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From the Editor

MIKE NAHAN

Welfare Reform

THE Howard Government has embarked on another most important journey—the reform of the welfare state.

Because the welfare system is unsustainable, the need for reform, as outlined by Michael Warby (*Making Welfare Sustainable*, page 13), is overwhelming.

Welfare spending grew by an average of over eleven per cent per year over the 1990s. Even during the latter half of the decade, when the unemployment rate declined, welfare spending grew by over seven per cent per year. This growth rate is set to continue over the next decade, with the Commonwealth forecasting that its own outlays on welfare will grow by 24 per cent over the next four years.

Growth in welfare spending is being driven by the growing dependence of working-age and workable people—particularly the long-term unemployed, lone parents and the disabled. Growth in aged pensions is a contributing factor, but it is not the main driver. Over the 1990s, the number of lone-parent pensioners increased by over 50 per cent and the number of disability pensioners grew by 90 per cent. Indeed, on current projections, in about two years' time, disability pensioners will outnumber people on the dole and there will be more people on lone-parent and disability pensions than on aged pensions. The growth in disability pensions is not being driven by a wave of debilitating epidemics but rather by the fact that it is a higher paying, less onerous alternative to the dole.

Importantly, once people are on welfare, they tend to remain on it—often for life. From the available data, there is a 97 per cent probability that



once a person is on a disability pension, they will remain dependent on some form of welfare for the remainder of their life and that most will have no contact with the workforce. Also, once on the lone-parent pension, a large and growing proportion tend to stay for the duration of their children's childhood. And the average duration of unemployment for the long-term unemployed (people unemployed for more than two years) now stands at six years and is growing.

As is now well known, welfare dependency is not only associated with a host of social and individual pathologies but tends to perpetuate itself through future generations.

Of course, welfare reform is not new. Governments have been tinkering with the welfare system almost continuously over the last two decades: the Hawke Government introduced better targeting and asset tests; the Keating Government introduced the concept of reciprocity or mutual obligation and also introduced case management; and the Howard Government has streamlined the benefits system and reduced poverty traps, reinforced and expanded the concept of mutual obligation through its work-for-the-

dole programme and cracked down on fraud and abuse.

Part of the broad task lies in completing tasks already begun. Although Australia has one of the most tightly targeted welfare systems in the OECD, there are still areas where too much of the welfare dollar still goes to middle-to-high-income earners. For example, families with incomes in excess of \$110,000 per year (or almost 4 times median household income) are still eligible for the childcare rebate. As outlined by Alan Moran (*The 'R' Files*, page 16) there is also an urgent need to rein in the childcare industry, which is rapidly regulating childcare beyond the reach of needy parents and the funding capacity of the state.

As Ken Phillips shows (*Welfare Reform*, page 14) a further extension of case management and the concept of reciprocity lie at the heart of successful reform. More specifically, the task is to break down the barriers in the system that treat the disabled, lone parents and the mature unemployed differently, provide them with the same tailored services, and require of them the same responsibilities to work as are applied to people on the dole.

This will require more money in the short term, but not nearly as much as many in the welfare industry hope. The Australian welfare system is very generous to those it helps, as shown by the 30 per cent increase in real income achieved by the lowest income households over the last 20 years—thanks largely to a generous and well-targeted welfare system.

The task is to deliver this largesse more to those who need it most and this is best done by using all possible means to get those who are able to work—whether they are old, partially disabled or with children—back to work.

IPA

REVIEW

Reconciliation: Where to Now?

VERN HUGHES

THE debate on reconciliation in recent months has left many thoughtful Australians aghast.

How is it that we can have a relatively intelligent public debate on taxation or economics or foreign policy or social security reform, but when it comes to indigenous affairs, we throw intelligence out the window and engage in collective 'dumbing down'?

Why is it acceptable for political and media figures to throw around weary cliches and emotive slogans about indigenous affairs and think that this is good enough to pass as public debate?

And why do 'group think' dynamics dominate the debate, stifling open and wide-ranging discussion?

The desperate demoralization in many indigenous communities continues unabated and will be largely unaffected by the documents produced by the Council for Aboriginal Reconciliation. Rates of suicide, violence, crime, alcoholism and sexual abuse are moving in the wrong direction. These things will not be remedied by the push for a Treaty or the introduction of reserved parliamentary seats.

Nor have these appalling trends been positively affected by self-determination. The really hard question for ATSIC, the land councils and the Aboriginal leadership is why this continuing demoralization has accompanied the steady implementation of self-determination policies in recent years.

There are even harder questions for the non-indigenous population. Why have we allowed ourselves to suspend normal standards of accountability

and performance monitoring when dealing with indigenous programmes? Why are we afraid to speak of self-help as a universal virtue that is also important for indigenous people? Why do we exaggerate the capacity of governments to turn around the lives of demoralized individuals and communities?

Reconciliation should be about enhancing trust across racial lines. It should be about strengthening real

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relationships between indigenous and non-indigenous people in civil society. This cannot be legislated for or imposed from above. Nor can it be bought with buckets of money.

The ten-year official reconciliation process has failed to address the stresses in black and white relations generated by welfare dependency, high rates of crime, and poor outcomes from public expenditures on indigenous communities. These are the things that impede the development of trust.

The official process has failed to address the unease and confusion created by a proliferation of public institutions which seem to serve one race

rather than many. It has failed to identify the tension between a desire to recognize a special status for indigenous people and an affirmation of the moral equality of all Australian citizens.

Had the process commenced its work by stating this tension directly and promoting debate about how it might be resolved, then it might have had a chance. Instead, it sought to close off this discussion systematically, hoping it could push through a raft of special status measures via the back door. This strategy has failed.

Where does the process go from here? Three things are clear.

First, if reconciliation is about trust and relationships, then it will live or die in civil society. It is not something governments can deliver. Governments can help, primarily by creating space for civil society and talking about the importance of what happens in civil society.

This is where the Howard Government has fallen down. It doesn't know how to speak about civil society. This is an intellectual failure. Because it cannot speak about civil society, it lacks a capacity to win the intellectual argument. It is left trying to talk about 'practical reconciliation' (read 'service delivery'), but this is not enough to claim the intellectual and moral high ground. It thus finds itself at the mercy of the elites, condemned to playing compassion catch-up which it can never win.

