

Inside This Issue

Volume 54 • Number 4 • December 2002

ARTICLES & REGULAR FEATURES

- 2 [Editorial](#)
The Greens may be electorally popular at the moment, but as articles in this edition show, that is all the more reason to examine their policies with care. **Mike Nahan**
- 3 [The Underside of Netwar](#)
Two RAND analysts argue that if the war against terror is to succeed, then the West needs to take network structures seriously and use their organizational strengths to beat their enemies. **John Arquilla and David Ronfeldt**
- 6 [Not In Our Backyard, On Our Doorstep](#)
Papua New Guinea's serious internal problems (aided and abetted by our 'chequebook' aid programme) pose a greater security threat to us than fanatical Muslims. **Peter Urban**
- 7 [Tea Break or Mad Hatter's Tea Party?](#)
In a globalized world, there is no excuse for a 'tea-break' from reform—our security, broadly defined, depends on it being maintained and extended. **John Hyde**
- 9 [The Death of Rural Freehold Rights](#)
Recent State and federal native vegetation legislation will not only diminish traditional property rights, it will fail to secure its environmental goals as well. **Jim Hoggett**
- 12 [Time to Fix Your 'Roo Imbalance](#)
The explosion of 'roo numbers on farmers' land is a serious menace. Yet, because they are the States' responsibility, there is little that farmers can do about it. **Ian Mott**
- 15 [The Rigging of the ACCC](#)
The possible appointment of a consumer activist to the ACCC is not only bad for consumers, it betrays a loss of faith in the 'C' that stands for Competition. **Gary Johns**
- 17 [Postgraduate Degrees in Agitprop](#)
The grosser forms of anti-WTO sentiment are not simply schoolgirl fads—some of our lesser universities are now teaching courses in activism. **Andrew McIntyre**
- 18 [Education Agenda](#)
On nearly all measures, boys are doing worse at school than girls. There are some fairly obvious and remediable reasons for the crisis. **Kevin Donnelly**

SPECIAL REPORT

- 19 [The Capacity to Manage Index](#)
Based on careful analysis of a number of EBAs, the IPA's Capacity to Manage Index provides a path-breaking window into the internal functioning of businesses in the food and construction sectors. **IPA Work Reform Unit**
- 23 [Reform—the Uncertain Road Ahead](#)
It is said that we are suffering from reform fatigue. Little wonder when one considers the impediments facing any serious attempt at reform. **Chris Corrigan**
- 26 [Undermined—Values and Foreign Aid NGOs](#)
Using NGOs to deliver foreign aid is fine—as long as that is what they do. But if NGOs use the opportunity to promote their own narrow values, the funding should cease. **Don D'Cruz**
- 29 [The 'R' Files](#)
The latest blueprints for radical changes to agricultural land-use are little more than Arcadian dreams that would do more harm than good. **Alan Moran**
- 32 [Free Enterprise.com](#)
Welcome to the wonderful world of Blogs. What's a Blog? Well, it's a sort of living personal diary ... and a lot more! **Stephen Dawson**
- 34 [Strange Times](#)
The weird, the wacky and the wonderful from around the world. **Compiled by IPA staff and columnists**
- 35 [Letter from London](#)
Labour has many problems. Unfortunately for British democracy, an effective Tory opposition is not one of them. **John Nurick**
- 36 [Further Afield](#)
Share ownership and political values, Internet democracy, Three Mile Island, modern sperm counts, taxing and cheating.
- 38 [What's A Job?](#)
Reforming the car industry will do more for all of society than wake up a few sleepy manufacturers. **Ken Phillips**

BOOK REVIEW

- 39 [Oxfam's Rigged Rules and Double Standards: Making Trade Fair](#) reviewed by **David Robertson**

REVIEW

Editor: Mike Nahan. Publisher & Executive Director: Mike Nahan. Production: Chris Ulyatt Consulting Services Pty Ltd.
Designed by: Colin Norris, Kingdom Artroom. Printed by: Print Hotline, 47 Milligan Street, Perth WA 6000.
Published by: The Institute of Public Affairs Ltd (Incorporated in the ACT) ACN 008 627 727.
Level 2, 410 Collins Street, Melbourne Victoria 3000. Phone: (03) 9600 4744. Fax: (03) 9602 4989. E-mail: ipa@ipa.org.au Website: www.ipa.org.au

Cover photograph by David Hughes [(03) 9486 4628] Inside cartoons by Peter Foster [(03) 9813 3160]

Unsolicited manuscripts welcomed. However, potential contributors are advised to discuss proposals for articles with the Editor.

Views expressed in this publication are those of the authors and do not necessarily reflect the views of the IPA.

Reproduction: The IPA welcomes reproduction of written material from the *Review*, but for copyright reasons the Editor's permission must first be sought.

From the Editor

MIKE NAHAN

Caveat emptor should be the rule in politics as it is in other spheres of life. Yet people seem to treat politics as if it had no risks or consequences.

Witness the recent Victorian State election where, across the State, 9.2 per cent of voters cast their primary vote for the Greens. Richmond, which is filling with aspirational, young professional types moving into trendy apartments, recorded a vote of 27 per cent for the Green candidate.

Of course, the concerns people have about environmental degradation are both understandable and justified. Many of our most difficult problems emanate from our misuse of the natural environment and, as we become wealthier, we value the environment and its attributes highly. The problem lies not with concerns about the environment, but with the downright silly policies that the Greens put forward to deal with it.

For example, according to their Website (www.green.org.au), the leading economic policy of the Greens in the last election was 'the abandonment of economic growth (as conventionally measured)'. Given that the apartment boom on which the lifestyle of the young things in Richmond depend is the single largest contributor to our recent high level of economic growth, it is extremely strange that they would vote in droves for a party that is serious about stifling their lifestyle.

Of course, most people who voted for the Greens did not read the policy documents. Moreover, they voted Green with the knowledge that the Greens would not win government. They probably assumed, too, that successful Greens would, as Bob Brown recently admitted, be more 'realistic' than promised.

The confidence in the impotence of the Greens is, however, misplaced. The Greens mean what they say. Their



policies are being implemented, if not by them, then by erstwhile more sensible governments seeking the green vote. And the damage they are doing is large and highly visible.

Young people are fleeing Tasmania—the home base of the Greens—for a reason. After 15 years of Green NIMBYism, the competitive base of the State is in tatters. Not satisfied, the Greens are now working to stop Basslink—the \$200 million investment that will connect Tassie to the national electricity grid. Why? Because they do not want 'dirty electrons' polluting their 'clean electrons'. Their solution is to export the electricity with batteries—I kid you not (see page 34). They are also campaigning to shut down Gunns—the timber and plantation firm—which is the State's largest private employer.

The forest fires currently encircling Sydney are also, in part, the handiwork of the Greens. The Greens have induced successive governments to limit controlled burning, curtail logging and prevent the management of private forests (see Jim Hoggett, pages 9–11). This has turned woodlands into woodpiles ready to be ignited by arsonists, lightning strikes and other unavoidable causes.

The kangaroo plague that is currently destroying vast tracts of farm land is also the product of our green

crusaders. As outlined by Ian Mott (pages 12–14), thanks to the Greens, the States make ownership claims to kangaroo populations, but exercise little responsibility over them. This has led to unchecked growth, mass starvation and the destruction of the environment and the livelihood of farmers.

The problem does not emanate from our formal political institutions—parliamentary democracy, a bicameral legislature, federalism. Indeed, these are potentially vital counterweights to the green thoughtlessness that is sweeping society.

It is within the informal political processes of civil society that the problem is most severe. People seem too readily to accept the simplest pronouncements of activists claiming to represent consumers, the poor or the environment. They do not question their bona fides, values or actions. They seem willing to allow these self-appointed guardians of virtue a greater role in collective action than they merit.

Faced with competition and pressure from unelected activists, our elected political agents and their public servants are increasingly embracing them and their approach. Witness the recent proposal to appoint Louise Sylvan of the Australia Consumers Association to the ACCC (see Gary Johns, pages 15–16) and the Government's funding of anti-development NGOs to spread their narrow activist views and values abroad on our behalf (see Don D'Cruz, pages 26–29).

The solution lies with holding political activism in so-called civil society to the same standards of transparency, scrutiny and robust debate that takes place within our formal institutions.

IPA

REVIEW

The Underside of Netwar

JOHN ARQUILLA AND DAVID RONFELDT

THE fight for the future makes daily headlines. As in the bombing in Bali, its battles are not between the armies of leading states, nor are its weapons the large, expensive tanks, planes and fleets of regular armed forces. Rather, the combatants come from dark, violent terrorist networks like Osama bin Laden's al-Qaeda, drug cartels like those in Colombia and Mexico, and militant anarchists like the Black Bloc that ran amok during the Battle of Seattle. There is also a bright side to this fight, one that often benefits state interests, for it features networked civil-society activists struggling for democracy, economic freedom and human rights around the world. Both these dark- and bright-side protagonists are heralds of a new mode of conflict favoured by networked nonstate actors: netwar.

From the activists' Battle of Seattle to the terrorists' attack on Bali, these networks are proving very hard to deal with; indeed, some are winning. What all have in common is that they operate in small, dispersed units that can deploy nimbly—anywhere, anytime. All feature network forms of organization, doctrine, strategy, and technology attuned to the information age. They know how to swarm and disperse, penetrate and disrupt, connect and disconnect, as well as elude and evade. The tactics they use range from battles of ideas to acts of sabotage—and 'cybotage,' as some tactics involve the Internet.

So far, across this new landscape of conflict, the edge has gone to the networks. Hierarchy-oriented states must learn to transform

themselves along networked lines, or they will face the increasingly daunting prospect of struggling against an uncontrollable, rising tide of civil and uncivil society networks enabled, and impelled forward, by the information revolution.

In September 2001, the 'age of networks,' which seemed to be dawning with such democratic promise, yielded an astounding 'attack on America,' signalling the

**Transnational
terrorists, organized
in widely dispersed,
networked nodes,
showed how it is
possible to swarm
together swiftly, on
cue, then pulse to the
attack simultaneously**

onset of an archetypal netwar. Transnational terrorists, organized in widely dispersed, networked nodes, showed how it is possible to swarm together swiftly, on cue, then pulse to the attack simultaneously. They relied on the Internet, sometimes communicating via encrypted messages. But what really distinguished them—in particular Osama bin Laden's al-Qaeda ('the Base')—is the highly networked organizational form that

they built, based on unusually tight social, religious, and kinship ties. US Secretary of State Colin Powell put it aptly: To win against terror, this network must be 'ripped apart.'

The league of hierarchical nation-states that has formed to fight this terrorism will have to build its own set of nimble networks. In the military realm, this means relying more on networks of agile special forces—of all allied nations—than on the missiles, tanks, bombers and aircraft carriers that, until now, have been the *sine qua non* of national power. Just as the terrorists' power derives more from their organizational form than from technology, so too must the military power to defeat them become more reliant upon organization and doctrine than upon advanced technical systems.

The intelligence world faces an equally urgent need for institutional redesign—away from notions of 'central' intelligence, toward the construction of transnational intelligence networks able to share what they have on a real-time basis. Swift movement of important information has played a major role in the success of networked businesses over the past decade. Now it is time for networking to redefine the approach to intelligence—the quality and timeliness of which will determine whether bin Laden's or any other terror network can indeed be 'ripped apart.'

Improved international networking among military and intelligence organizations can help win this war against terror. But this will not suffice in the long run. A balanced strategy for countering terrorist networks should also

involve a much improved capacity to work with networks of civil-society NGOs around the world, many of which are engaged in social networks. Nurturing this emergent global civil society offers the best chance for state and nonstate actors to create over time an 'integral security system' that could free all of us, ultimately, from terror. For in a truly networked world, joined as much by common values as by common wires, there will simply be little space left for such a scourge.

Above all, America's strategy (not to mention Australia's) should avoid getting mired in notions of a 'clash of civilizations.' The war against terror is not a war of Western values against Islam. Rather, it is what Jeremy Rifkin has called a 'time war,' in this case between an emerging global civilization of the 21st century and a xenophobic religious fanaticism of the 14th century (or earlier). Osama bin Laden and his cohorts are so tribal, medieval, absolutist, and messianic that they resemble some of the more frightening figures out of Norman Cohn's *The Pursuit of the Millennium*. The more clearly these terrorists are revealed as such, the sooner they will be rejected by the vast majority of the Muslim world for which they purport to be fighting.

Yet, as much as Osama bin Laden seems a medieval rather than a modern character, the network that he has masterminded is quite sophisticated; and the continuing fight against it will remain tough and protracted. At this point, it is advisable to analyse how this struggle against terrorism is playing out across five dimensions: the organizational, narrative, doctrinal, technological, and social.

First, at the organizational level, this is a major confrontation between hierarchical/state and networked/nonstate actors. For the United States and its friends and

allies, one challenge will be to learn to network better with each other. Some of this is already going on, in terms of intelligence sharing, but much more must be done to build a globally operational counter-terror network. A particular challenge for the cumbersome American bureaucracy will be to encourage deep, all-channel networking among the military, law enforcement, and intelligence elements.

In fighting al-Qaeda, the organizational challenge lies partly in determining whether this network has a single hub designed around bin Laden. If this were the case, then his death or capture would signal its defeat. However, the more a terrorist network takes the form of a multi-hub 'spider's web' design, with multiple centres and peripheries, the more redundant and resilient it will be—and the harder to defeat. In a somewhat

***Nurturing this
emergent global civil
society offers the
best chance for
state and nonstate
actors to create over
time an 'integral
security system' that
could free all of us
from terror***

analogous vein, note that despite the dismantling of the powerful Medellin and Cali cartels in the 1990s, a plethora of small drug smuggling organizations, many of them networked, continues to flourish in Colombia. The risk is that small, more nimble networks

spring up as successors to a defeated large network.

Second, at the narrative level, a broad-based 'battle of the story' is being waged between Western liberal ideas about the spread of free markets, free peoples, and open societies, and Muslim convictions about the exploitative, invasive, demeaning nature of Western incursions into the Islamic world. Righteous indignation exists on both sides. The United States insists that terrorist attacks are 'acts of war' against not only America but also against 'the civilized world,' and American public opinion was quickly galvanized by the revival of the Pearl Harbor metaphor. Against this, the perpetrators exalt their own 'holy war' imagery, however, they have trouble exploiting it beyond the Islamic world. But while the United States may have the edge so far in the 'battle of the story,' in much of the world, it will have to think deeply about how to keep that edge as US forces are sent into action in or near any Middle Eastern or Muslim countries.

Third, in terms of doctrine, the al-Qaeda network has displayed a grasp of the nonlinear nature of the battlespace, and of the value of attack from multiple directions by dispersed small units. If this is indeed a war being orchestrated by al-Qaeda, its first campaign was no doubt the bombing of the Khobar Towers in Saudi Arabia in 1996, followed by a sharp shift to Africa with the embassy bombings of 1998. In between, and since, a number of other skirmishes have occurred in far-flung locales, with some smaller attacks succeeding, and others apparently being prevented by good intelligence. Thus, bin Laden and his cohorts appear to have developed a swarm-like doctrine that features a campaign of episodic, pulsing attacks at locations sprawled across global time and space where particular network nodes have

advantages for seizing the initiative, stealthily.

Against this doctrine, the United States has had seemingly little new to pose, as yet. Some staid defensive efforts to improve 'force protection' have been pursued, and the offensive part of US doctrine still appears to be based on ageing notions of strategic bombardment. Needless to say, if our ideas about netwar and the future of conflict are on the mark, the former is not likely to be a winning approach; a whole new doctrine based on small-unit swarming concepts should be developed. Indeed, the striking success of the relative handful of coalition special forces in Afghanistan during the fall of 2001 should be seen as 'a war to change all wars.'

It also seems clear that the notion of counterleadership targeting will continue to be featured—this was tried against Moammar Qaddafi in 1986, Saddam Hussein in 1991, Mohamed Aidid in 1993, and against bin Laden himself in 1998 and again at Tora Bora in 2001. Every one of these attempts has failed, and now we know that bin Laden is still out there. But this sorry record hasn't kept the United States from resorting to the strategy yet again, as this seems to form a part of its doctrinal paradigm. Taking out top leadership is not necessarily a bad idea, but network designs may be so complex and capable of reconfiguration that it makes equal sense to target brokers, gatekeepers, and other operators at strategic middle and peripheral positions.

Fourth, at the technological level, the United States possesses a vast array of very sophisticated systems, while al-Qaeda has relatively few—and has great and increasing reluctance to use advanced telecommunications because of the risks of detection and tracking. But this category cannot be analyzed quite so simply. The

United States, for example, has extensive technical means for gathering intelligence and targeting information—but perhaps only a small portion of these means have much utility against dispersed, net-

Simply put, the allied coalition must start to build its own networks (and hybrids of hierarchies and networks) and learn to swarm the enemy, in order to keep terrorists on the run or pinned down

worked terrorists. Orbital assets—now the linchpins of American intelligence—may ultimately prove of little use against bin Laden. At the same time, al-Qaeda has access to commercial off-the-shelf technologies that have proven a boon to their operations.

Last, at the social level, this network features tight religious and kinship bonds among the terrorists, who share a tribal, clannish view of 'us' versus 'them.' Al-Qaeda's edge in this dimension ties into its narrative level, with Islam being the pivot between the story of 'holy war' against 'infidels' and the network's ability to recruit and deploy hate-filled, death-bound strike forces who evince a singleness of mind and purpose. Against this, the allied coalition faces a profound defensive challenge at the social level: How will people, despite the arousal of outrage at terrorism, react to the potential need for their societies to become

less open in order to become more secure?

In summary, a netwar perspective on the various dimensions of the struggle with al-Qaeda renders some interesting insights into both the context and conduct of this first major conflict of the new millennium. Bin Laden and al-Qaeda held initial advantages at the social and doctrinal levels, and in the organizational domain as well. The United States and its allies held only marginal advantages at the narrative and technological levels. In terms of strategy, there appears to have been less room for al-Qaeda to improve. However, its underpinnings might be further enhanced—and vulnerability removed—if it moves ever further away from being a hub network revolving around bin Laden.

