma

Stephen Dawson reviews

The Blank Slate: The Modern Denial of Human Nature

by Steven Pinker

(Allen Lane, 2002, $29.95)

When I was a lad at school, my English teacher defined for the class the meaning of ‘dogmatic’. By way of illustration she intoned ‘the dogmatic scientist’. I was silently outraged. Scientists are seekers after truth. ‘The dogmatic English teacher’ would be more apt!

Sorry teacher. You were right. I was wrong.

My disillusionment with scientists has been long in building, and is now complete thanks to Steven Pinker’s new book: The Blank Slate: The Modern Denial of Human Nature.

While it has destroyed the remaining illusions I had about scientists, it has offset this by affirming my belief in science. Not, I hasten to add, that science’s current answers are right, but that science is a self-correcting system.

The principle purpose of this book is to refute a set of assumptions about humanity that inform, and arguably do great damage to, studies of the mind. These, he says, have been made obsolete by advances in other scholarly fields, such as anthropology. In doing this he engages in the dangerous task of choosing: will he go with the mainstream social scientists, or those dissenters who are roundly condemned by their colleagues? He has chosen the latter, rightly recognizing that much anthropology has been corrupted by a post-modern theoretical foundation that renders it useless. He draws on Napoleon Chagnon’s studies of the South American Yanomamö tribes as a window into how humans related to each other before the development of more widely organized societies: in a word, appallingly. Rousseau was wrong. By our modern sensibilities, the savages were anything but noble.

Along the way he takes on those scientists who oppose the concept of a human nature, highlighting the way some resorted to dreadful misquoting so that, for instance, geneticist Richard Lewontin and neuroscientist Steven Rose could mutate Richard Dawkin’s ‘[genes] created us, body and mind’ into ‘[genes] control us, body and mind’. Quite a difference.

I suppose scientists can, indeed, be dogmatic.

Pinker also defends the fact that our brains have a set of built-in modes of operation, and certain built-in limitations, from attacks by the religious and cultural right.

This is not the end of the matter. He persuasively argues not only that this ‘mechanistic’ view of humans does not justify any abdication of personal responsibility for uncivilized behaviour, but that it provides a stronger basis for morality than either Marxist atheism or any of the various faiths.

The reason is that, for all practical purposes, it leaves our conception of freewill undamaged. The mind, which forms our nature, may be mechanistic, as indeed may be the processes of Darwinian evolution which formed the mind, but it is also an ‘open-ended combinatorial system’ which yields infinite variety within the bounds of what is to be human.
This book is a powerful addition to the popular exposition of science. For me, it also provides a powerful underpinning to FA Hayek’s *The Fatal Conceit*. Hayek assumes a human nature, and a state of nature in which humanity operated through most of its past. Pinker proves it.

Stephen Dawson is a Canberra-based freelance writer who specialises in Hi-fi, computer and IT matters. His *Free Enterprise* column is a regular feature of the IPA Review.

IPA

Why Aid to Poor Countries Has Failed
Gary Johns reviews

*The Elusive Quest for Growth: Economists’ Adventures and Misadventures in the Tropics*  
by William Easterly  

William Easterly is an American economist from the World Bank. In this book, he reflects on the mistakes made by the World Bank and the International Monetary Fund over aid funding to poor countries since World War II. It is thick with real insights. It relates a string of aid and development policy fashions over the period and tests them against their outcomes. The answer, of course, is a string of policy failures. Easterly seeks the answers.

Take one very prominent example: the Jubilee 2000 campaign to forgive the debt of poor countries. The churches, with prominent figures such as the Pope and the Dalai Lama, and the usual motley lot of dogooders with their stars such as Bono of rock group U2, pressed Western governments to forgive the debt of the poorest countries. Let them start afresh without this burden placed on them by the West and all will be well, was the argument. As a true economist, Easterly tested the incentives in this policy of debt forgiveness. In the first instance, the big problem is that debt forgiveness is not new. The World Bank/IMF Highly Indebted Poor Countries Initiative, now running at $27 billion, stands on the shoulders of decades of previous rounds of debt forgiveness.

The promise of Jubilee 2000 is no different to all of those that have gone before. ‘The debt campaigners treated debt as a natural disaster that just happened to strike poor countries.’ The truth is not so charitable. Countries that borrowed heavily did so because they were willing to mortgage their future. They were irresponsible, they sold productive assets into unproductive hands, they built unproductive infrastructure, they favoured one ethnic group over another, or one region over another, they ran inflated economies, they were corrupt, they waged war, they allowed black markets to develop because they controlled exchange rates and interest rates. And all the rest of the sordid details.

Data for 41 highly indebted countries—Angola, Benin, Bolivia … Zambia—show that total debt forgiveness from 1989 to 1997 was $33 billion, while their new borrowing in the same period was $41 billion. Moreover, new borrowing was highest in the countries that received the most debt relief. In other words, the system rewarded debt; the incentives were terribly wrong. Clearly, there were irresponsible lenders as well as irresponsible borrowers.

What to do?

Easterly’s insights—based on and learning from his own and his profession’s readily admitted mistakes—are those of an obviously brilliant economist. An economist brought to book by experience, or as one commentator remarked, ‘a lifetime idealist mugged at last by reality’. These insights are conceptually simple: first, growth helps the poor, and second, people, rich and poor, governments and donors, respond to incentives.

First, he asks, Does the government of each nation face incentives to create private-sector growth, or does it face incentives to steal from private business? In a polarized and undemocratic society, where class-based or ethnically based interest groups are in a vicious competition for loot, the answer is probably the latter … In a democratic society with institutions that protect the right of minority interest groups, institutions that protect the right of private property and individual economic freedoms, governments face the right incentives to create private sector growth.

Second, Does each donor give a vested amount of aid to each country, so as to justify next year’s aid budget? … Do the World Bank and the IMF give loans to the Mobutus of the world, or support aid to governments that can present credible intentions to build national infrastructure and help the poor?

Third, individuals and businesses may face poor incentives from bad governments, but additionally they face low incentives to grow because their productivity depends on that of other poor people. Aid that matches grants to the poor with increases in their own income as opposed to penalties, which is standard in welfare systems, can help correct poor incentives.

Easterly’s contribution, when matched with Hernando De Soto’s, *Mystery of Capital*, which brilliantly argues the case for property rights for the poor as the path to wealth in the Third World, provide a welcome intellectual fillip to those who view themselves as both on the right and in the right. It is a splendid book.

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