Second, if reconciliation is about trust and relationships in civil society, then it has to be driven from civil society. But here's the problem. There is no organization of citizens to drive reconciliation, and in its absence, politi-

cians, media commentators and even church leaders will look to government for leadership. This becomes a vicious circle. Government is expected to drive and deliver a solution for something for which it is not the answer.

Third, the task of trying to sell civil society to our political and media elites is a very difficult one. Elites, by definition, are hostile to civil society.

What the reconciliation process needs now is a group of committed citizens, indigenous and non-indigenous, to drive an agenda which does not originate in Canberra. This agenda will have to be grounded outside the political class and be driven by people of high ethical standing who have no financial or career interests in it.

What would this agenda look like? It would require a succinct formulation of programmatic objectives and sentiments, and some clarity about basic principles.

TEN GUIDING PRINCIPLES

1. There must be a straightforward acknowledgement of racism in Australia's past, including a recognition of the trauma generated by dispossession of land, cultural displacement, and the separation of families.
2. This trauma is personal and social in character, and cannot be overcome solely or even mainly by statutory means. It will be overcome only by reconstituting personal, familial and social relationships in civil society so as to re-establish trust and mutuality. This is not something the state can do. Appeals to the state to express sentiments such as sorrow or guilt or repentance are misdirected.
3. Indigenous trauma is trivialized by talk of financial compensation.
4. There must be a straightforward acknowledgement of the fragility and complexity of traditional cultures, and a recognition that all cultures change through contact with others. The 'noble savage' stereotype is as unhelpful as that

of the drunken welfare-dependent black.

5. Australia's land is shared by people of many races and cultures. Indigenous people do not have a monopoly on attachment to the land and are not the sole custodians of the land.
6. Native title should be accepted and made secure, with a timeline for concluding native title claims.
7. Indigenous communities and individuals cannot empower themselves by disengaging from the worlds of education and the real economy. Attachment to traditional culture cannot be a defence for detachment from these worlds.
8. Personal responsibility and self-help are crucial for indigenous empowerment and for overcoming the paralysis of dependency and victimhood.
9. Entitlements based on race institutionalize racial division and undermine principles of moral equality and social inclusion.
10. It is inappropriate for international bodies such as the UN Commission for Elimination of Racial Discrimination to liken Australia's current race relations record to that of Rwanda or Bosnia.

With these principles in mind, the following points might be a start towards a people's reconciliation charter.

A PEOPLE'S CHARTER

1. *Friendships are more important than documents*

People-to-people interactions across racial lines are the key to reconciliation. Multi-racial friendships are more important than documents or gestures of sorrow.

2. *Money cannot compensate*

Cash cannot be exchanged for souls. Money cannot buy dignity. Monetary compensation for the injustices of the past will not help generate trust.

3. *An ethic of self-help*

Welfare dependency is poison. Publicly funded programmes for indig-

enous communities should be tied to practices of personal responsibility, self-help, family consolidation, and engagement with the real economy.

4. *One set of laws*

Customary law amongst indigenous communities cannot override or take the place of the common law of the land.

5. *No to a treaty*

We are one people, not two. A treaty would institutionalize racial division and exacerbate differences.

6. *Action on crime*

Community justice panels are needed to oversee effective responses to crime, including tough alternatives to incarceration of juveniles, personal restitution to victims, offender-victim conferencing, mentoring and rehabilitation.

7. *Corporate leadership*

Corporations should take the lead in developing voluntary employment, training and mentoring schemes for disadvantaged indigenous people, with public listing of those businesses which do (and do not) participate.

8. *Concluding native title claims*

A timeline is needed for concluding native title claims.

9. *Phasing out quotas*

A timeline is needed for phasing out race-based quotas and representation mechanisms in public institutions.

10. *Abolition of ATSIC*

ATSIC is unable to generate trust across racial lines. Its record on accountability and transparency is poor. Representative bodies in indigenous affairs should be self-funding and genuinely independent of government.

An agenda of this sort is desperately needed if the reconciliation process is to be rescued from its current stalemate.

Vern Hughes works in a Mission of the Uniting Church.

I P A

REVIEW

'It's *Déjà vu* All Over Again': Behind *The Eye's* Collapse

R.J. STOVE

NO-ONE who chooses the heartbreaking, bank-manager-defying, ulcer-inducing, addictive task of creating a periodical gloats over rivals' flops. To such a person, a variant of Donne's aphorism applies: 'Every magazine's death diminishes me.' And yet to feel diminished is not to have one's prophetic powers vaporized; some magazines seem to beg for the early death that duly claims them. Latest addition to that cemetery for Australia's independent publications—where *The Republican*, *The Independent Monthly*, *Follow Me Gentlemen*, and *Soundscapes* now rest—is *The Eye*, which on 26 April breathed its last.

The surprise is that it lasted six months. For three decades its chief backer, John Singleton, has proclaimed with beery relish his disregard for any higher principle than the aggrandizement of John Singleton. To start a magazine on the basis of such a being's assurances that his goodwill shall survive for five consecutive days is to announce in ringing tones one's own suicidal mania.

But a periodical, if good enough, can survive even a Singleton commandeering its kitty. What doomed *The Eye* was the same disease that finished off *The Republican*: an almost total inability to publish anything different from the nihilistic bromides available in *Good Weekend* or *Sunday Life!* for one-fifth of the cover price. As early as 8 April, Tim Blair complained to *Daily Telegraph* readers of *The Eye's* insistence on 'the same cosy leftism of most of the press in Australia'. P.P. McGuinness's *Sydney Morning Herald* column of 6 May was substantially more acerbic:

The most remarkable fact about *The Eye* was that from the first issue it was boring ... at no time did it ever look like challenging any of the comfortable orthodoxies of the chattering class.

Most astringent of all was Max Teichmann in *News Weekly's* 20 May issue, reprehending *The Eye* for what he called:

yuppie left sentiments we know so well—but which can be found in so many other literary and media enclaves, where the deadly nightshade of inner suburban boredom, fruits of social and intellectual inbreeding, flourish.

From its outset, *The Eye* harrumphed editorially about its eagerness to run stories that the big boys didn't dare touch. So how did it fulfil this enticing promise? It spent issue after issue on such deeply unfamiliar topics as the 'stolen generation', the monarchy's vileness, Howard's craven refusal to say sorry, the prison system's shortage of creature comforts, the artistic magnificence of *Sex and the City*, and Sydney versus Melbourne ill-will. With superb poetic justice, it slapped on its final issue's cover the face of Nicole Kidman. As that linguistically challenged baseball hero Yogi Berra once commented, 'It's *déjà vu* all over again.' If all this constituted *The Eye's* notion of path-breaking originality, may heaven preserve us from its notion of copy-cattling. (Actually, heaven didn't. *The Eye's* notorious October cover depicting a pistol pointed at a corgi—'Vote Yes [in the republic referendum] or the dog gets it!'—Turned out to be plagiarized, with only minuscule emendations, from America's *Spy*.)