For the United States and its allies, there is much room for improvement—most of all at the organizational and doctrinal levels. Simply put, the allied coalition must start to build its own networks (and hybrids of hierarchies and networks) and learn to swarm the enemy, in order to keep terrorists on the run or pinned down until they can be killed or captured. The United States and its allies must also seize the initiative—including by applying pressure on any states that harbour or sponsor terrorists. To be sure, the edge at the narrative level in the world at large must be maintained.

The crucial work now for coalition strategists is to develop an innovative concept of operations and build the right kinds of networks to carry off a swarming campaign against networked terrorists. For, at its heart, netwar is more about organization and doctrine than it is about technology.

*John Arquilla and David Ronfeldt are RAND analysts. Their latest book is *Networks and Netwars* (RAND, 2001)*

I P A

Not In Our Backyard, On Our Doorstep

PETER URBAN

IF there is one lesson for national security policy that we should learn from September 11 and the Bali bombings, it is a quite fundamental one: that threats to national security often come as a surprise, but that, after the event, are also rather unsurprising. This lesson is particularly important at the moment. With our attention firmly focused on terrorism, the risk for our national security planning is that we will downgrade or overlook other risks.

Papua New Guinea is a good example of this danger. As noted in *Beyond Bali* (a recently released report by the Australian Strategic Policy Institute), PNG is an obvious launching pad or conduit for terrorist or transnational crime activity directed against Australia, given the growing political and institutional instability in that country. While this is the obvious security threat from PNG, the real security threat from PNG is likely to come from internal developments in PNG and a continued failure of Australian aid policy, rather than from external agents such as Muslim terrorists or transnational criminals using PNG as a base.

To most Australians, to identify PNG as a major threat to our national security in its own right would seem nonsensical: how could a small, developing country pose an independent threat to a country such as Australia? This perception is reinforced by the fact that for many Australians, PNG is viewed through the prism of the Kokoda Track, fuzzy-wuzzy angels, mountainous jungle and an environment relatively unspoilt by

modern society. Within this perception, PNG is also seen as a part of the geographic isolation that adds to, rather than detracts from, our security.

The reality is dangerously different from this out-of-date perception. Although PNG is indeed rich in natural and environmental resources, it is also beset by endemic official corruption and political in-

The real security threat from PNG is likely to come from internal developments in PNG and a continued failure of Australian aid policy, rather than from external agents such as Muslim terrorists

stability. Despite over twelve billion dollars (yes twelve BILLION dollars in 2001–02 terms) in aid from Australia since it gained independence in 1975, in terms of most development indicators (life expectancy, literacy rates, income per capita, etc.), PNG is going backwards.

Worse, our aid policy has been a significant contributor to the emerging failure of PNG as a state. For most

of the period after independence, Australian aid was delivered as direct budgetary assistance—cheque-book aid, without the accountability regarded as the norm for other expenditure programmes. The result: PNG politicians used Australian aid flows to fund their growing appetite for corruption.

The decline in PNG is also accelerating. In 1999–2000, GDP contracted by 1 per cent. This financial year, PNG's GDP is forecast to decline by 3 per cent. In real per capita terms, incomes in PNG have probably contracted by around 20 per cent over the last five years. Unemployment is high and rising, particularly among the young, lawlessness is out of control and, as a state, PNG is dysfunctional: outside the capital (and even within Port Moresby) most basic services such as police, transport, education and health have collapsed.

This has direct security implications for us. As can be seen from a decent map of the area,¹ Australia shares extensive island and seabed borders with PNG. Within the Torres Strait, there is also freedom of movement of Torres Strait islanders of either nationality between both countries. These movements have increased significantly over the last few years and were estimated at over 50,000 movements in 2001. As the disintegration of the PNG state accelerates, we can expect to see these movements increase further as more and more Papua New Guineans come to rely on Australian facilities in the Torres Strait for basic services. In the case of health services, this is already happening, with the

Queensland Government requesting increased federal health funding to compensate for the drain on its health services by PNG nationals.

From the national security perspective, while large, uncontrolled movements of PNG nationals across our borders presents serious risks in its own right, the nature of those movements is also of concern. In PNG, for example, AIDS infection is running at nearly one per cent of the adult population. This compares to an infection rate of 0.1 per cent in the Australian adult population. As a result, a large influx of PNG patients into the Torres Strait health system brings with it the increased risk of AIDS transmission into the Australian health system, particularly given that most health services in the Torres Strait region are delivered through relatively unsophisticated facilities. Although this risk may be unintended by those seeking health care, the result would be the same as intentional exposure by terrorists.

The bottom line of the foregoing is that we need a fundamental review of Australian policy towards PNG. Unless we do, we will continue to waste tens of millions of dollars in aid each year while at the same time exposing ourselves to serious security risks—risks potentially far more serious than, say, bombings in Bali. We will also be letting PNG down. While the memory of the Kokoda Track may not be relevant to where PNG is today, it is relevant to where we should want it to be tomorrow. Nor is it the fault of ordinary Papua New Guineans that our aid and their politicians have failed them.

NOTE

- 1 A readily accessible one may be found at: [http://www.dfat.gov.au/geo/torres_strait/map.html]

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

IPA

Tea Break or Mad Hatter's Tea Party?

JOHN HYDE

IT is not entirely clear whether anti-globalization protestors are bent on building the backlash against economic reform, convincing the legislators that it is bigger than it really is, or having fun. Nevertheless, since their apparent success by any of the three measures in Seattle in 1999 and certainly since the 1980s:

- fewer people are defending economic reform with consistent arguments;
- the determination of Australian governments to reform their respective economies has abated;
- the big-spending and big-taxing Howard Government has become prone to appeasing vested interests; and
- the ALP and the minor parties in the Senate are blocking reforms that the Hawke Government would once have championed.

Again persuaded more by noisy minorities and less by economic principle, our politicians have, as New Zealand's David Lange once put it, taken a 'tea break' from reform. Australian economic reform has, to date, been overwhelmingly successful, more is needed, and they justify their break about as convincingly as the Mad Hatter justified his tea party to Alice.

The Liberals and Labor have clearly been scared by the minor parties, but their response does not seem to address the principal grievance of the voters who

deserted them. When, following the 1983 election Labor (then in Government) and the Coalition (then in Opposition) began taking advice from conventional sources more seriously than before, One Nation, the Democrats and the Greens continued to offer the policies which economic theory and budgetary arithmetic disallow. A 1998 *IPA Backgrounder* showed that the minor parties were, for practical purposes, as one on foreign ownership, trade protection, re-regulating the financial sector, opposition to privatization, labour market regulation and reduced immigration—all areas where Labor or the Liberals were closer to each other than to the minors. The minors played 'catch' with the populist and protest vote, adding it to their core of genuine ideological support which, in the case of One Nation, was temporarily so considerable that something visceral was needed to account for it.

A little of the something was no doubt race, but if other upper blue-collar and rural electorates are like the one that I represented, only very little. Epithets such as 'red neck' and 'racist' hurt these electors, and both Labor and the Coalition fostered the attitudes that caused them to be so abused. But there was, I believe, something even more fundamental than that. I am reasonably confident that a feeling that their opinions did not count with officials who insisted on 'do's' and 'don'ts' that trivialized their values and disdained their

protests explains more—good old Marxian alienation! It was evident in the rural parts of my electorate even before I lost it in 1983. Many of these disenchanted people would have tolerated, some even welcomed, disagreement, but not the politically correct injunctions that denied their opinions a hearing.

My unstructured observations are borne out by a survey conducted by Katharine Betts. She identified resentment at the ‘cosmopolitan agenda’ with a tendency to vote against the proposed Republic. If the antipathy was strong enough to cause people to vote against a proposal that was but a small part of that ‘agenda’, it was surely sufficient to cause them to register a protest against the perceived perpetrators of it. A Parliamentary Library Research Paper quoting a study showing that the Hanson constituency was ‘disenchanted and feels disenfranchised’ also supported my opinion. If feeling alienated were not enough, when Hanson’s meetings were broken up by violent protests (some of which were televised), tens of thousands of voters must have turned to her in sympathy, protested against such behaviour or both. In due course, when the Hansonites made themselves look silly, some votes returned to the Coalition and Labor. I doubt, however, that many of the disenchanted even noticed the major parties’ tea break, or that their sucking up to vested interests won many more votes than it lost.

Some Liberals have blamed Kennett for their Victorian electoral debacle—it’s easier than blaming themselves—but the evidence that economic reform costs votes is at best equivocal. Hawke was re-elected twice, Kennett was also re-elected at the height of his reforming zeal and the record in New Zealand, the UK and the United States is similar. Reforming governments tend to lose elections when they get tired.

Of course, people who have lost, or might lose, privileges will say that economic reform is responsible for every political reversal too; but they would say that wouldn’t they!

Then how is it that people say that issues such as gun control, Telstra, tariffs or the labour market drive them? The next time your spouse implies that it’s time you stopped sulking, will you say, ‘You and the family don’t take me as seriously as I merit’, or will you refer her/him to some episode that is not the crux of your discontent? With

**People who have lost
privileges will say
that economic
reform is responsible
for every political
reversal too;
but they would say
that wouldn’t they!**

opinion pollsters, too, people can articulate only concrete grievances and none come more readily to the tongue than those that have been carefully crafted and advertised by vested interests and zealots. I suggest that alienation is likely to be a much bigger cause of disgruntlement than surveys can show, and that other reasons are commensurately less important.

As long as vested interests have privileges to protect, opposition to economic reform will be organized. Of course, some honest idealists also oppose it, but when kids block the streets chanting slogans against the trade and investment that have done so much to reduce the pov-

erty of millions, they are either totally disingenuous or they have not given the evidence even a cursory glance. Self-serving interests, misguided idealists and the irresponsible young are facts of life with which Australians must live and not only because these cannot be avoided. One day we may have to look back (with whatever humility we can muster) upon what was at the time an apparently mindless protest and say, ‘It was right after all!’ I much prefer protest that is prosecuted by argument rather than by chanting and causing public nuisance, but without the right of public dissent our country would not be free and, I am sure, would soon become as inefficient as it would be corrupt.

What I cannot understand is why older people who have risen to positions of prominence have become too timid to defend the institutions that they know full well underpin all productive economies. Where, today, are the political leaders of the 1980s and early 1990s who, in word and deed, in government and in opposition, defended them? They might, today, with profit to the nation, turn up Hawke’s response to the Garnaut Report, the philosophical parts of *Fightback!* and Howard’s first Headland Speech.

Where, today, are the business leaders who in 1993 signed off on the BCA publication, *Australia 2010*? At a time when corporations are prone to make common cause with the forces that turn up at anti-globalization rallies, it bears a thoughtful re-reading.

Leaders who allow themselves tea breaks not only (however temporarily) do not lead, they allow the opponents of reform to regroup.

John Hyde is a Senior Fellow with the Institute of Public Affairs. His book, Dry: In Defence of Economic Freedom, was published by the IPA in November 2002.

IPA

REVIEW

DECEMBER 2002

The Death of Rural Freehold Rights

JIM HOGGETT

FARMER Jim is thinking of felling one of the 20,000 trees on his property for fenceposts. He has used up his 30 tree (0.15 per cent) exemption. He looks at one of the 19,970 remaining trees. He has to consider: what slope it is on; whether it is a rare species; whether it has any hollows or is on the way to having hollows; what native animals or birds are feeding off it or are likely to do so; what effect it has on the forest canopy; whether it is near a stream; whether it is of aboriginal significance; etc., etc. Then he will be in a position to make a lengthy submission to government seeking permission to fell. Welcome to the world of tree-by-tree approvals.

Over many years, governments have taken actions that have diluted the rights to freehold title. They have done so for a variety of reasons, including to provide for essential public services, to control harmful activities and, more recently, to prevent ugly development. This has resulted in extremely interventionist regimes. Such regimes are necessary, particularly in crowded urban areas. But they are not costless.

Nevertheless, the planning regimes have generally not destroyed the economic value of a whole class of property and deprived landholders of the incentive to care for it.

State Governments are in the process of doing just this. They are establishing native vegetation legislation that will quarantine large areas of Australia, effectively eliminating freehold tenure in those ar-

reas. In opting for coercion rather than cooperation, for preservation rather than management, they will also ensure that their environmental objectives will not be attained.

THE LEGISLATION

At the national level, the legislation is intended to prevent widespread additional clearing of private native forest and woodland. At the local level, this will be done

**State Governments
... are establishing
native vegetation
legislation that will
quarantine large
areas of Australia,
effectively
eliminating freehold
tenure in those areas**

by depriving landholders of historical legal rights and existing economic value. The rights are the counterweight for the responsibility of care. The new legislation does not provide for the expropriator (the government) to take up the responsibility of care. Indeed, it seeks to impose additional responsibilities on the landholder as it removes the property rights.

The method of expropriation is through the familiar requirement

for official permission that will be hard to obtain and seldom granted. Permits will generally be required from government before native vegetation can be disturbed. Native vegetation is widely, if vaguely, defined but can be taken to encompass most native forest and woodland. The legislation is duplicated, extended and reinforced in many respects by existing and new rules covering water and native fauna. The legislation will be administered through regional plans containing detailed regulation.

Some exemption has been granted so that landholders can remove or take a number of trees per annum. The exemptions bear no relation to existing rights. In one NSW regional plan, it is 30 trees per property. On a property with 100 hectares of trees (not uncommon) there could be up to 40,000 trees. The exemption is, therefore, nominal and negligible. It cannot be described as maintenance of landholders' rights nor does it provide the basis for sensible forest management.

The avenues for landholders to apply for permission to undertake native forest activities will be hedged with the usual interminable processes of analysis, submission, impact statement, comment, etc. Only big businesses will have the time, expertise or money to take on the crushing weight of the State bureaucracies and the inevitable third-party intervention that the centralizing of decisions fosters and favours. Farmers already have a day job. Expensive and complex submissions to government are far

more onerous for them than for full-time bureaucracies or (government-financed) Green organizations.

In this case, regulation of rights is effectively elimination of rights.

In effect, the policy locks up the private forest at no immediate cost to the government and eliminates the freehold property right. This involves about 7 million hectares of private property in NSW alone—60 per cent of the total forested area. It is a land grab of Zimbabwean proportions—and with similar likely results.

LAZY POLICY IS BAD POLICY

This is very poor policy because it is both discriminatory against a minority group in society and it won't work.

What seems to have happened is that governments have simply applied the policy that they have been using for public parks to private land. This has two main drawbacks.

First, the policy applying to public land does not seem to be working. The creation of extensive public parks provides only a transient political gain and the parks are then permanently under-resourced for operations. The result is poor access for the public, neglect and the creation of extreme fire-risk.

At the same time, the diminished State forest areas are under pressure to sustain timber production levels to meet the continuing needs of construction and manufacturing. We will reap the penalties for this later.

Both activities suffer.

Second, the application of the policy to private land simply overrides the long-established and intricate balance of rights and responsibilities that apply to thousands of freehold properties and to thousands of individuals who have cared, and will be expected to continue to care, for the land. There is no evidence that the majority of

these individuals deserve to be penalized in this way or that quarantining will produce a better environmental outcome than the present private management.

'One size fits all' is a lazy and inadequate approach to public policy.

BAD POLICY WILL FAIL

The implications are:

- Landholders have their ownership in these areas reduced to something like leasehold—indeed the areas become a significant liability.
- There will be no incentive for them to care for the forest—to maintain access tracks—to remove noxious weeds—to control feral animals—to do risk-reduction for bushfires. And they cannot be asked turn out to fight fires in dangerous conditions which may have been created or exacerbated by government.

There is a powerful incentive for landholders to circumvent what will be an unjust law and to conceal or destroy any significant environmental values in the forest

- There is a powerful incentive for landholders to circumvent what will be an unjust law and to conceal or destroy any significant environmental values in the forest—the government will alienate those whose support is essential to the success of its broader objectives.

- Governments have neither the will nor the capacity to care for these areas themselves—the huge, regular, uncontrollable fires in our national parks indicate their incapacity.

- Nor will governments want to accept public liability for the hazardous conditions that their policies will create in neglected forests. There will be much fruitful ground for future litigation as the neglected quasi-public forest estate generates injury and damages claims.

- Nevertheless, governments are already planning the recruitment of a host of jobsworth tree stump police to enforce the legislation on the thousands of landholders it has deliberately alienated. There will be the usual draconian enforcement powers and there will be the usual cadre of informers.

- The inspectors will, nevertheless, be unable to monitor, much less inspect, more than a tiny fraction of the tens of billions of trees supposedly in their mandate.

The legislation will create the opposite of sustainable development.

There will be no development in most of the forest areas and large new regions of badly neglected native forest will be created. They will be of negative value to the landholder and there will be no access or value for the general public.

THE 'NON-DEBATE'

Although there has been passing mention of this legislation in the national media and parliaments, there is little substantive debate. This is partly because there are currently multiple assaults on rural private property rights through environmental and other legislation. Restrictions on land and water use, fauna protection and Aboriginal and heritage protection are all on the shopping list of one activist group or another. So any one issue tends to be buried or confused.

In addition, as farmers grapple with prolonged drought, and volunteer bushfire brigades risk their lives on public and private land, the more mundane and complicated business of policy formulation is pushed out of the limelight. Moreover, media commentators tend to avoid the complexities of bad regulation. There are simpler, more interesting targets, such as farm subsidies or more exciting, if long-discredited, fantasies, such as turning the coastal rivers inland.

The usual defenders of the rural sector have been muted or, in some cases, have been bought off by chimerical promises of compensation, such as the National Farmers Federation's joint bid with the Australian Conservation Foundation to get \$65 billion from the public purse to solve salinity and buy out farmers. There has been a whisper of compensation for expropriated rights, but political promises in this area are notoriously fragile and compensation is always hard to get and slow to be delivered. Full compensation for loss of capital value and for ongoing maintenance of areas that government has effectively expropriated would be enormous. Other potential champions of the rural sector, such as the NSW Opposition, are desperately trying to look like a pale green shadow of government.