Yet far more significant than *The Eye's* actual contents, purloined or otherwise, is the larger question that Australia's magazine graveyard raises: whether any periodical can survive in this country without Murdoch, Packer, Fairfax or (as with *24 Hours*) ABC graft. Answering this enquiry necessitates demolishing several myths about local magazines that have become much more tenacious than most of the magazines themselves.

Myth 1: Writers don't matter. *The Eye's* adherence to this delusion was quite embarrassing enough, but nowhere exceptional. Kenneth Davidson's Canberra periodical *Dissent* takes such scorn for the authorial function to its logical end: it combines bellyaching about capitalist greed with a refusal to pay its own contributors at all. Whatever *Dissent* understands by 'economic justice', economic justice for *Dissent* staff clearly represents no part of it.

Myth 2: Australia's population is too small to support quality journalism. Yeah, right. Which presumably explains why serious periodical publication flourishes (by Australian standards) in the Benelux countries, Scandinavia and New Zealand, none of which have anything like as many people as Australia does. *The Spectator's* loyal, impressive *per capita* Australian audience indicates that, mythomaniacs' insistence to the contrary, Australians *will* buy magazines that are not mere clones of tabloids.

Myth 3: Australia's libel laws make quality journalism impossible. Without denying such laws' bone-headed malice, one must appreciate that José Rizal's epigram fits ▶

The Stolen Generations

MICHAEL DUFFY

judicial tyranny at least as well as narrowly political tyranny: 'There are no tyrants where there are no slaves.' In the libel field, as in every other area where legal lunacy prevails, we shall never get sane laws until we dare risk imprisonment for breaking insane laws. That *some* libel laws must remain is undeniable: abolish all legal redress against gutter-journalistic calumny, and you simply grant unlimited power to lupine spivs like Bob Ellis.

Myth 4: Quality journalism depends on statutory guarantees of free speech. Ah yes, statutory guarantees. So brilliantly successful in safeguarding religious freedom under Stalin and Brezhnev (both of whom wrote such freedom into their respective Soviet constitutions). And so efficacious in America, where the First Amendment allegedly ensures that anyone can utter anything. Tell that to Atlanta's most famous citizen, John Rocker, whose incautious late-1999 references to New York ethnic and sexual minorities elicited howls of media outrage (including chillingly totalitarian demands that Rocker undergo 'sensitivity training') as demented as anything Blainey's candour inspired here. Invaluable though the First Amendment is to, say, your average TV director wanting to devote entire screenplays to iterations of the C-word, it extends precious few practical rights to Americans in general.

Rather than perpetuate all these preposterous legends, Australians dreaming of creating an antipodean *Spectator* or *New Republic* would do better to realize that independent journalism needs to mean exactly what it says. There are any number of stories to which a genuinely bold Australian editor could devote such a magazine and triumph, confident that the big boys will indeed fear to touch them. When, exactly, are we going to see them in print?

R. J. Stove is Editor and Publisher of Codex (www.codexmag.com.au). A longer version of this article appeared in Codex's April-June 2000 issue.

T P A

THE transnational human rights industry appears to be setting up Australia as the next international white pariah, the South Africa of the new century. As we approach the Sydney Olympic Games in September, with the possibility of Aboriginal demonstrations before the world's cameras, many Australians are becoming increasingly nervous about this. Others find it terribly exciting.

Last month the conservative government of Prime Minister John Howard was chastised by the United Nations' Committee on the Elimination of Racial Discrimination. At issue was mandatory sentencing in northern Australia, where judges must send offenders to prison for certain offences.

According to the Committee, this system 'appeared to target offences that were committed disproportionately by indigenous Australians, leading to a racially divisive impact on their rate of incarceration.' In other words, blacks commit more crime, so they go to gaol more than whites. And this is racist.

Racism is an extraordinarily potent issue in Australian politics these days. Although only about 2 per cent of people are Aborigines, issues involving them have become one of the main points of difference between the two major political parties. The latest explosion occurred earlier this month over a phenomenon known colloquially as 'the stolen generations', which is now the predominant racial issue in the country.

In the first 60 or so years of the twentieth century, some mainly part-

Aboriginal children were separated from their parents and in most cases brought up in church institutions or boarding schools. 'Bringing Them Home', the report of a government inquiry in the 1990s, found that this occurred to between 10 and 30 per cent of all Aborigines, and that the predominant motivation was racial assimilation. It concluded that, as the ultimate purpose was to 'breed out the colour' and destroy the Aboriginal race (it was assumed full-bloods would die off anyway), the practice amounted to genocide. This inquiry received an enormous amount of publicity and, building on other concerns about Aboriginal well-being, has created an atmosphere of enthusiastic shame surrounding the public discussion of Aboriginal issues.

The problem is that there appears to be little truth in almost any of this. The inquiry's attempts to identify how many children were separated were futile, but 10 per cent was probably the top of the range rather than the bottom. (This is the figure provided by the Australian Bureau of Statistics.) The inquiry did not interview any of the officials involved in the separations. They have subsequently come forward and helped establish that the motivation of the separations was often welfare, not racial assimilation. For instance, some tribes in the late 1940s refused to accept the children born of liaisons between black women and Australian or American servicemen during the war. So their mothers asked the welfare people to take the children to church homes to be brought up.

REVIEW

Mothers asked the white authorities to look after their children in many other circumstances, too. Charles Perkins is the most famous black activist in Australia. He was heard recently on the BBC predicting that Sydney would burn during Aboriginal protests at the time of the Olympic Games. He is often portrayed as a stolen child, but in fact his mother asked that he be sent from the outback to a boarding school in the city to get a good education (just as white children in the same circumstances were also sent).

Another example of the elusive nature of the 'stolen generations' lies with two of the most tragic stories told in the government inquiry's report. In each case the person involved is suing the government. The cases are not yet finished, but evidence to date indicates that neither was in fact 'stolen'. One brave commentator has compared this with the failure of memory that occurs in other cases, such as people wrongly claiming childhood sexual assault or abduction by aliens.