The Green movement has strongly supported the legislation. More sinisterly, it has also attempted to stifle debate by seeking to exclude landholders even from their minority role in consultation processes on the grounds of their direct interest. This is rather like excluding voters at an election, or ratepayers from local issues, on the grounds that they will be damaged by the actions of government.

The fact is that this policy is costless both to those who promote it and to most of those who pass it into law. It has substantial benefits for those in the bureaucracy who devise the policy, because it pro-

vides employment and power. The costs to the real stakeholders, the landowners, are very high. The costs to the community generally are well into the future beyond the next election.

The policy dynamic is profoundly biased against the rural sector.

In NSW, the area of parks and reserves has quintupled from one million to five million hectares since 1970. The number of parks has increased from 100 to a completely unmanageable 580

A BETTER WAY

There is a better way.

If the State and Commonwealth Governments were serious about the future of our native vegetation, they would focus on the detection and regulation of large-scale land clearing. The invention of the aeroplane and, more recently, the satellite, permits regular detailed aerial inspection, and hence control, of those who flout the law.

Instead of alienating thousands of private forest landholders (who are not clearing), government should enlist their support. It is a myth that the average farmer knows or cares less than the average Green about land on which he has worked for years. Overseas, the worth of schemes involving coop-

eration in native forest management between public and private sectors is already well recognized. In the USA, some developing countries and at the World Bank, the perversity of mandated quarantining has been recognized. As is so often the case, Australia continues to adopt policies that elsewhere are regarded as obsolete.

A cooperative regime would allow for sustainable forestry activities while providing for protection of significant environmental values. We are surely beyond the point of believing that large, regular, random blazes in neglected public parks are preferable to the alternative of detailed forest management.

Perhaps the States might also look at the big picture before deciding to lock up land in addition to that which they already conspicuously fail to manage. In NSW, the area of parks and reserves has quintupled from one million to five million hectares since 1970. The number of parks has increased from 100 to a completely unmanageable 580. The area of State forest is 2.8 million hectares—still substantial though no longer a viable resource at current extraction rates.

The variation from region to region is significant and unrecognized by the policy. In those regions where forest cover in public hands is more than 20 per cent, the need to lock up more land should be presumed unnecessary.

For the Green movement there will never be enough parks or enough regulations that simply say 'no' to human activity. But other people must live on this continent and their productive activities must support the public domain. We need to look at more intelligent and tailored solutions.

Perhaps it is time to say enough is enough.

Jim Hoggett is a Senior Fellow at the Institute of Public Affairs and owns 100 hectares of native forest in the Manning region.

I P A

Time to Fix Your 'Roo Imbalance (The Hidden Environmental Tax on Farmers)

IAN MOTT

FARMERS are being accused of shortsightedness for failing to prepare for the present drought. Yet few urban observers understand that the current crisis is caused by a level of hidden environmental taxes that the urban majority would never accept themselves. And instead of doling out begrudging assistance laced with condescension, the community at large may find itself on the wrong end of a very expensive negligence claim.

The current drought provides a once-in-a-decade opportunity for farmers to rid themselves of a hidden *environmental tax* that is one of the greatest threats to their long-term viability, while at the same time correcting a major ecological imbalance.

On many properties, the excessive kangaroo population will be eating as much feed as the sheep or cattle. All agree that 'roo numbers have multiplied because of added watering points, improved pasture and, yes, clearing. But few non-farmers understand the full consequences of this imbalance.

Indeed, Archer states,

Not every kangaroo species was adversely affected by these changes. The modification of much of Australia's semi-arid land into suitable grazing country allowed the Red Kangaroo to go from an uncommon and rarely seen animal to one of the country's most abundant.¹

Archer claims that, 'Ten species are likely to have benefited from habitat changes occurring since European settlement, and it is

mostly these species which figure in commerce and/or pest control: they are mainly the large Kangaroos' (page 234).

And it is worth noting that Burke and Wills, in their 1860–61 journey from Cooper's Creek to the Gulf and back (a 2,000km trans-ect), shot their own camels and horses, scrounged for snakes, rats and birds but appear to have shot

***Instead of doling
out begrudging
assistance laced
with condescension,
the community at
large may find itself
on the wrong end
of a very expensive
negligence claim***

no kangaroos. During their final weeks, the local Murris provided them with fish (from the natural watering points) and Nardoo cakes but, again, no 'roo meat.

Yet, at a rather modest stocking rate (for today) of one animal to four hectares, there would be about 700 'roos within a three kilometre radius of 'the Dig Tree'. And King, the lone survivor, shot birds to

exchange for other foods from the Murris but, again, no 'roos appear to have been shot.

One can only conclude that if starving men with rifles, camped at a watering point, were not shooting 'roos for survival, then there were very few 'roos about.

And today, while farmers must hand-feed their stock to keep them alive, the same number of 'roos will starve. Many farmers will face the heart-rending task of shooting sheep rather than prolong their agony. And the 'roos?

Well, er, um, they're the responsibility of the relevant State Environment Minister and you can bet your mortgage that none of them will be photographed anywhere near a starving 'roo before rain falls.

Farmers are only allowed a limited licence to cull 'roos. The various Ministers have assumed effective control over 'roo numbers but, negligently, have done nothing to ensure their health and well-being.

More importantly, as farmers have improved the productive capacity of their land, the relevant Ministers, and the communities they represent, have allowed their kangaroo herd to increase to unsustainable levels.

So where a paddock may have originally supported fewer than 1,000 animals prior to European settlement, it may now support the equivalent of 6,000, made up of 3,000 sheep (or 300 cattle) and 3,000 'roos.

The farmer has produced an unambiguous 'ecological profit', in

boosting 'roo numbers by 2,000, but the community, through the Minister, has said, 'thank you very much, they're all ours, and we'll decide what happens to them'.

Out of a total increase in carrying capacity of 5,000 animals, the farmer has had no choice but to pay an 'environmental tax' of 40 per cent of his (gross) new fodder reserves to accommodate the extra 2,000 'roos.

If he could have culled 200 'roos five years ago, there would be 1,000 fewer starving 'roos today and 1,000 sheep that wouldn't need hand-feeding. If he had reduced his herd of sheep to build up fodder reserves for the inevitable drought, he would only have made room for more 'roos. There is not the slightest doubt that the 'roo population is capable of fully exploiting any gap left by destocking of sheep or cattle.

So, now, every sheep the farmer sells, hand-feeds, or agists ensures the survival of another excess 'roo that will be ready to deprive him of any future profits in good seasons.

How ironic, then, that one of the contributors to Archer's book should be none other than Dr Tim Flannery, author of *The Future Eaters*, in which he blames farmers, not ignorant greens and bureaucrats, for extinguishing options for future generations.²

The farming community is also widely criticized for tree clearing, but few non-farmers understand that this, too, is largely a consequence of the 'roo imbalance. Most clearing in Australia is clearing of vegetation thickening, excessive regrowth of young stems on land which for 40,000 years had been pastured woodland.

This thickening is caused by overgrazing of the forbs and grasses that normally compete with young tree seedlings. The young seedlings are also capable of fully exploiting any gap left in the vegetation cover. And in the absence of firestick

farming, it must be either cleared or be allowed to dominate the site to the further economic detriment of the farmer.

So, once again, the farmer's ecological profit, the increase in tree numbers, is being converted through clearing controls into an expectation to maintain an ecological value at a level far in excess of the pre-settlement level. The community's overstocking of one ecological attribute produces a commensurate overstocking of the second attribute.

Droughts are not new. Destocking of either animals or trees is not rocket science. The relevant Ministers have formally assumed the exercise of power over both 'roo and tree numbers. But they have

The farming community is also widely criticized for tree clearing, but few non-farmers understand that this, too, is largely a consequence of the 'roo imbalance

neglected their environmental duty of care to take all reasonable steps to prevent an entirely foreseeable harm.

BUT WHAT IS THE FARMER'S DUTY OF CARE?

There has been much discussion on what the farmer's duty of care should be. Most of this debate has been in the context of native vegetation management and the

appropriate proportion of the original forest cover that should be maintained on farms to protect ecological systems.

In the current Regional Vegetation Management Planning processes in Queensland, for example, the options under debate range from 10 per cent to 40 per cent of original vegetation (on a regional basis) being required to protect the full suite of ecological values.

In Planning and Environment Court decisions in respect of housing developments, etc., the norm has been to set aside 10 per cent of a development unit for all public purposes. This has recently increased to 13 per cent, but it includes all public purposes from playgrounds to environmental reserves.

The courts have not required contributions in excess of the original ecological value. Even in the case of endangered wetland communities, for example, there has never been a requirement to add more wetland to a development site than the amount that originally existed on the site.

Australia's 100 million kangaroos are clearly not endangered, so a farmer's environmental duty of care should not extend any further than maintaining a proportion (10 per cent to 30 per cent) of the pre-settlement 'roo population levels.

This natural footprint or, 'Undisturbed Ecological Value (UEV)' is the level that is produced without extra watering points, etc. It is the ecological equivalent of the Unimproved Capital Value that is the basis for land valuations and local government rate levies.

No-one would seriously suggest that council rates could be fairly levied without a proper system of valuation, and environmental taxes, such as the kangaroo impost, are no different. Those who have implemented the current 'roo policy have been grossly negligent in not considering the basis on

which the impact of the policy could be equitably distributed.

The case law is over-whelming. The 'roo burden on farmers is a level of burden that the rest of the community is unwilling to bear. It is unjust, discriminatory and an inappropriate exercise of power.

SO WHAT CAN THE FARMER DO?

Clearly, there is little point in presenting your Environment Minister with a bill for the agistment of his excessive 'roo herd on your property over the past ten years. The cost of mustering them and delivering them to the nearest Botanic Gardens is prohibitive. And you would grow very old indeed waiting for departmental officers to come out and cull their herd or prevent them suffering.

Shooting the suffering beasts without a licence would be the most humane thing to do, but it could also see you in court. The other option of removing your stock and tossing a bucket of urea into the trough will be very effective, but may also kill off other species, and could also land you in court if detected.

No-one doubts that millions of 'roos, sheep and cattle will suffer a slow cruel death in this drought. The only moral and ecologically sustainable option is to make their suffering as brief as lawfully possible.

The solution applies equally to domestic stock and community stock. If shooting is not an option for practical, legal or economic reasons, then, rather than watch animals suffer over six months, farmers should concentrate the animals they want to keep at a few watering points where they can be hand-fed to minimize energy-loss from searching for food.

The remaining watering points should be shut down to ensure that the suffering of non-essential stock lasts for only a few days rather than a few months. The population that

is capable of surviving from the remaining natural watering points is the population that would have survived if this same drought had occurred in 1750.

Once this adjustment has been made, the watering points can be re-opened and essential stock can be redistributed to graze the remaining fodder at more sustainable levels. This process is best done in

The 'roo burden on farmers is a level of burden that the rest of the community is unwilling to bear. It is unjust, discriminatory and an inappropriate exercise of power

co-operation with reliable neighbours, but may need to be repeated to ensure that animals from other properties and State lands do not migrate to the comparatively superior conditions that will be maintained on your land.

This action would appear to be lawful, at least in Queensland. Queensland Parks and Wildlife have established the precedent by filling in dams on farm land that has been taken into the National Parks Estate. The intention is obviously to return water flows and, hence, 'roo numbers, to pre-settlement levels. And a mix of displacement and death by thirst would appear to be the only foreseeable consequences of these actions.

This action has obviously been taken with the full concurrence of

the Director General of the Environmental Protection Authority, who is also bound by the *General Environmental Duty* under Section 36 of the Queensland *Environment Protection Act* which states:

'36(1) A person must not carry out any activity that causes, or is likely to cause, environmental harm unless the person takes all reasonable and practical measures to prevent or minimise the harm.'

Consequently, one can only conclude that the Director General has determined that the broader harm caused by the overstocking of the community's 'roo herd is of greater significance than the reduction in the *ecological value* (that is, 'roo numbers) to pre-settlement level. He is aware of the greater harm and the reduction in 'roo numbers is the *reasonable and practicable measure* that would prevent that harm.

It would only be on this basis that the Director General could include the action in an *environmental management plan* that would give him a defence against *unlawful environmental harm* under EPA Sec 119.

Farmers have indulged the idle whims of the ill-informed for far too long. If they fix their 'roo problem, they gain full control of their stocking rate, they control the thickening rate and reduce the frequency and extent of regrowth clearing. And let he who is without sins of omission cast the first stone.

NOTES

- 1 Archer, Michael, *The Kangaroo*, Weldon's Pty Ltd, 1985.
- 2 Flannery, T., *The Future Eaters*, Reed Books, 1994.

Ian Mott is a farmer, journalist and President of the Regrowth Foresters Association.

I P A

REVIEW

The Rigging of the ACCC

GARY JOHNS

THE Australian Competition and Consumer Commission's (ACCC) prime role is to ensure that competition prevails within the rule of law. That's the best way of ensuring the consumer gets the best possible value for money. It is the retailer who is the agent that looks after the interests of the consumer. The retailer seeks out the best supply sources, gets the product or service to a place where it can be conveniently accessed and does so at the best possible price. The retailer does this because, in a competitive system, if she doesn't, the customer will find better value elsewhere and the retailer will go out of business.

The ACCC's formation, however, reflected another stream of thought: that the market had to be managed because it was a producers' mechanism and therefore inimical to the interests of consumers. The Commission's mandate reflected a lack of commitment to the view that competition, through the rigorous enforcement of trade practices law, would be good for consumers. It also saw prices surveillance as an end in itself rather than as a tool for observing the conditions of competition. This lack of faith reflected the lobbying by consumerist organizations that had become highly politicized and anti-business. It also opened the way for this consumerist lobby to have increased influence. The deputy head of the ACCC and its predecessor (the Trade Practices Commission) was Allan Asher, who cut his teeth in politics by taking over the rather somnolent Australian Consumers Association and providing political assistance to the ALP. Some have now elevated the deputy position into one 'traditionally' reserved for a consumerist war-

lord. The appointment of Louise Sylvan of the Australian Consumers Association, which is currently being mooted, would cement this idea. It would also confirm the Commission's lack of faith in competition as the key means of safeguarding the interests of consumers, and further inject politics into the administration of competition law.

There are few simple consumer-versus-producer issues that the Commission considers. Each involves some measure of trade-off between consumers. For example, in product liability issues, a too strict interpre-

porate the cost of air pollution, or indeed if cars were taxed on the distance travelled—which is not to suggest that the level of tax is not already sufficient to compensate for externalities—the impact on consumers would be different than at present. Those who needed to travel further would pay more. The impact would be felt more by those on low incomes. There is a distribution of costs between consumers to consider. How could a consumer representative hope to represent the many sides to this issue? In a democratic society such as ours, it is Parliament that should decide issues of the distribution of costs and benefits between consumers, if indeed equity issues are to be considered. Having considered its laws, the Parliament should expect the law to be administered without fear or favour, without further lobbying, especially by a deputy-commissioner.

The flaw in the structure of the Commission is that it explicitly privileges a consumer lobby, and demonstrates that it does not trust its own laws designed to make the market work for competition. Worse, the appointment of an ACA representative will privilege a certain kind of consumer. In reality, the ACA represents a very small proportion of the consuming public¹—less than 400 people and fewer consumers than Woolworths services every minute of every day of the year.

There is, however, no single consumer voice. People's interests are as varied on consumer matters as they are on almost any other issue. It is competition among producers for the interest and patronage of consumers, competition that is made more accessible through the customer's 'retailer-agent', that allows consumers, through their pur-

The flaw in the structure of the Commission is that it explicitly privileges a consumer lobby, and demonstrates that it does not trust its own laws designed to make the market work for competition

tation of liability may deny some consumers products they may desire, or at least raise the price or availability of the good or service. The question is one of assigning, as well as minimizing, risk. Invariably, the impact will vary between consumers, not just between consumers and producers. Take another example, if petrol were to be taxed so as to in-

chasing habits, to specify what they want and what producers supply. As long as their choices are backed by an ability to sue for damages—a right established in the English common law since the beginning of the twentieth century—the system will prove responsive.

The concept of sovereign consumer choice is foreign to the ACA. Their view is decidedly of the 'public interest' type. That is, they assume that it is in the public interest to have government regulate the production and distribution of almost every conceivable product or service. When they report on price and product comparisons in their magazine *Choice*, they inform the consumer, their readers. But they also misinform a far wider band of readers when they alert the media to issues far beyond their brief.

The politicization of the consumer voice only enhances the tendency among the weakest of politicians to populism. Populism means supporting public policy known to be wrong. For example, the ACA and a given Opposition—it would not matter of which political colour—always criticize banks over branch closures. Policy-makers know that with the switch to electronic banking—ATM, telephone and Internet—the need to physically attend a bank is diminishing. As a result of the shift in bank customer preferences and the desire to lower the cost of banking, the costs of physically serving a customer are rising comparatively. Not to close branches is to argue for costs to be shifted from one group of consumers (attendees) to another (remote users). The ACA backs one group of consumers against another. They do this in the name of equity or social justice. But this is a matter for political ideology and one presumably settled by the government of the day and expressed in law. Placing the ACA at the heart of the regulator is a second bite at the cherry—it undermines the democratic consensus and is a sign of a

government being populist. In doing so, it is disadvantaging some consumers at the expense of others. If a government wants to do this, it is accountable to the electorate, but it should not have its regulator indulging in that same populism. That only serves to compound the original defect.

Take an international example. Ms Sylvan, as President of Consumers International, is at the forefront of the fight for 'sustainable development', which is code for preventing sustained economic development and keeping the Third World from becoming like the First—healthy, wealthy and wise! In a speech to the preparatory conference to the UN World Summit on Sustainable Development, Ms Sylvan said,

We all know that unsustainable patterns of consumption are leading to serious social and environmental impacts. We also know that ever increasing and irresponsible consumption is putting a strain on the environment, by causing pollution, destroying the ecosystem and undermining lifestyles. There is no doubt that the effect of the development model that the 'North' follows, and the 'South' emulates, is potentially deadly. Poverty and deprivation are increasing at an alarming pace and disparity in income and consumption is a feature in all countries.