It is a commonplace in the press that 100,000 children were wrenched from their mothers' arms, and that 'no black family' was un-

... it's possible the number really 'stolen' against their parents' will was as low as several thousand

touched by this attempted genocide. The effects of such claims on the feelings of white (and indeed black) Australia can be imagined, yet they are gross exaggerations. Although no-one knows, it's possible the

number really 'stolen' against their parents' will was as low as several thousand.

Unfortunately, this enthusiastic embrace of falsehood and delusion by many white Australians is typical of their approach to Aboriginal matters. In another famous episode in the 1990s, a small number of black women fabricated a religious cult known as 'secret women's business' to stop a bridge being built to Hindmarsh Island in South Australia. This was an enormous national story, and the Labor government of the day banned the bridge. When other members of the local tribe exposed the fraud, they were ignored by virtually all the journalists, anthropologists, politicians and churchmen who had been involved in the story so enthusiastically to that moment. Clearly, the story of black suffering and white guilt (to use a phrase coined by anthropologist Ron Brunton) is, for whatever strange reasons, far more important to these people than the truth.

The shape that black issues are given in the media in Australia today is determined not by what is best for blacks but by the emotional requirements of whites. Some European Australians, particularly those who have been to university, have lost touch with the spiritual roots of their own culture and now patronize a bastardized version of indigenous culture in search of 'authenticity'. Christianity is regarded with contempt, while respect for Aboriginal spirituality is enshrined in Australian law.

Then there is the abuse of black issues for white political gain. The Australian Labor Party and its allies in the 1960s and 1970s did what parties of the Left do well: they established the victim status of Aborigines and the racist behaviour of white Australians, and made governments do something to begin to address the problems of the victims. These policies, intended to reverse the assimilationist programmes of the past, encouraged Aborigines in remote

areas (about one-third of the total) to revive their Stone Age culture by handing back some of their land, encouraging them to take control of

Black lives are being sacrificed to preserve the political and career interests, and the self-esteem and moral vanity, of well-educated, powerful white Australians

their own schooling, and providing them with an apparently permanent stream of welfare.

The problem is that under these policies these people are now much worse off judged by almost any objective criteria. Illiteracy, sickness, violence including sexual assault and murder—all have increased in the past 30 years in most areas. According to a 1999 report into violence in Queensland Aboriginal communities, prepared by Aboriginal academic Boni Robertson, 'The degree of violence and destruction ... cannot be adequately described.... Appalling acts of physical brutality and sexual violence are being perpetrated within some families and across communities to a degree previously unknown ... A majority of the informants believe that the rise of violence ... can be attributed to the so-called "Aboriginal industry".'

The huge problem confronting Australia now is not racism, but the refusal of those committed to the policies of the past three decades to recognize that they have failed disastrously. It is time for the Left and its commitment to victimhood to get

out of the way, and allow moderates with new ideas to come in with the jobs that black men so desperately need if they are to regain their self-respect.

Unfortunately, the Left cannot do this. It is addicted to the feeling of easy moral superiority and self-gratification, which it gained from its often admirable Aboriginal policies in the past. To some extent these policies still work for it politically. Labor is the party of the traditional working class, the recent immigrant, and the new class intellectuals. All of these groups can use the racism of the past to attack the government of conservative John Howard today, which stands for a fairly upbeat view of white Australian history.

The word 'racist' is used in Australia with a frequency that might surprise readers in Britain or America. A fortnight ago it was revealed that the government believes the term 'stolen generations' is hardly justified if the number separated (let alone 'stolen') is no more than 10 per cent. This led to a phenomenal uproar and massive continuing coverage in the media. Howard and his ministers were denounced by many as racists.

In Australia today, it is enough to diverge from the Labor Party's presumed moral monopoly in this area to be branded racist. To refuse to apologize on behalf of the nation for the 'stolen generations' (as Prime Minister John Howard is constantly badgered to do) is racist. Merely to seek the truth about the events in question is racist. The government's modest comment on the 'stolen generations' was compared by some, on the front pages of newspapers, with denial of the Holocaust.

Australia, compared with other Western nations, has almost no conservative intelligentsia or media. The broadsheets and the Australian Broadcasting Corporation, like most of the churches and academia, are totally supportive of the Labor Party on almost every issue, and passionately so where Aborigines are concerned. The denial of truth involved is extraordinary.

This Kafkaesque state of affairs would be amusing were it not for the enormous suffering it is causing many

Aboriginal people. Black lives are being sacrificed to preserve the political and career interests, and the self-esteem and moral vanity, of well-educated, powerful white Australians. This is done in the name of anti-racism, but in truth it is actually just the latest form of racism. It is, if you like, the New Racism.

Last week a 22-month-old Aboriginal girl was found in her inner-city Sydney home stabbed and covered with bruises and bite marks. Her plight had been reported to welfare workers numerous times by neighbours and police, but they had not dared intervene, lest they be accused of creating another 'stolen generation'.

In 50 years' time, people will look back in horror, just as we do today, and wonder how intelligent and powerful white people could have let such things happen while professing so strenuously their concern for black welfare and their superiority to previous generations.

Michael Duffy is a publisher and former Editor of The Independent Monthly. This article first appeared in The Spectator on 15 April 2000.

I P A

Musing... Equality

MICHAEL WARBY

Equality is a difficult value to discuss because there are so many different dimensions across which equality can be measured. Equality of opportunity, gender equality, equality before the law and equality of outcome are all quite different.

Moreover, beating your breast in public about your commitment to equality has been perhaps the most common way over the last century of making a claim to profound moral superiority over other people.

As black conservative American economist Thomas Sowell said in a column in the *Jewish World Review* of 4 January 1999: 'if you have always believed that everyone should play by the same rules and be judged by the same standards, that would have gotten you labelled a radical 60 years ago, a liberal 30 years ago and a racist today'. Such peregrinations are a natural result of using 'racist'—a taboo very much founded in an ideal of equality—as a moveable tag to claim moral superiority by stigmatizing other people and their views.

The recent campaign by *The Australian* on income distribution seems to fall in this category of ostentatious commitment to equality as a claim to virtue, with journalists earning many times median incomes decrying that the richer are getting richer. Yet the data they base their complaints on show that households with the lowest incomes went up 30 per cent over the last 20 years—twice the rate of growth of any other group.