This statement is not only inaccurate; it is an appalling piece of neo-colonial arrogance. She continues, 'consumers [will have to] learn to manage their consumption patterns in a responsible and equitable manner.' In short, our consumer representative advocates lower consumption for the poor as well as us.

This is simply the old anti-development rhetoric that has plagued the development debate for decades, and Ms Sylvan lines up consumers on one side. Surely she is at least half wrong? These policies would put consumers and the environment at greater risk. We know that techno-

logical innovation and economic development enhance environmental quality.

So what is Ms Sylvan on about? She is anti-consumer, anti-science and anti-economic development. And, by the way, she is clearly vehemently opposed to the stance of the Coalition government at WSSD. In fact it was Australia's ambassador to the UN, John Dauth, who called the NGOs' bluff and told them what damage they were doing to the interests of Third World people with their anti-globalization rhetoric. Few other governments spoke up against the prevailing orthodoxy, not because they agree with it, but because they do not want to be seen to offend the NGO sector. In failing to defend rationality, they condemn a great many consumers to a poorer life. Appointing Ms Sylvan would be a similarly stupid act.

A good test of a politician is the one who makes the fewest concessions to ignorance. An ACA appointment would constitute failure. The Australian government should not condone the original problem in the establishment of the ACCC by appointing a consumer advocate, particularly one with the ideological credentials of Louise Sylvan.

NOTE

- 1 ACA claims to have 170,000 members, but this is seriously misleading. This figure represents the number of people who paid for ACA publications during the last year. They have no right to influence the policies or views of the organization and, as such, are not members but subscribers. The ACA, in fact, has around 400 members and even some of these are excluded from joining the governing board of the organization.

Dr Gary Johns is a Senior Fellow with the Institute of Public Affairs.

I P A

REVIEW

Postgraduate Degrees in Agitprop

ANDREW McINTYRE

WHEN reading about the anti-globalization rallies reported in the papers from Sydney last month against the World Trade Organisation, one has to wonder about the warped ideas of those cosseted middle-class children who seem so determined to keep the starving children of the Third World impoverished. At the time of the demos, the world trade ministers meeting inside the Novotel Hotel in Sydney were striking a deal to deliver life-saving medicines to poor nations.

Where do the ideas come from? As protester and Australian flag-burner Elizabeth O'Shea explained, she became radicalized by the ideas taught at her elite Lauriston private school. This privileged education is continued, readers will be pleased to learn, at our Universities. I mean officially. The RMIT University in Melbourne has several departments and courses dedicated to the cause. It has a Community Advocacy Unit that teaches how to become a more effective activist, a Centre for Global Sustainability and a Globalisation Institute. Victoria University has announced a new Postgraduate Program on Public Advocacy and Action, developed with the support of Greenpeace, Oxfam Community Aid Abroad and Amnesty International Australia. Similar courses can be found throughout Australia within faculties in our universities.

The truth is, there is a growing market for universities to train ideologues and activists. And of course, the Dawkins units are ready-made to accommodate. Behind them are the unions and NGOs. The NGOs are extremely wealthy, with a large turnover of participants, so they need a continuous stream of trained activists. Using universities saves them money on training, and provides a convenient ideological 'screening' process.

Just imagine, a B.A. Hons major in Agitprop. Practical sessions presumably will vary, depending on what's on at the time. The RMIT Advocacy Unit's Website is advertising a conference on Asylum Seekers and Australian Activism, boasting the rise of a 'new social movement'.

The 'Centre for Global Sustainability' is a 'special' project of the Vice-chancellor, Ruth Dunkin. It instructs students in the virtues of triple-bottom-line accounting, presumably so that when they go out into industry they can hone the skills needed to ensure that their employer goes broke ... ethically. Like RMIT. There are rumours that it is going broke—and

The truth is, there is a growing market for universities to train ideologues and activists

that students are demanding Dunkin resign. Not the sort of activism she perhaps had in mind. But at least the Uni will be ethically sustainable. She has called on staff to take part in an Asylum-Seeker Support Working Party to propose specific action for the university to take.

This Vice-Chancellor has also created a Globalisation Institute. Well, it's actually an *Anti-Globalisation* Institute, but they don't call it that. Full of self-satisfying post-modern coded phrases such as 'configurations of transnationalism', 'discourses of critical engagement', and 'analyzing the role of culturally diverse diasporic com-

munities'—you quickly get the drift.

The head of the Institute, Professor Paul James reveals that they shy away from economic analysis. You know, the sort of analysis that shows how much better off the poor are through globalization. He focuses on the 'local disruption' that he believes *corrupts* third world cultures. He must be proud that Mugabe has so successfully withstood the corrupting influence of free trade and the rule of law.

His flavour of the month is Tom Frank, author of the book *One Market under God*. He had him out to lecture at the Institute. Frank runs the tired old orthodox Marxist line that we're all dupes, but no-one knows it except him But it appeals to Professor James. After all, those poor peasants with children to feed don't want to be suckered into getting ahead in life. Forget about Barun Mitra, director of the Liberty Institute in New Delhi, attending the WTO Conference in Sydney. He organizes street hawkers and African and Indian farmers to protest at what he calls the 'sustainable poverty' agenda of groups like the Globalisation Institute.

So. There you have it. Robert (Ouch!) Manne, indulging in special pleading recently in *The Age*, as he does, this time on federal reforms to the tertiary sector, suggested that one unfortunate outcome of Brendan Nelson's reforms may be a 'retreat of the traditional disciplines to the sandstone universities'. He feels that if this does happen, 'it will be a great cultural loss'. Well, if these sorts of courses, conducted in red-brick universities, are in any way 'traditional disciplines', the Nelson reforms might be a good thing, and a gain for everyone.

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

I P A

Education Agenda

KEVIN DONNELLY

Give the Boys a Break

Is there a crisis in boys' education?

Judged by the recently released report, *Boys: Getting it right*, the answer is 'yes'. Whether it is retention rates, Year 12 results, being able to read and write, or the incidence of behavioural problems leading to suspension and 'dropping out', boys, when compared with girls, are increasingly at risk.

To quote from the aforementioned report, prepared by the House of Representatives Standing Committee on Education and Training:

- nationally, girls' results in Year 3 and Year 5 Literacy Benchmark tests are up to five percentage points higher than boys;
- the Year 12 retention rate for girls is between 11 and 12 percentage points higher than it is for boys;
- girls' average levels of achievement in a majority of subjects assessed at senior secondary level are higher, and the gap in the total has been widening...; and
- over 56 per cent of students in higher education are women.

Why are boys disadvantaged? The first thing to note, as highlighted in the report, is that the way literacy is taught guarantees failure for many boys. Until the advent of 'whole language' (where children are taught to 'look and guess'), literacy was taught in a more structured way associated with a phonics approach.

Whole language is based on the mistaken belief that learning to read and write is as 'natural' as learning to speak and that all that teachers need to do is to 'immerse' children in a rich language environment. Forgotten is that writing is 'unnatural' and that boys, in particular, need to be taught in a more methodical, systematic way.

A second reason why boys are disadvantaged results from the 'feminization' of the curriculum. During the '80s and '90s, the status quo in schools was attacked by feminists, left-wing academics and teacher unions as 'ethnocentric, patriarchal and bourgeois'.

At the national level, documents such as *Gender Equity: A Framework for Australian Schools* (1997), argued in favour of positive discrimination for girls. The assumption was that society was male-dominated and that women were oppressed and disadvantaged.

Research projects funded by the Federal Department of Employment, Education and Training (DEET) covered topics such as: construction of gender in preschool to grade 3 classrooms, the role of romance stories in promoting femininity, and how to promote a 'politically correct' view of family studies.

In the English classroom, teachers were urged to 'deconstruct' traditional approaches to literature as plays such as *Romeo and Juliet* unfairly promoted, in the words of one Australian academic, 'phallus-dominated heterosexuality and female dependence'.

Even the way in which teachers taught changed to favour girls and to disadvantage boys. Teachers no longer stood at the front of the class and taught, preferring instead to have students work in groups on open-ended tasks. Competitive assessment disappeared, learning relied more and more on strong verbal skills and self-directed learning.

As noted in the report, while there may have been some justification for the changes detailed above, an unintended consequence is that boys come out second best, primarily because:

Boys tend to respond better to structured activity, clearly defined objectives and instructions, short-term challenging tasks and visual, logical and analytical approaches to learning. They tend not to respond as well as girls to verbal, linguistic approaches.

While not directly related to schools, a third reason why boys are at risk educationally is because of their low self-esteem and often negative self-image. The sad fact, as attested by Australia's youth suicide rate, is that many boys lack resilience, confidence and inner strength.

Whether it is caused by the ever-increasing incidence of single-parent families where fathers are absent, the increasing assertiveness and independence of girls, or the feminist attack on so-called traditional masculinity, boys are taught to look on themselves as flawed, anti-social and misogynist.

An example of the way masculinity is attacked can be found in the Australian Education Union's (AEU) submission to the boys' inquiry, when it states:

Dominant concepts of masculinity and femininity define males and females as opposites by highlighting their differences and assigning them unequal value, status and power.

The implication is that the characteristics associated with being 'male' are misogynist and ripe for change. Even worse, the assumption is that traditional role models must be abandoned as boys become sensitive new age guys (snags) and embrace the world of the gender correct.

*Dr Kevin Donnelly is Director of Education Strategies, a Melbourne-based consulting group.
E-mail: kevind@netspace.net.au*

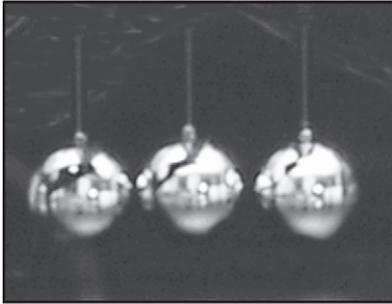
IPA

REVIEW

IPA WORK REFORM UNIT SPECIAL REPORT

The Capacity to Manage Index

A business tool to address risk



Many factors determine whether a business succeeds or fails, but the 'people factor' is the most important. People are a business. Everything a business does, from

product and service development, production and delivery, investment, expansion and use of technology, to marketing, sales and account control is people-dependent. How people are managed in a business is critical to its success. If managers do not have a capacity to manage, either through poor skills or externally imposed restrictions, the businesses they attempt to manage are at risk of underperformance. But if an incapacity to manage is unknown, it is hard to fix. The unknown constitutes a serious risk in itself.

Rarely has the capacity of Australian managers to manage staff been assessed using objective and publicly verifiable data. Plenty of studies have focused on other aspects of management—Total Quality Management, information technology, strategic planning, levels of research and planning—but labour studies have tended to overlook assessments of managerial decision-making capacity. In the absence of such assessments, the ability to judge a firm's current and future performance is patchy and constrained. For investors, analysts, managers themselves, shareholders, consumers, employees, governments and other interested parties, this gap in knowledge increases risk.

The Institute of Public Affairs' Capacity to Manage Index seeks to flesh out and measure how firms' formal labour relations agreements impact on performance. The Index provides a path-breaking window into the internal functioning of businesses. Through the use of the Capacity to Manage Rating of businesses listed in the Index, stakeholders can obtain an independent and objective measure which gives an insight into the extent

to which business performance is a function of workforce management.

The simple question being addressed is: to what extent do managers in any given business have a capacity to manage the staff of the business? The analysis is based on the Enterprise Bargaining Agreement (EBA) into which a business has entered.

HOW THE CAPACITY TO MANAGE INDEX WORKS

Enterprise Bargaining Agreements—industrial relations agreements between a business and its employees—were introduced into the Australian industrial relations setting as part of the attempt to modernize the system of regulating labour. EBAs were introduced to enable employees and managers to construct formal working arrangements suited to the specific needs and demands of each business. EBAs are underpinned by the industry 'awards', which set minimum labour standards that apply across all businesses in any industry. EBAs are supposed to build on awards to improve the capacity of a business to compete in its markets and to deliver improved incomes to employees. The idea behind EBAs is that of win-win. They are to enable businesses to be run better, and to enable employees in the business to share in the benefits.

EBAs are often examined from the perspective of the increased remuneration they deliver to employees. The IPA examination is from a different perspective: whether or not they deliver in enabling a business to better manage itself and compete in its markets. Looked at from this angle, EBAs are valuable windows into the internal management of businesses, indicating whether those responsible for signing off on the agreement have enhanced or restricted the capacity of the firm's managers to manage the enterprise.

The process of establishing the Capacity to Manage Index has involved careful study of specific clauses in large numbers of EBAs. A pattern emerged which showed that EBA clauses could be divided into two broad

categories: those that relate entirely to employee remuneration and those that relate to managerial issues. Only those clauses not dealing exclusively with the employees' remuneration form part of our analysis. The management related clauses conform to a broad pattern that has enabled an assessment 'grid' to be established. Management-related EBA clauses are assessed as having a negative or positive influence on the capacity of managers to manage.

For example, the following clause has been assessed as increasing the capacity to manage:

Employees may be transferred between sites commensurate with their skills levels and abilities.

and the following clause has been assessed as reducing the capacity to manage:

The total number of ... employees shall not fall below these minimum employment levels other than with the written agreement of the union.

Clauses have been given a value, usually of plus or minus one, with a small number of clauses rated at minus two. In our assessments, all businesses began with a zero score and points were added or deducted. Where the end score is in the positive range, businesses have been assessed as having an enhanced capacity to manage in comparison to general industry awards and other regulation. Businesses with a negative end score are assessed as having a reduced capacity to manage. The size of the end score indicates the degree to which enhancement or reduction of managerial capacity has occurred.

In this first Capacity to Manage Index, 85 EBAs have been assessed: 35 from the commercial construction sector and 50 from the food manufacturing sector. Work sites of some of the largest companies in Australia are listed.

This first release of results is the beginning of a process that will continue during 2003 and beyond. Over time, the Index is to be expanded to cover every major industry and significant numbers of businesses in Australia.

As well as offering economy-wide insights into labour relations, the index is likely to prove a useful tool for investors, managers, shareholders, policy makers and other persons interested in the management of particular firms and sectors.

[Qualification: It is important to note that the Index does not measure actual management behaviour but only the *capacity* to manage.]

Capacity to Manage Index Overall Ratings, Food Manufacturing Industry

Company Name	Party to agreement Union/other	Year applies	Rating
Arnotts - Burwood	CEPU	01-03	-10
Ballantyne	AMWU, CEPU	00-03	-10
Bonlac	NUW	01-04	-19
Cadbury Schweppes - Liverpool	CEPU, AMWU	01-03	-17
Cadbury Schweppes - Ringwood	AMWU	00-02	-4
Cadbury Schweppes - Ipswich	ALHMMWU	01-03	-9
Cadbury Schweppes - Mainten	No union	01-02	-3
Campbells - Lemnos	several	01-03	-15
Chiquitta - Mernda	AWU	01-03	-17
Coca-Cola - Operations (NSW)	ALHMMWU, CEPU	01-04	-12
Coca Cola No 2 (NSW)	ALHMMWU	01-04	-2
CUB - SE Qld (Fosters)	No Union	01-04	-6
Farm Pride	NUW	99-01	-9
Goodman Fielder - Footscray	NUW	02-03	-13
Health Snack Foods	No union	02-05	-1
Heinz Echuca	AMWU	01-03	-14
Jalna Dairy	NUW	01-04	-12
John Lewis Food	TWU	01-02	-1
Manassen Foods	NUW	99-01	-10
Meadow Lea Foods	NUW	2000	-11
Menora Foods	NUW	01-03	-1
Murray Goulbourn	NUW	01-04	-14
National Foods - Morwell	NUW	01-04	-10
National Foods - Vic	NUW	02-05	-11
National Foods - Vic Cream	NUW	02-04	-21
National Foods - Vic Engineer	CEPU	00-03	-8
Nestle - Altona	NUW	99-02	-7
Nestle - Echuca	AMWU, CEPU	01-03	-21
Nestle - Tongala	NUW	01-03	-10
Orlando Wines Engineering SA	AWU	02-05	-1
Pepsi - Huntingwood	ALHMMWU	00-02	-6
Pork Company	AMIEU	00-03	-6
Real McCoy Snack Foods	No union	02-05	0
Sanitarium - Moorooka	No union	01-02	+2
Sanitarium - Tuggerah	No union	98-99	0
Sara Lea	AMWU	01-03	-11
Simplat - Echuca	AMWU, CEPU	00-03	-13
Simplat - Kensington	AMWU, CEPU	00-03	-11
Simplat - National	many	2000	Not assessable
Southcorp Wines Barossa	several	01-04	-13
Southcorp Wines Distribution	NUW	01-04	-3
SPC/Ardmona Shepparton	AMWU	2001	-15
Tetley	AMWU	01-03	-12
Tetley	NUW	01-03	-12
Tip Top Bakers (Vic)	ALHMMWU	00-03	-7
Uncle Bens-Effens (Wodonga)	several	1998	+1
Uncle Tobys (Wahgunyah)	NUW	99-01	-18
Unibic	ALHMMWU	00-02	-3
Unifoods - Unilever - Mulgrave	AMWU, NUW	96-98	-9
Unifoods - Beverages (Vic)	NUW	97-99	-1
Westons - Abbottstord	ALHMMWU	01-03	-17
Average score			-9.0

Capacity to Manage Index Overall Ratings, Construction Companies

Company Name	Party to agreement Union/other	Year applies	Rating
Aust Wide Electrical	ETU	02-03	-20
Boulderstone Hornibrook (Vic)	CFMEU	00-02	-21
Barkley Mowler (NSW)	CFMEU	1999	-1
Bells Constructions (Tas)	CFMEU	01-03	-2
BMD Construction (NSW)	CFMEU	2002	-11
Complete Concrete Services (Vic)	CFMEU	99-02	-18
Cabra Electrical (NSW)	No union	2001	+2
Concrib Constructions (Vic)	No Union	2000	0
Didris Development Vic	CFMEU	99-02	-18
Fletcher Constructions (NSW)	CFMEU	00-04	-10
GMT Construction & Carp (NSW)	CFMEU	99-02	-15
Grocon (Vic)	CEPU	00-03	-20
Grocon (National)	CFMEU	01-02	-22
Holly Green Constructions (Vic)	CFMEU	99-02	-18
John Holland (Vic)	CFMEU	99-02	-22
John Holland (Mining Yandi)	AWU	2002	-5
John Holland (Tas)	AWU	01-04	-6
L Serafin (ACT)	CFMEU	01-04	-13
Lindore Cranes (Vic)	CFMEU	99-02	-18
Leighons NSW	CFMEU	01-02	-10
Mahashire (Vic)	CFMEU	00-02	-18
Multiplex	CFMEU	01-02	-19
Parfin Constructions (Vic)	CFMEU	99-02	-18
QR Brisbane Airport Rail (Qld)	CEPU	2000	-4
Rightway Electrics (NSW)	Non union	01-04	+3
Rivergum Constructions (Vic)	CFMEU	99-02	-18
Siemens Federation Square (Vic)	ETU	2000	-11
SJ Moran Constructions (Vic)	CFMEU	99-02	-18
Star Electrical (NSW)	ETU	00-02	-12
Thiess (Vic)	CFMEU	01-2	-21
Thiess (Qld)	CFMEU	02-05	-2
Total Concept Projects NSW	Non union	02-04	+2
Walter Construction (NSW)	CFMEU	01-03	-12
Walter Construction (Vic)	CFMEU	99-02	-17
Westfield (NSW)	CFMEU	00-02	-14
Westfield Maintenance (Vic)	CFMEU	00-03	-7
Average score			-12.0

MAJOR FINDINGS

Our early data has indicated the following tentative conclusions:

- 1) EBAs are ostensibly about the improvement of employee incomes with a commensurate increase in the capacity of a firm to respond to market demands. There is, however, little evidence in the EBAs we studied of enhanced operational responsiveness to market demands.
- 2) Approximately half of the EBA clauses related to employee incomes and half related to management issues.
- 3) The bulk of the clauses relating to management issues *reduced* the capacity of managers to manage. Many clauses seemed to neuter the capacity to manage in critical areas of firms' operations.
- 4) There are wide variations in the ratings achieved, but unfortunately for Australian firms, those variations are predominantly in the range of a *reduced* capacity to manage rather than an enhanced capacity to manage.
- 5) Some firms have achieved a marginal increase in their capacity to manage, but increases were comparatively small.
- 6) The food industry fares better overall than does the commercial construction industry.
- 7) Agreements in Victoria bring about a significantly lower capacity to manage than in other States.
- 8) Non-union EBAs appear to result in a higher capacity to manage than do union EBAs, although the sample size of non-union agreements is too small at this stage to be definitive.
- 9) Some large companies showed a significant divergence in the range of scores achieved.

COMMENT: CAPACITY TO MANAGE IS ESSENTIAL FOR EFFICIENCY

In the mid-1980s, considerable community debate began on reform agendas for the Australian industrial relations system. A central agreed principle emerged that workplace relations should be determined to the greatest extent possible at the enterprise level between employers and employees.

The idea was that an enterprise focus would: help erode the 'them versus us' mentality that plagued workplace relations in Australia; give workers an incentive to accept and gain from productivity

changes; provide management with a greater capacity to manage and compete both by reducing the external constraints on what is possible and by breaking down the barriers with workers.

While some groups were initially reluctant to support a shift away from a centralized system, the logic slowly and steadily took hold and is now supported across business, unions and political parties.

The Hawke Government began the shift to an enterprise focus in 1987 with the introduction of centralized minimum wages and the idea of increases being achieved above the minimums through productivity gains determined at the enterprise level. This was advanced further with the introduction of certified agreements in the *Industrial Relations Act* 1988. The Keating Government introduced collective enterprise agreements as an alternative to centralized agreements in the *Industrial Relations Reform Act* 1993. The *Workplace Relations Act* 1996 introduced the current enterprise agreements (EBAs) along with a number of other changes, including the policy of reducing awards coverage to '20 allowable matters'; limits on tribunal powers to regulate and intervene; limits on third parties' rights to intervene; and individual or workplace agreements. Although the shift towards an enterprise focus was initiated at the federal level, the States have steadily followed.

As a result, most workplaces of significant size are now covered by a collective enterprise agreement. The questions are: has the shift to an enterprise-based regulatory system produced the goods? Has it broken down barriers between workers and employers; has it produced a workforce better focused on greater productivity, and has it given managers a greater capacity to manage?

There is little doubt that the reform process undertaken over the last 20 years has generated major benefits, including higher productivity, higher real wages, fewer disputes and days lost, as well as contributing to lower interest rates and greater employment.

But some key questions remain: Are employers and employees getting the most out of the system? What is best practice? Does the system have design faults? Is the system being undermined by strategic behaviour, regulation or other factors?

1 'Take Away, Take-Away: The Self-induced Destruction of the Australian Food Manufacturing Industry', *IPA Review*, Vol. 53, No. 4, December 2001.

There are clear signs that all is not well with both the workplace relations system and, specifically, with enterprise-based agreements. The food manufacturing industry—Australia largest manufacturing sector—is being undermined by poor labour relations.¹

The Cole Royal Commission into the construction industry has exposed a seriously flawed workplace culture. This was re-inforced by the recent admission by the new CEO of Grocon that his firm has allowed 'ancient Spanish customs' to be built into its production processes, particularly the productivity-sapping workplace arrangements in Melbourne.

Chris Corrigan, MD of Patrick Corporation, outlines the cultural and regulatory impediments confronting people trying to improve productivity under the current system (see pages 23–25 in this issue).

While others have examined EBAs most often with an eye to equity and more regulation, no-one has undertaken a systematic assessment to see if EBAs are delivering greater managerial flexibility, that is, the capacity to manage.

OBTAINING SUBSCRIPTION TO THE FULL INDEX

This launch of the Capacity to Manage Index is the beginning of a long-term, detailed analysis of the operations of Australia's labour relations system. It will eventually cover all industry sectors in Australia. The database will form the basis for a new wave of business and management analysis to be undertaken.

The IPA is making its analysis available through yearly subscription. Subscribers will have access to:

- The full methodology statements and explanations.
- The master 'grid' sheets used in undertaking EBA analysis.
- Full documentation of each company ratings chart based on a clause-by-clause assessment, including brief commentary on clauses. Each analysis sheet is two pages in length.
- Access to all updates and new analyses undertaken.

Persons interested in subscription can make application through the IPA office at:

Level 2, 410 Collins St
Melbourne VIC 3000
Phone: 03 9600 4744

An expanded version of this *IPA Review* information can be found on the IPA Website at www.ipa.org.au.



Reform—the Uncertain Road Ahead

CHRIS CORRIGAN

RECENTLY it has become fashionable to say that people are suffering from reform fatigue, that there has been too much change inflicted on us, either by Governments or by globalization, or both, and that it's time to take a breather in the pursuit of world's best practice in Australia.

But the rest of the world is not going to stand still while we take a breather. Our exchange rate, for instance, is the scoreboard that determines how we are doing against the competition. We should be shocked to learn that, once, an Australian dollar would buy US\$1.50. Today it buys about one-third of that. It used to buy more than 500 Yen. Today it buys 67 Yen—a 750 per cent adverse change. So we are not doing so well that we can afford to be complacent.

Tiredness is not a reason for us to stop the change process. Fear of the complexity, the obstacles and the consequences of change, however, might be the reasons for many to be reluctant.

Let me explain.

What happens when a business decides that it needs to change the way it does business, to enable it to survive in today's global marketplace? What obstacles are thrown up which discourage businesses from confronting head-on many of the structural problems which inhibit their performance and which very often condemn them to economic mediocrity?

Just look back to 1998 and the Patrick waterfront reform process.

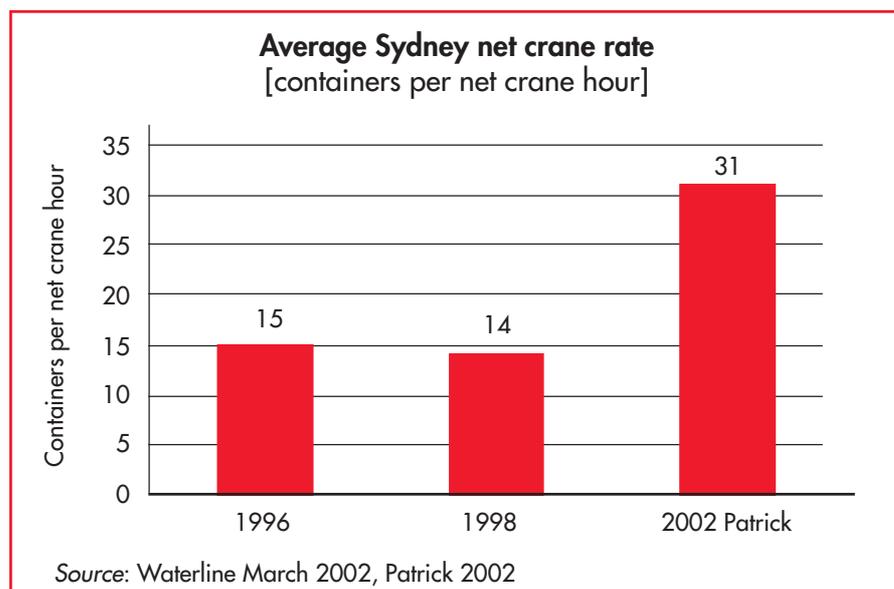
This illustrates just what is possible in a reform process and just how tough these obstacles are.

One approach to measuring waterfront productivity is the 'net crane rate', that is, the number of containers moved per hour by one crane whilst it is working. The Federal Government had set a benchmark of 25 moves per hour as the target to bring Australia up to world standard. According to studies by the Bureau of Transport Economics, Port Botany in Sydney was running at a low 15 moves an hour in 1996. It had slipped pathetically to less than 14 moves by early 1998. It was slightly better up in Brisbane at Fishermen's Island at 16.

At the time, the maritime union argued that 25 moves an hour was an impossible dream. The ships were too small, they called at too many ports, the equipment was no good etc, etc.

In 1998, you could hear countless reasons why it was impossible to improve the waterfront ... the most laughable explanation being that it had already been reformed by the Hawke Government in their so called 'Reforms' of the early nineties! In fact, that was nothing more than a \$450 million early retirement scheme for waterside workers, which we taxpayers funded.

But what was actually achieved? The respected Access Economics, in a report which examined the effects of waterfront reform on our export industries, recently reviewed the performance of Australia's ports in 2002. It spent most of this year investigating port performance, talking to port users, to exporters of meat, wool, cotton and dairy produce. It was able to claim that, 'On virtually all measures in this study, Australia is



at, close to or superior to world best practice’.

It should be added that many of those workers who so vehemently opposed the reform agenda are now earning as much or more than they were five years ago. Through a bonus system, linked directly to productivity, our best employees earn in excess of \$100,000 per year. Most average around \$75,000 a year.

So that’s the good news. Much needed reform was achieved despite the most orchestrated and well organized union and political campaign of opposition ever marshalled in this country. But those were special circumstances. The waterfront was a national disgrace and Patrick was left with no other option but to tackle the problem head-on if it was to survive.

But what happens to small and medium-sized businesses without deep pockets? Let’s assume we have a mythical CEO who decides he has no choice but to dramatically change the way he does businesses if he is to compete in the global marketplace. This means a reduction in staff and a change to the work practices of those who remain.

His first call should be, not to a human resources professional, but to a lawyer with specialist knowledge of the industrial system and the unfair dismissal laws. Why? Because the labour market is a regulated market. We have deregulated markets in goods and services and we have deregulation in the financial markets and the currency market. We have, for the most part, removed tariffs and trade impediments. We persist, however, with the ridiculous notion that the market for our own human skills and effort should be determined by some legal bureaucrat we will probably never meet.

Implicit is the idea that, somehow, this person with whom we have had no contact knows and can negotiate better what we want

than we can ourselves. That is the fundamental proposition advanced by those in favour of regulation, namely the Labor Party, the Democrats and most of the minor parties. It didn’t work in the Soviet Union and it isn’t working here either. In other words, our desperate Chief Executive Officer is not allowed to do what makes economic sense.

If his business is in an industry which Greg Combet quaintly calls ‘highly organized’, our CEO will have to obtain agreement from the

***In 2002 ... Access
Economics was
able to claim that,
‘On virtually all
measures in this
study, Australia is
at, close to or
superior to world
best practice***

unions. If not, he can expect dire industrial threats followed by actual industrial action. The industrial action will be accompanied by a union-run publicity campaign aimed at seriously damaging his business and orchestrated by cynical PR machines. If he resists the strikes and bad publicity, he can expect calls to his customers urging them to stop using his company due to its ‘poor industrial relations record’. If he is leading a listed company, he can expect phone calls from institutional investors expressing concern about his company’s ‘anti-union stance’.

There will also be a legal campaign launched against the busi-

ness in the AIRC or the Federal Court alleging anti-union behaviour.

If our CEO is doing a merger, he will fall foul of the transmission of business laws. The transmission of business provisions act like a virus in that they can transmit bad work practices from one business to another. If not done properly a takeover can result in the unproductive working arrangements of the business which is in trouble being transmitted to the more successful business.

Our mythical CEO is now potentially fighting in court on three fronts: the AIRC, defending a huge unfair dismissal action; the federal court, on a charge of breaching the freedom of association provisions of the Workplace Relations Act; and a transmission of business case, which could result in his business inheriting the work practices which helped send his competitor under.

His share price will have been trashed and he spends his day going from lawyers’ offices to courtrooms to media interviews.

His board is unhappy, to say the least, and our CEO has probably lost sight of what he was trying to achieve in the first place. Certainly his family and friends will be starting to worry about his health or sanity.

Which is precisely what his opponents were seeking to achieve.

Most who have been through it don’t want to go through it again. Unless, of course, they are Irish. That’s my excuse.

At the end of it, many CEOs do the numbers and realize that it’s much easier to do nothing, or as little as possible, to stay average, to stay mediocre, to attract as little attention as possible. Staying out of trouble is common business sense, but ultimately it is to the nation’s economic loss.

Australia is a country that loves its sport. Imagine what would happen if we applied our crazy

labour laws, workers' compensation and safety laws to the sporting field. Everybody would need to be paid the same amount of money regardless of how good they were or how hard they tried. You couldn't drop anyone from the team just because of performance. That would be instantly overturned on appeal.

Coaches would need to be very careful that they were not bullying or discriminating on any grounds whatsoever. Even if you could afford the workers' compensation costs, you would really only be able to play touch football and even then not above jogging pace to minimize the risk of muscle strains.

I've often wondered how differently we might look at stevedoring if it were an Olympic sport. Instead of employees complaining about the hours, they would be getting up at the crack of dawn to do some extra training. Instead of being concerned about the rain, they would see it as a chance to try out in all weather conditions and to adjust their game accordingly. Instead of regarding the instructions from the boss as an overbearing imposition, they would see it as an important tactical and inspirational exhortation and hang on every word and nuance.

Ever-higher performance standards would be viewed as something to be aimed for and aspired to, not a concession to a class enemy.

Occupational health and safety would not be the front line battleground of industrial conflict. Rather, employees would be throwing their bodies on the line every day as if it were a grand final with the scores tied and ten minutes to full time. The irony is that sport is exempt from all these business constraints. We take sport seriously, but work is seen as a pastime.

There have been countless attempts to reduce the complexity and cost of the industrial and employment laws in Australia and this Federal Government has done

much to bring about change. But the sad fact is that the labour market reform debate today is absurdly unbalanced. On one side, we have a well organized and articulate labour movement backed, more or less, by the ALP, the Australian Democrats, the Greens and a host of other interest groups, promoting greater regulation. On the other side, you have a Federal Government, which despite good intentions is unable to pass key legislation in the Senate, an occasional employer who is silly or desperate enough to push the reform agenda, and a few

**Does anyone
imagine that the
Industrial Relations
Commission, and the
whole IR Club that
surrounds it, is going
to propel us to a new
level of national
productivity?**

dry economists who are quickly dismissed in the media as extreme right-wing.

The latest employer to put his head above the ramparts is Daniel Grollo, who has had the temerity to reveal that there are wide-spread rorts in the building industry. The union response? CFMEU Victorian Secretary Martin Kingham threatens with: 'He's got a few lessons to learn. There's a few bumps for the young fella but I'm sure he'll get there'.

The Australian Chamber of Commerce and Industry has recently put forward its much welcome blue print for industrial

reform. But where is the Business Council of Australia in this debate? The BCA said precious little in support of waterfront reform in 1998 and they are saying nothing today on the issue of labour market reform. Their silence is deafening, and one must ask, what are they afraid of?

Australia needs labour market reforms which will ensure average companies with average managers dealing with average problems can strive everyday for success over mediocrity. To use language which has some currency today, Australia desperately needs labour market reforms, not for the élites, but for the battlers. Because there is only one way we are going to have our living standards rising at an acceptable rate and that is by doing things more cleverly than the economies with lower cost bases.

That implies being clever, flexible, progressive, innovative and imaginative. When we look at the structure of our labour markets today, are those the words you would use to describe the state of play? Does anyone imagine that the Industrial Relations Commission, and the whole IR Club that surrounds it, is going to propel us to a new level of national productivity?

When we picture ourselves as the clever nation, does anyone picture the labour market structure and the pseudo legal/industrial circus that is our system today as the cutting edge of our genius? More likely it is the dead weight of a class war, which has become increasingly irrelevant to most of us, except those with a vested interest in its continuation.

Reform is something which we could be so good at in this country, to the lasting benefit of us all, if only we could escape the dead hand of regulation.

Chris Corrigan is the Managing Director of Patrick Corporation. This is an edited extract from a speech given in November to The Southport School Foundation business breakfast.

I P A

Undermined—Values and Foreign Aid NGOs

DON D'CRUZ

Let us imagine an Australian voluntary aid organisation that has won a lucrative contract from the Australian government's overseas aid agency, AusAID. They are contracted to provide water to the people in a remote district of a country nearby. A large Australian mining company is also operating in the district with its own lucrative contract, and is supported by the military of that country. For local people, the predations of the mining company are a more immediate concern than an improved water supply, so they ask the Australian aid organisation to intercede on their behalf.