Besides, theology tells us that God does not believe in equality of outcome—otherwise there would not be Heaven and Hell.

Michael Warby is a Fellow of the IPA.

The government's modest comment on the 'stolen generations' was compared by some ... with denial of the Holocaust

Letter from London

JOHN NURICK

Smoke, Mirrors and Artificial Limbs

Suppose you're a government spending \$30 billion a year on drains and sewers. You decide to increase spending by \$1 billion per year for three years, starting next financial year. What do you tell the voters?

You can play it straight, or you can play with smoke and mirrors. An increase of one billion per year for three years is \$1 billion in year one, \$2 billion in year two, and \$3 billion in year three—which makes a total of \$6 billion you can announce.

You can do better if you take inflation into account in the right way. If base spending is \$30 billion and inflation is 2.5 per cent, the amounts needed to maintain services at their existing level are \$30.8 billion in year one, \$31.5 billion in year 2 and \$32.3 billion in year 3. So you can add $0.8 + 1.5 + 2.3$ to the \$6 billion you've arrived at so far, making total 'increased spending' of \$10.6 billion.

We aren't finished yet. You can announce the same increased spending, in whole or in part, any number of times. First of all, the Prime Minister announces it in a speech somewhere. A few weeks later, the Secretary of State for Plumbing and Drainage announces it again.

The Minister of State for Gutters announces a new \$100 million a year programme to upgrade street gratings, and the junior minister for Holes in the Ground says local authorities will get \$75 million a year for three years for manhole covers. This lets the Secretary of State do the fancy arithmetic and announce that the Government will be spending an extra \$1.8 billion on street drainage over three years.

None of these announcements makes it clear how it relates to the others. Between them, they give the im-



pression of an absolutely massive increase in spending. It takes a cool head and considerable research to establish that all the spin is actually concealing a real annual increase of only 3 per cent.

All this describes, with only a little exaggeration, how the Blair Government operated for most of its first three years. The most impressive example was in education, where ministers announced spending increases of £19 billion. In fact, in its first two years, Labour education spending was *less* than projected spending under the previous Conservative government. Even in year 5, projected Labour spending is only £3 billion a year more than under the old government's policies (£38.8 billion versus £35.8 billion). An announced £5.4 billion for school capital works turned out to include only £1.7 billion of actual government spending.¹

Few journalists and very, very few voters made the effort to cut through the spin and discover the real figures. The House of Commons Treasury Select Committee was not deceived, and sternly criticized the practice back in 1998,² but it was not until this year that the Government accepted that it was misleading and in the long run self-defeating, and went back to presenting spending projections in the old way.

As I've said before, there's a mystery about how much Mr Blair understands

what he's doing. You'd think he'd realize that if the Government kept announcing new initiatives and extra spending, but things didn't actually get any better, sooner or later people would start to wonder why—and blame him.

That time came earlier this year. A winter flu epidemic revealed desperate shortages of hospital beds, doctors and nurses. The media ran stories about 'postcode prescribing'—differences in policy between health authorities which mean that treatments may be available in one area but not in the one next door. TV showed a pretty young woman who had lost all four limbs—while her local health authority explained that it was against their policy to provide her with modern prostheses.

Mr Blair was rattled. Cornered on a TV chat show, he announced more funny money—the 'aspiration' to increase UK health spending to the average European level—but it was crystal clear that after nearly three years, this 'reforming', joined-up government had no idea how to solve the problem of the NHS.

Since then, the government has given us a 'health summit', attacks on the medical profession, an economically illiterate aspiration to abolish NHS waiting lists, and a bogus 'public consultation'. Its proposals for reform are due out this summer—but don't expect anything exciting.

NOTES

- 1 Nick Davies, 'Blunkett's magic tricks and the £19bn boost for education that doesn't exist', *The Guardian*, 7 March 2000.
- 2 <http://www.parliament.the-stationery-office.co.uk/pa/cm199798/cmselect/cmtreasy/960/96004.htm>

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.

I P A

Two Chinas? Why Not More?

ROWAN CALLICK

AS every worldly wise Australian knows, over the last 60 years our international relations have moved through four broad stages: distant British nephew, remote American cousin, then the 1980s and 1990s as the uncle eagerly strived to be accepted as 'Asian'. Now, following an early White Paper that deceptively—and lazily—proffered continuity via a focus on the Four Pillars of China, Indonesia, Japan and the US, we are moving on under the Coalition.

The 'Old Asia Hands'—the group of academics, diplomats and politicians who seized the foreign policy initiative ten to fifteen years ago—see this as heresy.

The Old Asia Hands deserve our thanks for steering us towards a greater interest and involvement in the region we inhabit, but time has moved on. Inevitably, some of them have not. Their contacts in Asian elites have in some cases been demonstrated to be unacceptably authoritarian and corrupt, administratively incompetent, economically inept, or have simply been turfed out.

Yet our own international effectiveness continues to be measured substantially against our relations with our policy-making elite's long-term peer contacts. Belligerent comments from individuals who have lost status are perceived as tantamount to national rejection; yet in many cases the 'old friends' of the Old Asia Hands are less popular with their own people than are their Australian neighbours.

The Timor involvement appeared to embolden the Howard Government to start to distance itself from the former concept of 'special relationships' earlier endorsed by its own White Paper. Most strikingly

from my perspective as a China correspondent, Howard laid out the differences with Beijing as well as the points of contact in his welcoming speech to Jiang Zemin in Canberra seven months ago.

Many warnings have been issued over the last year about the danger perceived by the Old Asia Hands of detouring in any respect from the path ordained by Beijing with respect to Taipei. Of this group, perhaps the most vigorously and consistently anti-American, and the most respectful towards authoritarian re-

Taiwan is already effectively independent, a political and economic model for Asia, a successful blend of Confucian discipline with North American creativity

gimes in Asia, has been Malcolm Fraser. 'We have to look at' the relationship between China and Taiwan 'in a historical context', he says as he compares the situation to that of the US Civil War and, by implication, Jiang Zemin to Abraham Lincoln.

Encouraging an independent Taiwan, he asserts, will mean 'heading for a disaster of incomparable proportions'. (Although it is unclear to me just what independence means if it

does not encompass an independent judiciary, an elected parliament and president, a constitution, currency and defence force.)

This is the same figure—fêted on visits to Beijing, just as are other former Western leaders such as Ted Heath (29 visits since being removed as Tory leader)—who also attacked belated moves towards greater democracy in Hong Kong because they were opposed by Beijing and 'would be damaging to Hong Kong's continued economic success'.