This request puts the organisation in a bit of a bind. On the one hand, they have a contract with AusAID that specifies the timing and outcomes of the water project, and requires them not to get involved in 'politics'. On the other hand, the organisation's values of social justice and its commitment to the community make it very difficult for it to ignore the plight of people being exploited by the operations of a mining company. So what does it do?

The hypothetical dilemma is an everyday occurrence for Australia's voluntary aid agencies. Their work involves balancing their obligations to their donor (often the Australian government), to the people with whom they are working, and to their own organisational values.

Patrick Kilby, *Eureka Street* (November 2002)¹

THIS quotation from Patrick Kilby, a policy adviser to Oxfam Community Aid Abroad (CAA),² exposes a fundamental flaw in Australia's foreign aid policy. While working on government contracts, aid NGOs are undertaking activities which are inappropriate for an official and supposedly neutral foreign aid agency—activities which are not in the interests of the Australian Government, or the host Government, or the local community.

The problem stems from flawed processes of screening and enforcement associated with contracting-out and a failure to recognize that the values and motivations of many NGOs are incompatible with those of the Government—and indeed, of most Australians.

As Patrick Kilby accurately notes: 'voluntary agencies exist not to represent a particular group in society ... but *solely* (emphasis added) to represent and promote

certain values and, through those values, to represent those who are marginalized and voiceless'.³

NGOs are independent, values-based organizations often run by a small group of activists dedicated to the pursuit of their institution's values. They are also increasingly political in nature, focusing on advocacy, campaigning, direct action and the mobilization of other committed believers. It is also clear from their actions and literature that many hold views and values at odds with those of mainstream Australia, developing countries and Australian governments of either persuasion. It is important to note that this is not solely an issue for Australia. It is one that most countries grapple with; some more successfully than others.

At the very least, therefore, governments should not contract out foreign aid activity to NGOs that hold different values and objectives to their own and they should closely monitor all the activities of the

NGOs contracted to deliver aid. This is currently not being done and it is seriously undermining the effectiveness of our foreign policy as well as our relationships with neighbouring countries.

The Australian Government's values in respect to foreign aid are relatively clear.⁴

As Foreign Minister Downer noted in a recent speech, the core of Australian aid policy is the promotion of trade and investment in our neighbouring countries. Global foreign aid flows to developing countries world-wide currently amount to \$90 billion per annum. This is dwarfed by the \$200 billion in private foreign investment and the \$3.6 trillion trade generated in these same countries.⁵ As such, foreign aid is a junior partner in the development equation; trade and investment are far more important. As the Foreign Minister made clear, foreign aid can still make a difference by promoting good governance, creating a positive climate

for private sector growth, and developing public infrastructure.⁶

But what of the values of the aid NGOs? Of course they vary across and within organizations. Although a few organizations are clear about their values, most cloak their values with vague motherhood statements which, in effect, leaves vast scope for activists to define them as they may.

To ascertain their values one must, therefore, look at their actions.

ANTI-MINING

Many aid NGOs seem to have a particular values-based disdain for multinational miners.⁷ Virtually every major mining venture with an Australian partner in the Asia-Pacific region has been the subject of an aggressive campaign by NGOs. The 'anti-mining crusade' has been led by CAA (which received \$5.3 million from AusAID)⁸ and the Mineral Policy Institute (MPI) which, although a member of the Australian Council for Foreign and Overseas Aid (ACFOA, the government-funded, peak body of aid agencies) does not currently receive funding from AusAID.⁹ CAA has a self-appointed Mining Ombudsman¹⁰ and is currently running campaigns against eight mines.¹¹

MPI's approach is more strident and less formal, but its conclusion about mining is virtually identical to CAA's. MPI also acts as a conduit for a range of other aid NGOs to become involved in anti-mining campaigns without exposing their brand names to damage. For example, World Wide Fund for Nature (WWF),¹² Australian Conservation Foundation (ACF) and CAA (all AusAID-funded aid agencies) have provided funding to MPI. Representatives from Australian Red Cross, ACFOA as well as WWF, Amnesty, ACF, and CAA have worked with MPI on anti-mining activities such as the mining principles document¹³ which, among other things, called for companies to stop mining uranium¹⁴ and reconsider the 'social usefulness' of

minerals such as gold and diamonds.¹⁵ MPI chairs ACFOA's mining advocacy committee, which purports to speak on behalf of the aid agencies sector as a whole.¹⁶

MPI is an affiliate of the global Friends of the Earth network, which campaigns against mining and oil companies globally.¹⁷ Friends of the Earth Australia is an ACFOA member. Its Indonesian branch, WAHLI—which appears to work closely with CAA's anti-mining campaigns—has received \$161,726 from AusAID over three years.¹⁸

Although it is not the only factor,¹⁹ these anti-mining campaigns are contributing to the decline in foreign investment, to the abandonment of important projects, and may even be a contributing factor

***At the very least,
therefore,
governments should
not contract-out
foreign aid activity
to NGOs that hold
different values
and objectives to
their own***

themselves to disruption in local communities in mining areas. Rather than fostering investment, many Australian foreign aid NGOs are now part of a risk-creation industry that confronts and seeks to deter potential investors in the region. Indeed, one cannot find a single example of an Australian foreign aid NGO which has publicly praised a mining company for investing millions of dollars in the region.

ANTI-GLOBALIZATION

International organizations including the World Bank, World Trade Organisation and Asian Development Bank play a central role in Australia's foreign aid programme. Australia provides over \$390 million to multilateral development banks and organizations and places a particularly high weight on the role that those organizations play in facilitating economic freedom, foreign investment and trade—in short, globalization.

Despite the high priority given to advancing globalization, AusAID funds a raft of organizations that actively campaign against it. For example, TEAR Australia, APHEDA, CAA and ACFOA (all AusAID-funded) and MPI, Friends of the Earth and AID/WATCH (all ACFOA members) have been either directly or indirectly involved in supporting S11, anti-WTO and anti-globalization protests around Australia. AIDWatch, which is run out of the same office as MPI, leads the local campaign against the market- and trade-focused policies of the World Bank, World Trade Organisation and Asian Development Bank (ADB)—claiming that they are often 'responsible for social injustice, human rights abuses, debt and ecological unsustainability in low-income countries'. In particular, it seeks to have World Bank and the ADB phase out financing for oil, gas and mining projects.

CAA has been running a campaign against the ADB for 'promoting development through huge hydro-electric dams, forestry and intensive agriculture',²⁰ claiming further that 'the ADB has a chequered history of funding projects that damage the environment and undermine vulnerable communities' basic human rights'.²¹

ANTI-TRADE

Although many aid NGOs present a nuanced public stance on trade, behind the scenes they are active ▶

campaigners against trade and economic liberalization more generally.²² For example, CAA, World Vision, APHEDA, TEAR Australia, and ACF (AusAID-funded), and MPI and Aid/Watch (members of ACFOA) are part of the main anti-free trade grouping in Australia—the Australian Fair Trade and Investment Network (AFTINET)—along with unions and a number of left-wing church groups.²³

UNDERMINING NATIONAL SOVEREIGNTY

The support of national sovereignty is another value that the Australian Government regards highly. Indeed, it is essential both for the rule of law and as the basis for the various trade and investment agreements that lie at the core of Australian aid policy.

With respect to national sovereignty, the values of APHEDA have been examined in quite some detail²⁴ and seem to include ‘independence in West Papua’,²⁵ supporting the Palestinian cause²⁶ as well as getting involved in industrial relations disputes in foreign countries.²⁷ In its reply to a previous *IPA Review* article, APHEDA stated: ‘Union Aid Abroad—APHEDA and indeed most trade unions, churches, human rights organizations and aid agencies believe that an independent, free, UN-sponsored referendum by the West Papuans would be a positive step’.²⁸ In other words, according to APHEDA, it is not alone in supporting the cause of West Papuan independence among Australian foreign aid NGOs.

National sovereignty can be undermined in more subtle ways. For example, financial institutions have recently been the focus of western NGOs’ campaigns seeking to stop them investing in government-supported projects including dams, modern agriculture, gas, oil and mining, and even biotechnology. The Bakun Dam in Malaysia is a project that has fallen victim

to such a campaign with financial backers recently announcing that they were withdrawing support from the project.

AusAID is facilitating this campaign directly with a \$430,000 contribution ‘toward the establishment of a centre to help the ADB and NGOs communicate and work together more effectively’.²⁹ Although the grant is framed in terms of co-operation and dialogue, the effect is to provide Australian foreign aid NGOs with a greater capacity to intercede in the sovereign matters of other countries—Australia’s Asian neighbours. Fund-

The solution is to simply stop funding such NGOs and re-direct that money to aid NGOs which either share their values explicitly, or at least are neutral and do no harm

ing these sort of activities clearly runs counter to the objectives and values that underlie Australian policy, and points to an inability of AusAID to understand the consequences of its funding.

TOWARDS A PRECAUTIONARY PRINCIPLE OF NGO FUNDING

The problem does not lie with contracting out of aid delivery to NGOs *per se*. NGOs are often skilled, cost-effective and flexible. They also are able to mobilize the community to participate in and fund humanitarian actions and to go where government representatives cannot.

Rather, the problem stems from a failure of screening and enforcement. AusAID ostensibly screens applicants for aid contracts, forbids contracted organizations from involvement in political activity, and monitors the activities of contracted organizations. But this process is clearly not working. It is accrediting agencies that should not be the Australian Government’s *de facto* representatives abroad.

Australian official policymakers must address this fundamental disjunction within their own policy: on the one hand, they promote trade liberalization, encourage foreign investment, and advocate the rule of law. On the other hand, and at the same time, they fund and give credibility to institutions that assiduously work against these very same values and objectives. The solution is to simply stop funding such NGOs and re-direct that money to aid NGOs which either share their values explicitly, or at least are neutral and do no harm. It is important to note that there are aid NGOs which share the government’s values and can perform the required functions.

In summary, government should adopt its own ‘precautionary principle’ of sorts, in relation to NGO funding, and only contract-out to organizations which it knows will do no harm. By doing so, the Australian government would remove a schizophrenic and self-defeating aspect of its foreign policy.

NOTES

- 1 Patrick Kilby, ‘Caught in the middle’, *Eureka Street*, (November, 2002) page 32.
- 2 *Ibid.*, page 35.
- 3 *Ibid.*, page 33.
- 4 See Hon. Alexander Downer MP, ‘Australian Aid—Investing in Growth, Stability and Prosperity’, Eleventh Statement to Parliament on Australia’s Development Co-operation Program <http://www.ausaid.gov.au/about/eleven.html>
- 5 Hon. Alexander Downer MP, ‘Australian Aid: Investing in Growth, Stability and Prosperity’ Speech 24 September, 2002.
- 6 *Ibid.*
- 7 For example, see Jeff Atkinson, ‘Mine thy

The 'R' Files

ALAN MORAN

- neighbour', *Inside Indonesia* (January-March, 200) http://www.insideindonesia.org/edit65/jeff_lead.htm
- 8 Community Aid Abroad, *Annual Report 2000-2001*. http://www.caa.org.au/about/annual_report/accounts.html
- 9 Though it does, surprisingly, receive money from the Federal Department of the Environment.
- 10 Jeremy Hobbs, 'Mining: When will the scandals stop?' <http://www.onlineopinion.com.au/July00/Hobbs.htm>
- 11 See Oxfam Community Aid Abroad, *Mining Ombudsman Annual Report 2001-2002*.
- 12 WWF gets a considerable amount of money from the mining industry.
- 13 Australian-Asian Pacific Mining Advocacy Network, 'Principles for the conduct of company operations within the minerals industry', (October, 1998) Downloaded at: http://www.mpi.org.au/reports/principles_for_conduct.html
- 14 *Ibid.*, page 18.
- 15 *Ibid.*, page 19.
- 16 http://www.acfoa.asn.au/about_acfoa/Committees_2002-3.htm
- 17 <http://www.foei.org/about/index.html>
- 18 Correspondence with AusAID.
- 19 For example, see Malcolm Gray, 'Foreign Direct Investment and Recovery in Indonesia: Recent Events and their Impact', *IPA Backgrounder*, Vol. 14/2, (August 2002).
- 20 <http://www.caa.org.au/campaigns/adb/index.html>
- 21 *Ibid.*
- 22 ACFOA Press Release, 'Aid agencies to challenge WTO on trade related poverty issues', 14 November, 2002. http://www.acfoa.asn.au/media_releases/2002_releases/14_11_02.htm
- 23 See <http://www.aftinet.org.au/about/aboutaftinet.html>
- 24 See Don D'Cruz, 'Dangerous Liaisons', *IPA Review*, Vol. 54, No. 3 (September 2002).
- 25 APHEDA, *Annual Report 2001*, page 9.
- 26 See APHEDA, 'Report on Fact Finding Mission to the Occupied Palestinian Territories 15-23 May', 2002.
- 27 Don D'Cruz, *op cit.*, page 7.
- 28 See http://www.apheda.org.au/ipa_response.htm
- 29 See Hon. Christine Gallus, MP, 'Building Public and Political Support for the Aid Program', 4 February 2002. http://www.ausaid.gov.au/media/release.cfm?BC=Speech&Id=1465_5794_4142_5073_6263

Don D'Cruz is Research Fellow at the IPA and Director of IPA's NGOWatch.

IPA

Blueprint for a Living Continent: Australia's Latest Attempt at Self-Destruction

At regular intervals, groups of activists and scientists declare that modern agriculture is destroying the natural environment. According to the refrain, not only do current practices destroy natural attractions, but they also undermine the land's productive capacity.

Although the claims may be put forward by people with scientific and economic knowledge, this is overwhelmed by their 'commitment to the cause'. Moreover, the claimants' prescriptions will usually enthrone them as environmental dictators.

The latest such warning, *Blueprint for a Living Continent*, was issued by the so-called Wentworth Group, largely comprising activists on the payroll of government or with the World Wildlife Fund (WWF). The report prescribes government spending of \$3.6 billion over the next decade. This is both to provide a contribution in its own right and to induce an additional \$12.7 billion of private spending on transforming the agricultural system. Ambitious though \$16 billion appears, it is modest when compared with the ambit claim hatched by Australian Conservation Foundation (ACF) and National Farmers Federation (NFF) involving a \$65 billion fund.¹

The Wentworth Group sees us heading towards a precipice. It claims that:



- 'two thirds of landholders report that their property values will decline by up to 25% over the next three to five years';
- dryland salinity is rising and 'could affect' 22 per cent of cultivated land, and that the sustainability of our agriculture is under threat.

Even though these sentences are ominously pregnant, close reading reveals them to be sensationalist factoids, devoid of any real meaning. Thus

- Landowners *think* their property values *could* fall by *up to* 25 per cent;
- Dryland salinity *could affect* 22 per cent of cultivated land.

On these flimsy foundations, the report proceeds to erect a superstructure forged from evocative phrases such as these:

- 'Salt destroying our rivers and land like a cancer.'
- 'Many of our native plants and animals are heading for extinction.'
- 'About 50,000 km of streams have been degraded by sand deposition and sediments are moving off hill slopes much faster than soil is formed.'
- 'We are taking more resources out of our continent than its natural systems can replenish.'

The jeremiad is redolent of Theodore Roosevelt who, in 1911, said,

...the time has come to enquire seriously what will happen when our forests are gone, ... when the soils have been further impoverished and washed into streams, polluting the rivers, denuding the fields and obstructing navigation.

Yet, not one of Roosevelt's anxieties has proved well founded. America (like Australia) now has more forest than in 1911, its soils are more fertile and its rivers less polluted. All this has occurred in tandem with an increasingly productive agricultural sector.

Roosevelt was reliant on patchy agricultural output statistics in arriving at his misconceptions. The Wentworth Group has no such excuse. It did not take the time to examine the data on Australian agricultural output. This has shown real growth of 2–3 per cent per annum in every decade since the 1950s, notwithstanding dark forebodings from many Wentworth Groupies that have dominated the debate for more than 20 years.

Drought in the current year will force agricultural production down by ten per cent. But this is a natural phenomenon unrelated to any human actions. It signals no trend. Indeed, with genetic modification of crops still in its infancy, an upward kink in productivity growth is likely from greater pesticide tolerance, lower water usage and increased useable output.

Having set up its straw man, the Wentworth Group offers its solutions. Predictably, none of those include genetic modification—clearly new technology like this is unacceptable to the WWF, while CSIRO apparently has no compunction in remaining silent if it means a funding boost. The Wentworth Group's solutions include:

- 'radical change to land use' with trees producing pharmaceuti-

cals, bush foods, nuts, oil, replacing large areas of current crop and pasture zones.

- Removing much land from production.
- Setting standards for native vegetation; an indicative 34 per cent is given for western NSW, which 'very few farmers would meet'; those who do would be subsidized by those who do not.
- Restoring environmental flows to 'stressed rivers such as the River Murray and its tributaries'.

All of these involve considerable reductions in agricultural out-

These disarming statements should fool nobody. Both its 'no new taxes' and 'cut red tape' protestations are Orwellian Newspeak for its main agenda...

put and agricultural productivity. Indeed, as the pieces in the current *IPA Review* by Jim Hoggett and Ian Mott demonstrate, this is likely to be amplified by the additional layers of bureaucratic approvals in the decision taking.

A central feature of the report is the control of water, Australia's scarcest rural input. In this respect, the Wentworth Group ostensibly accepts the 1994 CoAG decision which emphasized the need for clear, tradeable entitlements to water separated from the associated land. Building on this, the report makes the valid point that the ex-

isting means of water trading are likely to mean greater use of the water, because the buyers use it more intensely than the sellers. For example, efficient irrigation systems return less water to the river system than when water is delivered to fields wastefully. The report makes some attempt to grapple with this by suggesting that water licences should make it clear not only how much is extracted, but how much is used and the condition of the used water returned to the system.