We have seen Taiwan emerge through the Asian economic crisis without losing a month's positive growth—while Hong Kong, where democracy has been wound back since the handover, suffered grievously.

We have seen Taiwan's people—it is slightly more populous than Malaysia, significantly larger than Australia—reject their governing party of 50 years to elect a president, Chen Shui-bian, in defiance again of the express wishes of its powerful and aggressive neighbour. We have seen its remarkable resilience in overcoming the horrific earthquake of eight months ago, its high-tech industry centred on Hsinchu eclipsing its regional rivals.

A threat to that industry is also a threat to push the world into recession, so significant has it become as a manufacturer of components, as a researcher, and as a key collaborator with Silicon Valley where, as my colleague Brian Toohey recently related, the initials IT are known to stand for Indians and Taiwanese. David Hale has pointed out that Taiwanese companies in 1997 had the world's largest semiconductor foundries, and produced 62 per cent of keyboards, 61 per cent of mainboards, 54 per cent of monitors, 32

REVIEW

per cent of notebooks and 20 per cent of PCs. And the proportions are higher today.

In recent years, although the figures naturally fluctuate, Taiwan has tended to buy more exports from Australia than has mainland China. This position will be reinforced when—in a couple of years, we may confidently expect—Taipower starts buying LNG from Australia, several years before China's planned reception plant at Shenzhen is ready.

Yet the Old Asia Hands have reacted strongly against US support for democratic Taiwan, portraying America's urging of Australia to commit itself to offering assistance in case of military attack from the mainland as akin to drawing us in to a second, even more disastrous, Vietnam.

The situations, though, are utterly different. Taiwan is already effectively independent, a political and economic model for Asia, a successful blend of Confucian discipline with North American creativity. If Taiwan were in Africa or Europe, its independent status—105 years after last being ruled, effectively, by the power that claims it as an integral province—would never have been seriously reviewed.

Maurice Newman, the chairman of the Australian Stock Exchange, who was also chairman of the Australia–Taiwan Business Council for four years until last November, told me at the handover meeting in Taipei (Ian Sinclair is his successor) that mainland China's propaganda had been very successful in Australia, where the impression formerly given by the Government had been 'ingratiation at almost any cost'.

He said: 'What has happened through the power of the ballot box has changed the consciousness and identity of the Taiwanese for ever. But the continuing ambiguity in their status runs the risk, in the long run, of creating political instability. The opportunity costs of Australia deferring too much to China are considerable, in economic growth and

jobs, while there has been no reciprocation I can see.'

Newman said Australia and Taiwan were 'natural partners' in regional development, especially between each other's small and medium business sectors. 'Taiwan has emerged through the Asian economic crisis as a place with new dimensions, offering a sound entrée to mainland China too.'

Australian investors in the mainland, when asked about profits, tend to say: 'We're here for the long term', as they gaze into the middle distance like nostalgic curators of a Middle Kingdom palace.

Dr Joseph Wu, of National Chengchi University, told me on a visit to Taipei: 'We need to think of the entire area in a more progressive way, beyond that of Dr Kissinger in 1972' when the US began to shift its diplomatic recognition from Taiwan to China. He said that the major emerging source of regional instability was China's economic problems, and especially its growing army of unemployed, breeding 'the next round of Asia's financial crisis' and pushing the Government to become more nationalistic in response. 'Australia can play a leading role' with other countries in the region, to support China's economy and develop a new role for Taiwan, he said.

Greg Austin, of the ANU, said: 'Taiwan is lost to China, and the international community must now find a way to reconcile China to that, without war.'

Canberra, now risking a few awkward steps beyond the Old Hands' corral, is starting to attempt a redefinition of the 'one China' policy itself, rather than let Beijing's astute and aggressive diplomats make the definitions.

Most official statements start: 'There is but one China in the world'. But most people who live in Taiwan view themselves as Taiwanese first, Chinese second. Consistently, 70–80 per cent of those polled say that the Hong Kong, Macau one country/two systems formula is irrel-

evant. China has recently done little to win over those who hold such opinions; indeed, the opposite.

There are many nuanced ways in which Taiwan and China can come closer together without recently democratic Taiwan handing sovereignty back to an authoritarian one-party state. But imagination, lateral thinking and subtlety are not at a premium in party HQ in Beijing. Perhaps it will pick up again swiftly with WTO deals with the US and Europe, perhaps the party has reached the limits of its capacity to effect change without risking undermining its own rule—an unaccountable, opaque rule that is itself the chief source of the country's pandemic corruption.

But in the meantime, Ross Maddock, who runs the Australia–Taiwan Business Council, wonders why, with Taiwan and Australia both 'islands of democracy, stability and prosperity' in the region, so few Australian company chairmen and executives visit Taiwan compared with China, and why so little Taiwanese investment has been attracted to Australia—half a billion Australian dollars compared with 40 billion in China and 30 billion in South-East Asia, pointing to uncertainty about Australian attitudes.

Taiwan's *de facto* consul in Melbourne knows something about that. He told me, somewhat mournfully, that whenever he was invited to an official occasion, it appeared that the People's Republic consulate found out, called the organizers, and succeeded in having him either demoted to the lowest status table or bounced altogether. Does that mean the Old Asia Hands didn't do a good enough job—or did they do it only too well?

Rowan Callick recently returned to Melbourne after almost four years as Greater China Correspondent for The Australian Financial Review. This article is an edited version of a speech he delivered to the Institute of Public Affairs on 3 May 2000.

I P A

Compiled by IPA staff, columnists and consultants ...

HEALTH FASCISM AND TAXES

The Center for Science in the Public Interest (CSPI) is pushing policy-makers to take nutritionists' war on fat one step further. Health advocates at CSPI are urging that soft drinks and snack foods be taxed to provide funding for nutrition and health campaigns.

BOOM IN GLUTTONY

The CSPI may be (thankfully) fighting against the tide. George F. Will (20 February 2000) informed readers that the *National Journal* reports (from business consultant Faith Popcorn) that US beef consumption has hit a record 64 pounds per person per year, the number of weight-loss centres has fallen 46 per cent in the past five years, and *Eating Well* magazine folded last year. A truth that Popcorn tickles from these facts (and from all the soaring popularity of cigars and martinis) is that consumers are in no mood to be hectored about health, self-restraint or other kill-joy values.