But, having identified the incentive effects of property rights and market forces, the report proceeds to pervert their outcomes by overlaying them with its own preferred incentives and penalties. It makes the seductive claims that it wants to 'clarify water rights to give farmers greater certainty and create accountable institutions that are owned by the rural communities most affected by the problems'. Instead it seeks to tie conditions to the definition of water property and transfer rights. Only those farmers irrigating in a manner that does not cause 'water logging, salinity and other problems' would be permitted to use the water. Even the others, in receiving a proportional share of access to their water, would need to accept some defined risk that this might be changed without compensation, and be accompanied by a set of accounts that control the amount of water that might be traded.

WWF is taking an increasingly militant role on property rights. It places them and the outcomes they bring as clearly secondary to those it prefers. A recent Working Paper² spelled this out. It considers the attention to property rights is not sufficiently 'holistic' and property rights should follow from other changes to land and water usage that the WWF considers necessary.

This radical agenda underpins a report full of soothing noises to mask its revolutionary intent.

Thus, it claims to want to cut bureaucratic red tape whilst suggesting a massive increase in regulation. It says that it is not calling for a new tax, while seeking a diversion of public capital (including from the sale of Telstra), and an 'environmental levy', incorporating the costs of production of food, fibre and water 'currently borne by the environment'.

These disarming statements should fool nobody. Both its 'no new taxes' and 'cut red tape' protestations are Orwellian Newspeak for its main agenda, which is the creation of vast new taxing and spending controls. The proceeds of the 'levy' on food, fibre and water, would be disbursed to the farmers who can demonstrate to the CSIRO/WWF *Committee of Public Safety* (the National Commission) that they are being responsible. Such proposals would mean a revolution in land ownership and management. Farmers would be able to use their property only as long as they satisfied the *Blueprint* writers that they were farming correctly.

The Wentworth Group offers us little useful guidance for the future. With Rousseau-like nostalgia, the group harks back to an Arcadian Australia in the 45,000 years before European settlement. Even that environment was a vast improvement on the pre-human influenced world before the Aborigines created some order out of the natural wilderness by burning hunted-out areas and, consequently, tempering the hottest forest fires. Nevertheless, Aboriginal land-use practices still left Australia barely capable of sustaining 100,000 souls living in desperate poverty. The pre-modern environment was bitterly hostile to mankind, with starvation and massive floods punctuating great periods of drought.

A reversion of the Australia that has been created this past 200 years to some pre-modern paradise cannot provide us with the quality of

life we want. Benign neglect of any significant part of the continent would bring a marked deterioration of the human-preferred environment. The very hot forest fires that have been experienced in areas locked up in national parks is one consequence of attempting to forgo management and use of the forests. This apart, there are too many cats, dogs, wild pigs, blackberries and other introduced species for the 'natural' settings to be managed without human intervention.

Reserving land from production is costly. Unless such land is intensively managed (and therefore necessarily synthetically natural), introduced species will mean its metamorphosis into something far different from the aesthetically pleasing, ecological renewal that the radical environmentalists seek.

We do need to make changes to retain a sustainable agriculture. We do need proper allocation of rights to water and an accurate definition of those rights. We do need means of ensuring that one farmer's negative impacts are not borne by another. The key is market solutions based on better defining existing property rights, allowing their unhindered trade and, where it makes sense, measuring and charging for pollution and environmental damage that is imposed on others.

NOTES

- 1 *Repairing the Country: a National Scenario for Strategic Investment*, prepared by ACF/NFF, Canberra 2000
- 2 *Why the property rights debate is holding back reforms: A case for a focus on Structural Adjustment*, by Warwick Moss, <http://www.general.uwa.edu.au/u/aares/wordfiles/propwwf.doc>

Dr Alan Moran is Director, Deregulation Unit, at the Institute of Public Affairs.

Musing...

A Dose of Common Sense

by Mike Nahan

Every now and then, one is stunned by the good sense of the Australian public.

Despite years of propaganda proffered by a sensualist media, Hollywood and ambulance chasers, the public can still recognize the importance of people taking responsibility for their own actions.

This was highlighted again recently in the public reaction to the McCabe case. Mrs McCabe, a working-class woman suffering from terminal lung cancer and having just lost her husband, won damages of \$700,000 against multinational British American Tobacco. She won the suit on a technicality—that BAT's lawyers destroyed evidence—not on basis of her claim that BAT knowingly duped her into using a dangerous substance. BAT appealed and won, forcing the repayment of the money.

What was the public's reaction? Despite the media and the McCabes' lawyers pushing the 'innocent victim versus bad multinational' imagery to the hilt, the majority (64 per cent) of people surveyed by the *Herald Sun* supported the court's decision that the money should be returned.

Perhaps they trust the courts to make the right decision. Perhaps the sight of the McCabes' lawyer—Mr Gordon of Slater and Gordon fame—made them sceptical. Or perhaps it was the admission by Mrs McCabe that she was aware of the dangers of smoking and had refused assistance to quit.

I P A



THE WORLD OF BLOG

One of the luminous early promises of the Web was the removal of constraints from publishing. No longer would those with something to say be held back by the gatekeepers of the traditional media.

There was a large element of truth in this. The beans were spilled, for example, on President Clinton's Oval Office dalliance by one Matt Drudge in his Drudge Report.

Did this kind of thing break the media monopoly? For Drudge it did. In the year to December 2002, he received over one billion visits!

www.drudgereport.com

Web publishing is cheap, but not free. Although Websites are inexpensive, new skills are required. Marking up (that is, formatting) documents using abstruse HTML (HyperText Markup Language) commands and then uploading the documents to a Website is a daunting prospect for many.

But over the past couple of years, a new way of using the Web has emerged: the Blog. This is derived from Web log. Think of a Blog as a personal diary, but with a difference. Instead of being published after you've died (maybe, if after your demise someone considers you worthy of remembrance), you can broadcast its contents to all as you write it.

Blogs can be created by the adept using traditional HTML skills (see Whacking Day below, for example), or using packaged solutions that require neither skill nor money:

www.movabletype.org

www.blogspot.com

As the name itself suggests, Bloggers have developed their own jargon. Blogosphere means the community, perhaps world, of Blogs. Pomo is post modern. Fisk means to take someone else's text, say that of a well-known journalist who tends to blame all the problems of the world on the United States of America, then analyse it, sentence by sentence, exposing how the silly theme of an article has been constructed by a series of even sillier statements and assumptions. A proper fisking leaves the reader with a clear understanding that the text so fished was appallingly wrong in every important respect!

ABCWatch blog. It may take you a little while to work out who's who: Gastropod seems to be the famous Mr Adams, Uncle is the blog's author, while Auntie is variously the ABC itself and a person with whom Uncle shares a bed. Oh, I get it!

This blog is sometimes frustrating, if only because comments appears just two or three times a week. But when they do, they are excellent:

Memo to Radio National [in respect of an ABC TV program receiving rare approval]: good political discussion requires that the audience can not predict the talent's every response to every political event.

Go to:

www.abcwatch.blogspot.com

ALEX ROBSON

The recent release of a petition arguing, incredibly, that Australia's adhering to the Kyoto protocol would either result in no economic costs or, possibly, an economic boost, was worthwhile in only one respect. It brought out a high-powered petition in opposition. One of the moving forces behind this petition and the supporting op-ed was ANU economist Alex Robson. He was also partly responsible for jockeying SBS into running the recent pro-free-market economics documentary series: 'Commanding Heights'. Go to:

alexrobson.blogspot.com



ABC WATCH

One of the many significant failings of ABC TV's own Monday night 'Media Watch' program is that it seems to be largely unaware that the ABC itself is a media player, and at least as worthy of criticism as the commercial participants. Enter the





WHACKING DAY

Surely many of you know the famous *Simpsons* episode, celebrating the Springfield tradition of beating snakes to death with clubs. The annual Whacking Day comes to an end when Bart and Lisa, helped by a crooning Barry White, convince the townfolk of the nastiness of the tradition.

The Whacking Day blog is inspired by the whacking, not by the cute conclusion! For fisking galore, go to:

www.whackingday.com

DO NOT OPENTHIS BLOG

...

... if you wish to retain any confidence in your own ability to write. Is James Lileks a free-market guy? Well, kind of. In that relaxed, common sense way that middle Americans tend to be. Is he libertarian? Arguably. But in



the end, it doesn't matter. His blog contains page after page of the most amazing writing that I have seen. He takes his day, five days a week, and turns it and his thoughts into articles taking the reader from hilarity to pathos and back again. Consider this representative sentence:

At this point my own selfishness and pettiness—manifested in silent monologues of devastating effect, of course—just horrifies me, and I feel Shame kick in like a furnace on a cold December night.

or this:

And that idea—the desire to remake and remold pliant Man in the image of an ideology—was the most ruinous notion the 20th century produced.

in a week in which Lileks considered his writing to barely pass the level of 'craptide'. I aspire to his standards! Go to:

www.lileks.com/bleats

A WEALTH OF OTHERS

One of the biggest blogs (in terms of visits) is run by the former editor of *The New Republic*, Andrew Sullivan. Thoughtful and a great destroyer of stereotypes. How many other gay conservative Republican Catholics do you know? Go to:

www.andrewsullivan.com

Sullivan's site is regarded as one of the big two blog sites. The other one, by law professor Glenn Reynolds, is at:

www.instupundit.com

Finding informed commentary on Middle Eastern issues that is not intemperately pro-Palestinian can be hard. Martin Kramer, for 30 years a specialist in the field, does a fine job on his blog. Particularly nice is his deconstruction of Edward Said. Go to:

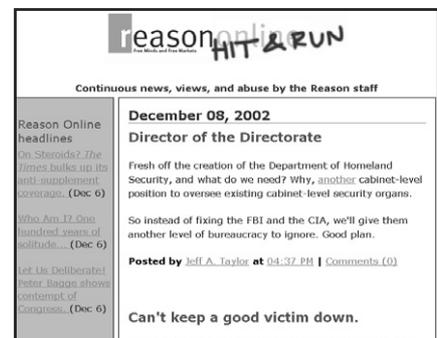
www.martinkramer.org/pages/899529

Not all sites are solo affairs. Based in the UK, Samizdata is shared by several thoughtful libertarians. Go to:

www.samizdata.net

A similar shared community appears at Jason Soon's site:

catallaxyfiles.blogspot.com



And the journal *Reason* has just started its own blog under the title 'Hit and Run':

www.reason.com/hitandrunk

COMING SOON

Or, almost certainly by the time you read this, now online. Along the structural lines of Samizdata, a group of hard core *Australian* libertarians (yes, there are such people), will be contributing to a shared blog, yours truly amongst them. Go to:

www.libertarian.org.au

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.

Compiled by IPA staff, columnists and consultants ...

GREEN'S EVERREADY EXPORT POLICY

Green policies are always a rich resource of cow dung and balderdash, but few surpass the arrogant stupidity of the Tasmanian Greens on energy trading.

Now despite these furry fellas coming of age in anti-dam protests, they are keen to export clean, green hydro power to the distant world (Victoria). But they are not so keen on the Basslink project which is to connect the electricity system of the Island State with the distant world. Why? Well it would lead to 'dirty electrons' (translation: electricity generated from coal) polluting Tassie's clean electrons.

Their solution: batteries. They plan to export the 300Mw of electrical power (that would otherwise flow twenty four hours per day via Basslink) by batteries. Now the fact that this would take the equivalent of 3 billion car-size batteries (equivalent to the world's current stock of car batteries), consume tonnes of fuel in transport and create a mountain of toxic lead does not seem to trouble them. No doubt they will address this apparent absurdity with some more deft policies, such as plans to use the recycled batteries to build radiation proof housing.

PETA IS SO(Y) HAPPY

In its zeal to convert the masses to permanent vegetarianism, People for the Ethical Treatment of Animals (PETA) has made demands that prisons in the US remove all meat and dairy products from inmates' cafeteria menus.

Knowing that prisoners are not natural vegans and playing on the rehabilitation theme, Joe Haptas, PETA's campaign director, promised in his sales pitch to prison directors that a meatless diet will 'provide a deterrent to convicts who are so addicted to meat, they'll go straight just to avoid having to eat healthy "jailhouse" food'.

In short, he promised vegan food would be so unpalatable that inmates

would literally be 'scared straight' by it!

OUR UN AT WORK: SAVE THE STARVING FROM FOOD

The United Nations World Food Program recently carried out one of its most unusual shipments ever. Under police guard to prevent looting by staying locals, WFP workers in Zambia loaded 18,000 tons of maize into waiting trucks. The trucks, which are normally used to ferry grain to refugee camps, carried the precious food out of the drought-stricken southern African country and away from 2.9 million people facing starvation.

The Zambian government was at first happy to take GM food. 'If Americans can eat GM, Zambians should be able to eat GM', Vice President Enoch Kavindele told parliament in June. But within two months, Zambia banned the import of all GMOs. The GM maize sitting in warehouses was illegal and 'poisonous', according to President Levy Mwanawasa.

Why the sudden about-face? EU and Greenpeace strike again.

GREENPEACE'S LABOUR PROBLEMS

Greenpeace Canada (GPC) is currently experiencing a strange event—it is the subject of a picket and protest.

GPC did a 'Corrigan' to its street canvassers in Toronto. In October, it locked out its loyal team of street beggars, demanding a new collective agreement with large increases in productivity—or else. This was despite the fact that their collective agreement had a year to run, the canvassers had exceeded the targets specified in the agreement and many of the canvassers had given freely of their time for numerous GPC protests. Indeed, one poor sod is still facing court action for illegal activity undertaken on behalf of GPC, for which Greenpeace is refusing financial assistance.

The union has reacted much as the MUA did. It organized pickets, called for solidarity and threatened retaliation.

Unlike Mr Corrigan's actions, however, a Greenpeace victory will undermine rather than add to the greater good. Indeed, keeping GPC bogged down in industrial action may well be the union movement's greatest contribution to the working man in decades. It will also present a hilarious spectacle: protester protesting against protestor, rubber duck colliding with rubber duck, absailers wrestling on tall buildings, and placards reading 'Greenpeace Exploits the Workers' waving on public TV. How sweet it is.

EXPERTS: PARENTS GUILTY OF PROMOTING HOMEWORK

Two crack VUT researchers have come up with some truly remarkable findings.

First, they found that students who spent many hours on homework had less time for family, friends and hobbies. Damn surprising.

Second, homework may have a direct or an indirect influence on students' 'psychological well being'. Isn't this terrible.

Third, that Year 12 girls scored significantly higher than boys on stress and mood disturbances. No kidding.

They are now seeking money to investigate whether time management was a major reason for students spending so much time on homework.

What do the experts have to say about the research? Dr Newbegin (real name), teacher and author of *The Australian Study Guide*, says that the study confirms his view that 'teachers and parents are guilty of placing pressure on students to work hard to gain high scores for university places'. And we pay for this nonsense.

IPA

Letter from London

JOHN NURICK

Tories Fiddling, Labour Unravelling

The radio is on while I write this. It's 'Desert Island Discs', an interview interspersed with the eight records that the guest would like to have if stranded on a desert island with a gramophone. Today's guest is the leader of the opposition, Iain Duncan Smith (IDS for short).

He's been having a rough time. Partly this is because of divisions in the party; partly it's his own fault. The two came together last month when Parliament was debating legislation to let unmarried couples and same-sex couples adopt children. Like most of us, IDS believes that a stable, traditional family is the best environment in which to raise children. Therefore, he decided to make a stand against adoption by same-sex couples.

Never mind that the law already allows adoption by single people, whether gay or not. Never mind that the proper comparison is not between adoption by a married couple and adoption by a same-sex couple, but between adoption and the 'care' provided by the social services, a comparison which adoption wins hands down. Never mind that issues such as adoption and divorce are normally decided on conscience votes and not on party lines.

Never mind, even, the need for the party to be more liberal on social issues if it is to get back in touch with the average voter. IDS sent out a 'three-line whip'—an instruction to all Conservative MPs to turn up and vote the party line regardless of their personal opinions, or else. Except that this was a Clayton's whip: it said that MPs who didn't like it could stay away and it wouldn't be held against them.



Things get worse. IDS is in a very weak position when it comes to demanding that MPs put loyalty before conscience. As a new MP back in 1992 he voted many times against his own government's European legislation. On the night of the adoption vote, several Conservative MPs voted for the new law—including two of IDS's undeclared rivals for the leadership. They said it was a matter of conscience, but the next day IDS claimed it wasn't and accused them of disloyalty. The day after, he had to apologize.

Result: confusion and mistrust all round. After more than a year of IDS the Tories are no more credible a government-in-waiting than they were under his predecessor William Hague.

This is a shame, because we badly need an effective opposition. Gordon Brown's budget last April made massive spending commitments over the next three years. These were to be funded partly by borrowing and partly by increased tax revenue from growth projected at 2–2.5 per cent this year and 3–3.5 per cent next year.

This seemed very optimistic at the time. Too right: in his pre-budget report at the end of November, Mr Brown admitted that the Treasury

now expects only 1.6 per cent growth this year and 2.5–3 per cent next year. Projected borrowing has almost doubled to £20bn (\$56bn) this year and £24bn next year. In particular, corporate tax revenues are way down because of the collapse of profits in the financial sector—and could take a long time to recover.

Things get worse. The borrowing figures exclude huge 'off-budget' liabilities associated with 'private finance initiative' projects and privatized services (e.g. £10bn for the railways). The revised growth projections are still horribly vulnerable: to a downturn in the US and world economies; to international terrorism; or to a sudden end to the house price boom.

Meanwhile, the firefighters are striking for a 40 per cent pay rise, which the government cannot afford to concede. Other public sector pay deals have been 4–5 per cent a year—which already swallows a big chunk of the government's extra spending.

I said last time that the government is in 'crash through or crash' mode, desperate to deliver better public services before the next election but unable to reform them properly. That gamble looks even less likely to succeed now than it did three months ago. But perhaps it doesn't matter: with IDS in charge, Labour has nothing to fear from the Conservatives. As for IDS, he's only there—like his two predecessors—because the party can't agree on anyone else.

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.