INEVITABLE IGNORANCE

Has US Federal Reserve Chairman Alan Greenspan done the right or the wrong thing in raising interest rates? Is our Reserve Bank Governor Ian Macfarlane getting it right? As Irwin Stelzer, a consultant and fellow of the Hudson Institute, cheerfully says: 'If we could know such things, the Soviet Union would still be with us, because economies could be "managed".'

Puts a bit of a different spin on all that financial market commentary...

SUBURBAN PROGRESSION

The Sydney *Telegraph* (24 February 2000) informs us that, after 10 years at Triple J, senior producer Jo Chichester says leaving the ABC alternative rock station to join the 'grown-ups' at sister station 702 feels like a

rite of passage. She continues:

It's like saying goodbye to your youth. First you work at Triple J and live in Darlinghurst, then you move to 702 and live in Bondi. Next stop is Radio National and a house in the Blue Mountains.

Good. Unless you live in Miranda. Or Liverpool.

Then you get the pleasure of paying for the listening habits of Darlinghurst, Bondi and the Blue Mountains ...

MORE BRAINS, LESS SEX

The London *Daily Telegraph* (1 March 2000) reports on research that bright teenagers delay their first kiss and lose their virginity later than adolescents of average intelligence.

Many put off any kind of minor sexual activity, including holding hands, according to the study led by Dr Carolyn Halpern of the University of North Carolina. Before the study, her team thought teenagers on the high end of the IQ scale would be least likely to have sex and those on the low end would be most likely.

The team 'thought teens of lower intelligence might be more vulnerable to being taken advantage of or less likely to consider possible negative consequences of having sex', said Dr Halpern. But she was surprised to find that the least intelligent teenagers also appeared to delay sexual contact.

She said parents or other guardians might shield them, especially girls, from sexual liaisons longer than others. Although the team could not determine exactly why, their analysis—which takes into account age, physical maturity, economic status and other factors—suggested that motivations were different for lower- and higher-intelligence teenagers.

Overall, an adolescent of average intelligence was up to five times more likely to have had sex compared with

teenagers with higher IQs, depending on which age and sex group was considered, with the association between intelligence and refraining from sexual intercourse being stronger for girls than for boys and stronger for older teens according to the report in the *Journal of Adolescent Health*.

Of course, the real answer might be that mutual attraction generally occurs between people of equal intelligence, and so middle-range people find it easier to find partners.

CALLING JOBS

Australian call centres currently employ 160,000 people, which is more than the big four banks. Call centres created more jobs in the last three years than were lost in government gas, rail, electricity and telecommunications firms in the last ten years. And they are forecast to create more jobs over the next three years than were shed by the big four banks over the last ten years. Call centres: the process work of the nineties (and the noughties)!

NOT A ONE-EYED TROUSER SNAKE

A Report in Reuters (21 March 2000) from Paris tells of a man caught trying to sneak through customs at a Paris airport with a snake hidden in his underpants.

The 30-year-old Frenchman, who was trying to smuggle the 16-inch boa into Roissy airport from Colombia, was caught out after a sniffer dog latched on to the reptile's scent through his bulging trousers.

The man told customs officials he wanted to add the snake—export of which is outlawed as an endangered species—to his reptile collection. The snake was confiscated and placed in the temporary care of airport officials.

IPA

Making Welfare Sustainable

MICHAEL WARBY

THERE is nothing mysterious about what is driving welfare reform. The general trends are easily identifiable from budget papers and national account data—the IPA Backgrounder *From Workfare State to Transfer State*¹ sets them out. The welfare state, and welfare dependency, have been growing at a rate which is simply not indefinitely sustainable. In 1970, less than 15 per cent of those aged 15 and over were on income support; now over 30 per cent are—and the upward trend continues.

Since 1983, the *scope* of government action has narrowed, while the *size* of government has continued to grow, with the latter driving the former. When the Whitlam Government came to power, taxes were 23 per cent of GDP: they recently hit a peacetime record of 31 per cent of GDP, yet the general government sector's rate of saving has fallen dramatically. The fiscal pressure from the increase in the welfare state has generally been greater than increases in revenue through taxes, economic reform and growth. Between the fall of the Whitlam Government and the election of the Howard Government, the accumulated net deficit on recurrent (that is, non-capital) expenditure for all levels of government was \$119 billion or \$7,000 per Australian.² Pensions and salaries were paid for by selling assets or borrowing money.

Under this sort of fiscal pressure, governments have been less and less willing to support mendicant industries. The job of industry is to provide revenue to support the growing welfare state, it is not to be a mendicant itself. Fiscal pressure has driven governments to rationalize government activities, to reduce liabilities and to increase economic efficiency in order

to increase revenues and reduce non-welfare costs. That has led to *de-regulation*—to improve the efficiency of markets—and *privatization*—to pay off debts accumulated through rising expenditure, reduce infrastructure costs for industry and improve the efficiency of asset use and service delivery.

The Hawke Government used asset tests and the provision of family assistance to low-income working families to improve the targeting of welfare. This process has been successful, with the lowest tenth of income units having had the highest rates of income growth over the last 15 years—over 30 per cent growth compared with less than 15 per cent for the top income decile (all income deciles have experienced income growth).³ There has also been increased delivery of welfare services through non-government bodies—most dramatically through the replacement of the Commonwealth Employment Service with Job Network. Nevertheless, the growing rate of welfare dependency has not been directly tackled.

From 1988 to 1998, excluding various forms of age pension, the total number of pensioners went up by almost a half, or 350,000, to over one million.⁴ Disability pensioners increased by 260,000, or two-thirds, to over 650,000; while parenting payment (single) increased by 134,000, or 56 per cent, to over 370,000.

In the five years from 1993 to 1998, the total number of non-age⁵ pensioners and other income support recipients (other than students) went up by almost 106,000, or six per cent, to almost two million, with the number on benefits directly driven by unemployment falling by almost 44,000, or four per cent. This occurred while employment grew by twelve per cent to 8.6 million and unemployment fell 19 per

cent to 730,000.

So, in a five-year period when employment is going up and unemployment is falling, we still get a six per cent increase in welfare dependency (in line with the six per cent growth in total population).⁶ The prospects when there is an economic downturn, and unemployment rises, are clearly worse.

The welfare system was originally designed to catch those who 'slipped through the cracks' of work and family support. With about two million non-age welfare dependants in a population of 19 million with 9 million employed,⁷ it has clearly expanded way beyond its original intention. And it is continuing to expand.