IPA

Summaries and excerpts from interesting reports

DOES STOCK OWNERSHIP LEAD TO CONSERVATIVE VALUES?

About half of US households own shares, up from one-third in the late 1980s. In the late 1990s, conservative commentators seized upon the idea that expansion of stock ownership was transforming national politics and psychology. Politics was supposedly drifting to the right because more people had a stake in capitalism.

However, if shareholders became mini-capitalists, public opinion polls should have shown a rise in pro-business attitudes in the 1990s. But a review of surveys by Karlyn Bowman of the American Enterprise Institute found attitudes have remained remarkably stable. Americans generally like the free-enterprise system but are sceptical of corporate behaviour.

When asked in 2000 whether companies should 'make maximum profits', only 36 per cent said 'yes.' This was higher than in 1974 (24 per cent) but almost the same as in 1981 (33 per cent).

Another survey asks whether 'what's good for business is also good for the average person.' In 1981, 57 per cent thought so, but near the market's peak in 1999 that had slipped to 48 per cent.

According to *Washington Post* columnist Robert Samuelson, greater shareholding leads to more government activism and regulation. It increases the political impulse to tinker with business and the stock market because the investor class behaves like other aggrieved groups who look to government to solve problems.

Greater shareholding didn't change the national consciousness because stocks were not promoted as an exercise in risk-taking, which

is the nature of capitalism. Stocks were sold as a free-enterprise entitlement. Stock market investors expected to get rich.

Now Congress has been called upon to intervene in a host of ways. The ostensible aim is to improve the integrity of the market. The unstated aim is to restore higher stock prices, which is what investors want.

Source: Robert J. Samuelson, 'The Stock Market: Not an Entitlement', *Washington Post*, 25 September 2002; Karlyn Bowman and Todd Weiner, 'Attitudes Toward Business', AEI Special Analysis, 23 August 2002, American Enterprise Institute.

INTERNET DEMOCRACY?

When the Internet was still in vogue, many political commentators thought that it would completely restructure politics. They predicted that voter participation would rise, the populace would become more informed, and the influence of money would be diminished. However, researchers find none of these things occurred, and argue that the Internet may hurt democracy. They say that predictions of better politics in the online world failed because people assumed problems resulted from poor communication or lack of information. However, these problems have deeper roots:

- Information, even before the Internet, was cheap to obtain.
- Thus, making information even easier to obtain was not going to entice more people to pay attention to politics.
- Moreover, by distracting people with more 'interesting' information, the Internet might even

make it harder to educate people about politics.

- Since the Internet will not make Americans more interested in politics, it will not diminish the need or the cost of reaching voters who do not wish to be reached.

Observers say the Internet might weaken democracy in three key ways:

- It will speed up politics even further, forcing leaders to make hasty decisions without sufficient information.
- Also, it will undermine federalism, by making it impossible for representatives to distinguish between constituents and activists.
- Finally, by letting people live in isolation and away from neighbours, it will weaken local communities and their channels of power.

On the other hand, some experts believe these threats to be largely benign. They observe that while the Internet did not revolutionize politics, it did revolutionize the bureaucracy and administrative activities performed by government.

Source: Yuval Levin, 'Politics after the Internet', *Public Interest*, Number 149, Fall 2002.

THREE MILE ISLAND CANCER RATES NOT HIGHER THAN NORMAL

Physicist Edward Teller remains the lone identified casualty of the Three Mile Island nuclear power plant accident. The father of the H-Bomb had a heart attack (from which he recovered) following the March 1979 accident at the Pennsylvania power plant—due to the stress of combating all the misinformation put out by nuclear power opponents and the news media.

Now a 20-year follow-up study of the ‘worst nuclear accident in American history’—in which no-one died and no-one was injured—finds that there has been no significant increase in deaths from cancer among residents near the site.

Researchers looked at causes of death from heart disease and cancers, including those known to be sensitive to radiation effects such as bronchial, breast, blood and central nervous system cancers.

- The study of over 23,000 people living within a five-mile radius of the Three Mile Island nuclear plant found ‘no consistent evidence that radioactivity released during the nuclear accident has had a significant impact on the overall mortality of these residents’.
- Researchers believe that their 20-year study is important because cancers that take years to develop would have done so in this time.
- Previous studies have suggested that even low-level doses of radiation have produced genetic damage in the children of people exposed—but scientists have calculated that people near Three Mile Island at the time were on average exposed to considerably less than the annual background radiation experienced by a US resident.

In comparison, Teller says that the radiation released at the Soviet Chernobyl plant was ‘millions of times greater.’

Source: Gaia Vince, ‘Three Mile Island Cancer Rates ‘Normal,’ New Scientist News Services, 1 November 1 2002; Forthcoming, Environmental Health Perspectives, March 2003. For text: [http://www.newscientist.com/news/news.jsp?id=ns99992997\(6\)](http://www.newscientist.com/news/news.jsp?id=ns99992997(6))

MODERN MAN IS NO LESS FERTILE

Sperm counts in the average fertile Australian male appear as healthy as ever, undermining claims of a long-term decline in male reproductive capacity.

In Australia’s first such collaboration with the World Health Organisation, average sperm concentrations in fertile men were measured at 107 million per millilitre (M/ml)—well within the norms for healthy sperm and equal to the count recorded in a landmark US study in the 1950s. University of Melbourne PhD student Tanya Stewart, who presented early findings at a Fertility Society of Australia conference at the Gold Coast, said they flew in the face of earlier, pessimistic predictions about male reproductive health.

‘In 1992, it was (estimated) that sperm concentrations had declined by about 50 per cent over the past 50 years and was on a continual decline, and we’ve found that it hasn’t at all,’ she said. The Australian study formed part of an international research response to concerns that male fertility was declining worldwide.

Theories arose that chemicals known as endocrine disrupters were damaging human reproductive health by lowering sperm counts.

As part of the research, more than 2000 Victorian couples who were expecting children were surveyed on how long it took to achieve conception.

Source: Siobhain Ryan, 23 October 2002 at <http://www.news.com.au>.

GOVERNMENT SIZE AND TAXPAYER CHEATING

‘Tax cheating becomes more acceptable to citizens as government grows.’

Economists have long recognized the critical role that citizens’ trust in

each other and their institutions plays in influencing economic performance. In high-trust societies, individuals need to spend fewer resources to protect themselves from being exploited in economic transactions. But the importance of trust also extends to the relationship between citizens and their government, in the sense that voluntary compliance with tax laws facilitates a large government but may be eroded as the tax burden gets larger.

In ‘Trust in Public Finance’ (NBER Working Paper No. 9187), NBER Research Associate Joel Slemrod uses data on trust and trustworthiness taken from the 1990 World Values Survey to investigate the relationship across countries between the size of government and the extent of tax cheating. He finds that there is less tax cheating in countries that exhibit more trustworthiness among citizens. However, holding constant the level of such trustworthiness, tax cheating becomes more acceptable to citizens as government grows. Although a trusting citizenry allows a government to grow, the tax burden needed to sustain a bigger government erodes taxpayers’ willingness to comply with the tax laws.

Slemrod further finds that there is more economic prosperity and more government involvement in more trusting societies. He also uncovers a positive association between the size of the government and prosperity, at least until the level of government spending reaches 31 to 38 percent of GDP. Beyond that, the effect of the government’s size is negative.

Source: (Les Picker) National Bureau of Economic Research 1050 Massachusetts Avenue Cambridge, MA 02191 USA 617-868-3900 <http://www.nber.org>

I P A

What's A Job?

KEN PHILLIPS

Driving Reform Vehicles

As part of its third term agenda, the Howard Government has turned its attention to work reform in the car manufacturing industry. Its view is that poor industrial relations processes and cultures are holding back the industry from achieving world-best competitive standards.

The first stage of the Government's process was investigative. The Productivity Commission undertook a study and released a report in mid-2002. Surprisingly, the Federal Department of Employment and Workplace Relations made a submission critical of the industry for failing to create genuine enterprise-focused employment arrangements. Normally, government departments are mute on such issues.

The Productivity Commission report states that workplace relations, although better than in the past, are the big area needing reform and that external pressure must be created to change managerial complacency. The government has flagged that it may use the proposed \$2.8 billion five-year taxpayer subsidy to the industry as leverage for reform. Apparently, the reform environment is beginning to look serious.

Certainly that's the way the union movement view the situation and they commissioned the Sydney University-based Australian Centre for Industrial Relations Research and Training (ACIRRT) to produce a critique of the Productivity Commission and DEWR views. Over the last ten years, ACIRRT has become well known for operating as the intellectual wing of the Australian labour movement, giving the movement's arguments the stamp of 'independent, academic' credibility.

A lot is at stake. The Australian car manufacturing industry exports 30 per cent of its production through four major multi-national manufacturers and some 200 companies in the complex supply chain. It is one of the last domains of entrenched union membership in manufacturing.

The traditional structure of the Australian car industry is one built on deep 'co-operation' between unions and management. It's the old Ansett model of running a firm. The idea is that unions will deliver a compliant workforce, and management can concentrate on the technical and marketing aspects of product and service. The approach works well in a protected economy, but becomes strained when competition takes hold.

This is what is occurring with car manufacturing—particularly with companies in the supply chain. Australian unions are unable to create workplace change fast enough or of the scale needed to enable businesses to survive. World production capacity exceeds demand by some 30 per cent, resulting in knife-edge competition. The 'Big 4' address their problems by demanding yearly price reductions from suppliers. The outbreak of strikes and business collapses are consequences of the competitive stresses.

In this environment, the response of the Federal Government is to canvas increased competitive pressure. The unions are panicking—as reflected in the attack against the Productivity Commission by ACIRRT. In an emotive outburst, ACIRRT accused the Productivity Commission and DEWR of being 'conceptually vague and empirically sloppy', producing results that '... have little basis in fact' and having a reliance on '... the dull compulsion of the market'. ACIRRT claims that '... it is impor-

tant not to expect too much from labour related reforms'.

What is really in evidence are two starkly different views of how an economy operates. ACIRRT sees the competitive pressures and stresses which operate in contract supply chains as being the root of the problem, and wants to eliminate stress by creating 'coordinated flexibility' built around 'a new social coalition'.

ACIRRT sees contractual relationships through supply chains as inherently bad. The Productivity Commission sees supply chains as a normal and necessary dynamic in a market economy. Rather than reducing competitive behaviour, the Productivity Commission recommended increasing it as a necessary role of government in a progressive economy.

These two opposite perspectives are at the centre of current economic policy divergence in Australian society. The ACIRRT, anti-supply chain model finds its legislative outcomes in the likes of the Victorian Fair Employment and Corporate Manslaughter Bills, the NSW Ethical Clothing Act and the Queensland anti-contractor legislation. These pieces of legislation are end-game legislative models of anti-globalization activism that need ACIRRT type academic authenticity to get through parliaments.

In this context, the Federal Government's desire to shake up firms in the Australian car manufacturing industry involves much more than just financially tweaking a few sleepy car manufacturers. Instead it cuts to the core of Australian political and cultural divides.

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

I P A

REVIEW

Book Review

A Disappointing Monster

David Robertson reviews

Rigged Rules and Double Standards: Making Trade Fair

(Oxfam International, 2002)

It is disturbing and disappointing when a well-intentioned and respected organization such as Oxfam publishes a confused and ill-informed study such as this 250-page monster. The report argues that expanding international trade has assisted some developing economies to grow, but that more should be done to alleviate poverty by adapting WTO rules to give new preferences to all developing countries. This implies that economic development would occur if only trade rules were suitably tailored, whereas benefits from trade depend most of all on a country's own economic policies and institutions.

When referring to the damage caused by EU, US and Japanese agricultural subsidies and protection of labour-intensive manufacturing (especially textiles and clothing), improved access would undoubtedly offer trade opportunities to many developing countries. However, when proposing more 'special and differential treatment' for developing countries' exports and hence for their domestic development, the Oxfam authors neglect the low tariffs already levied on most other OECD imports. Moreover, economic research raises serious questions about the benefit of trade preferences to developing countries and whether the vested interests which are thus created impede further multilateral liberalization.

The catch-phrase 'fair trade' used throughout the report can mean almost anything, and nowhere does Oxfam define what it means. 'Fairness' is in the eye of the beholder! Moreover, the term 'fair trade' has been captured by uncompetitive industries in developed countries to justify anti-dumping and other contingency protection.

Not unexpectedly, the authors rediscover the spectre of exploitation by multinational enterprises, which they want to be tamed by requiring OECD governments to 'enforce' internationally agreed guidelines on labour standards, foreign investment

The verdict that the WTO is 'indefensible' on moral and sustainability grounds raises serious doubts about the internal consistency of the report

flows, income remittances, etc. None of these are specifically covered in WTO articles—and labour standards were specifically excluded from the WTO agenda at the Singapore Ministerial meeting! The report also resurrects the idea of international financial supports to stabilize commodity prices, ignoring their bad record in the 1970s, the moral hazard they introduce and the absence of WTO articles covering such schemes.

In this context, 'fair trade' is really about income transfers to developing countries by indirect and in-

efficient processes, because the authors reject conventional analysis of benefits from trade (chapter 5). The case for free trade does not claim that the benefits will be distributed in ways consistent with perceptions of social equity or poverty alleviation, or according to any 'moral' interpretation. Welfare gains do occur from trade liberalization, however, and global economic interdependence has reduced poverty and inequality. On this topic the Oxfam report is deliberately evasive and even contradictory. Bleating about 'unfair' distribution does not require that gains from liberal trade should be sacrificed, only redistributed.

The verdict that the WTO is 'indefensible' on moral and sustainability grounds (pages 4–5) raises serious doubts about the internal consistency of the report. Elsewhere (chapter 9), amendments to WTO rules are proposed that depend on the institution becoming stronger. How do the writers of this report believe that the world economy—and poor, marginalized developing countries in particular—would have fared without GATT/WTO liberalization since 1948? This counter-factual position is not mentioned in the report. As noted above, some of the changes to the WTO proposed by Oxfam are unexceptionable to anyone concerned about economic development. This does not, however, mean that the changes will be easy to achieve. The institutional structure of the WTO, with negotiated liberalization and consensus decisions on rule changes, is easily manipulated to preserve the status quo. Above all, amending WTO rules depends on changing political attitudes in member governments.

Other proposals in the report also show little understanding of the WTO and its processes. Non-OECD

countries have a very substantial majority among the WTO membership (over 100 out of 142 members). One country, one vote, in an organization where decisions are made by consensus, is a substantial blocking force. Oxfam supports extension of the 'differential and more favourable treatment' granted in GATT Part IV in 1965 and incorporated into the General Agreement by the 'enabling clause' in the Final Act of the Tokyo Round in 1979. Yet most analyses of these preferences cast doubt on their value to developing countries; some even argue that this 'concession' by OECD countries was used as an excuse for establishing, and progressively tightening, the multifibre arrangement (MFA) and the spread of other non-tariff barriers in the 1970s.

At several points, the report purposely misrepresents the effects of new agreements achieved in the Uruguay Round. Oxfam joins the vocal NGOs in opposing liberalization of services' trade in developing countries. Yet to leave service sectors outside WTO liberalization would exclude 80 per cent of employment in OECD countries from international competition, and around 50 per cent in developing countries. Recently, earnings from services' exports by some developing countries have provided new growth sectors (for example, call centres and 'new economy' services in India). This is extending economic development, not exploiting developing countries.

The TRIPS agreement has been seriously criticized by developing countries' governments and by academics. The flaws identified on humanitarian grounds show this agreement deserves to be reviewed in the Doha Round, especially with respect to access to pharmaceutical drugs. At the same time, other issues, such as labelling GM foods, imposing geographical indications and introducing environmental standards on traded goods pose threats to the multilateral trading system overall, as well as to developing countries' trade and growth prospects.

By joining the 'campaign of blame' against the WTO, Oxfam has failed to recognize the vital need for institutional and political change in developing countries, if they are to benefit from international economic integration.

Much of the poverty in sub-Saharan Africa and other marginalized areas results from civil unrest, authoritarian regimes and exclusion of much of the population from the market sector because of inadequate institutions and limited political systems. Most of those living in poverty in any part of the world fall outside the direct reach of international trade. Any alleviation of their poverty depends on channelling some

**Oxfam, like most
NGOs, avoids the
difficult subjects, such
as political and
institutional reform in
developing and
developed economies**

part of the economic gains from liberal trade to them using domestic income transfers and redistributive mechanisms, which require effective domestic economic institutions.

It is inadequacies in political and institutional instruments that block changes in agricultural policies and other remaining areas of protection in OECD markets, too. Witness the recent open letter to major European newspapers by seven EU Ministers of Agriculture that trumpeted the blessings of the CAP. Subsequently, the French authorities have campaigned to preserve the present system until 2013!

Analytical unevenness and factual errors in the text also weaken its appeal.

This kind of emotionally committed report does little to resolve problems, while possibly misleading developing countries' governments into believing that their plight can be eased by international actions alone. By advocating global management strategies, Oxfam, like most NGOs, avoids the difficult subjects, such as political and institutional reform in developing and developed economies. In the summary (page 5), Oxfam asserts that 'WTO rules reflect the power of vested interests', but arguing for more trade preferences will create even more vested interests against change. Shifting decision-making to make it easier for the LDC majority to vote through changes will achieve nothing if OECD governments are not party to the decisions. Reform of 'rigged rules and double standards' requires more than arbitrary assignment of blame.

This is a disappointing report. It is far too long because the editors have failed both to pursue a consistent line of argument and to edit out repetitions and irrelevancies. It acknowledges economic benefits from trade liberalization, but then tries to dispose of conventional trade theory. It recognizes the importance of domestic policies for trade policy, but blames WTO rules for shortcomings. It treats 'developing countries' as a uniform group, although the disparities and divergences create as many conflicts as common interests. The inconsistencies, exaggerations and biases mean that this report does not strengthen the case for further preferences, which weaken the principles that underpin the multilateral trading system: non-discrimination, reciprocity and transparency.

The future of the WTO will be decided in the Doha Round and its success will depend on a re-assertion of these principles.

David Robertson is a Professorial Fellow at the Mt Eliza Business School.

I P A