Growing welfare dependency can only be effectively tackled by policies which target dependency directly—including those currently being 'warehoused' as disabled, sole parent and mature age recipients. The introduction of 'work for the dole' and the appointment by the Howard Government of the McClure Committee into welfare reform hopefully indicate that this is the next stage in policy.

NOTES

- 1 *From Workfare State to Transfer State: Where We Were and Why We've Changed*, Warby, Michael and Nahan, Mike, IPA Backgrounder, August 1998, Vol. 10/3.
- 2 In 1997/98 dollars.
- 3 Data from NATSEM in *The Australian*, Monday June 19, 2000, page 10.
- 4 Includes mature age allowees and mature age partner allowees, and widow allowees.
- 5 Also excludes (age) carers, (age) wife pensioners and veterans.
- 6 Population, employment and unemployment figures from the ABS (Cat. Nos 3101.0 and 6203.0), social security data from 'Social Security Statistics' in *Social Security Journal*, 1998/2, pages 211 ff.
- 7 Population for September quarter 1999 and employment for April 2000.

Michael Warby is a Fellow of the Institute for Public Affairs.

IPA

Welfare Reform

KEN PHILLIPS

THE dismantling of the Commonwealth Employment Service and the reconstruction of government employment services around the contractual undertakings of the Job Network represent an initial phase of a revolution in welfare service delivery in Australia.

Indications of a second phase are contained in the Interim Report of the Reference Group on Welfare Reform, 'Participation Support for a More Equitable Society'. The Report does not detail a specific new welfare structure but discusses principles upon which a new structure could be constructed. It confronts the core issue of the purpose of government-funded welfare support.

The Report paints a picture of the current system as one in which people in need are slotted into a payment recipient category but also one in which support services beyond that are *ad hoc* and unfocused. It proposes a restructuring in which welfare payments are simply one element of a client-focused, results-based support network geared to helping people in crisis and need. It indicates that the current system narrowly addresses income issues but fails, in moral terms, to achieve genuine, caring outcomes.

The Report does not seek to detail how a new system would be administered. But by way of comparison, the key to understanding Job Network is an appreciation of its administration and the direct linking of provider payments to identifiable outcomes for job-seekers.

In Job Network, job-seekers register with providers. Each job-seeker brings to a provider an entitlement to a dollar amount that varies according to the assessed difficulty of placing the job-seeker into work. A se-

verely disabled, long-term unemployed person brings vastly larger income to a provider than does an educated, short-term unemployed person. Job-seekers can shop between providers for services, thus empowering job-seekers and preventing monopolized corruption of the system from occurring. Providers can spend income they receive as they see fit. Provider income is tied to simple tests; the most important of which is whether the job-seeker is off income support because of receipt of independent income.

The evidence is that providers who operate in a caring and sensitive manner are having the greatest success in this market-organized system. The buyer of the services—the community—is receiving better, more fo-

Human dignity is more achievable when debilitating cycles of welfare dependency can be broken

cusated value for the money available. Job-seekers receive guaranteed services more equitably tied to the level of their need.

On top of the contractually administered Job Network, a new layer has been added—that of reciprocal rights. A job-seeker has a right to receive community-funded job seeking assistance. The payer of the services, the community, has a right to expect

the recipient to undertake genuine effort to obtain work. If a job cannot be found for a job-seeker, the community can expect the job-seeker to provide services to the community in return for income support. If a job-seeker does not want to participate in community services, they relinquish their right to income support.

The idea of reciprocal rights is achieving support in the welfare provider sector, born from a recognition that better services with better outcomes are possible. Further, that human dignity is more achievable when debilitating cycles of welfare dependency can be broken which, in part, is also an objective of reciprocal rights.

The Report on Welfare Reform points in the same direction as Job Network. Job Network addresses the needs of job-seekers. The Report treads into the more difficult areas including single parents, some disability pensioner recipients and mature aged unemployed (see Michael Warby's article on page 13).

The new arrangements recommended by the Interim Report are based around individualized case management and are best understood by reading the very moving, real-life, case studies. The case studies highlight the complexity of welfare support and, although not stated, the tremendous reliance of a truly supportive system on the judgement calls that must be made by welfare workers. It is the people at the delivery coalface on whom any system ultimately succeeds or fails.

In alluding to a system that has strong parallels to Job Network, new arrangements would place people in identified categories under the assistance of a welfare provider. The provider would have authority over the funds that were available to assist a

person in need. The provider would work with the recipient and 'purchase' services required from other providers. These might include training, medical services, accommodation and others—depending on the needs of the recipient. Services would be highly flexible and capable of reacting to crisis situations or taking longer-term perspectives, depending on circumstances.

Then the hard issue of reciprocal rights comes into play. A recipient has a right to receive support services. The community has a right to expect that the recipient will genuinely cooperate to improve their circumstances. The object of the exercise is to have the recipient achieve as much independence as possible. Effort on the part of the recipient is expected and income payments would be reduced where a recipient failed to put in the required effort. Welfare support services would remain available but income support would be dependent on reciprocal rights.

Such an approach highlights a dilemma exposed by reciprocal rights which can be demonstrated by a simple example. If an accommodation centre for the homeless requires that a condition of having a bed for the night is that the homeless person must have a shower, what becomes of the person who refuses a shower? What is the morality of denying access to a warm bed when one is clearly available?

The key questions in welfare are: where is the moral line to be drawn and who has authority over this decision? It is a problem that cannot be left unresolved. If the community is the payer of welfare services delivered, the community must confront and make hard decisions on this issue. Yet the welfare workers delivering the services are best placed to make the judgement calls on when reciprocal rights should come into play. However, welfare workers must not bear any resultant angst for what must be a community decision. Alternatively, welfare recipients must not be subject to unreasonable de-

mands, bad judgement calls or poor service delivery by welfare providers.

Examples of the hard core questions include the following. If a single parent receiving income support fails to undertake job search activity organized with a case manager, at what point does the case manager have the authority to defer, reduce or remove payments? What constitutes a reasonable job search requirement? If a drug addict on disability income

The idea of reciprocal rights is achieving support in the welfare provider sector, born from a recognition that better services with better outcomes are possible

support refuses to attend drug rehabilitation, when can, or should, the case manager defer income support? If a person with a mental illness has had a job organized but fails to turn up to work, how does the case manager distinguish between non-attendance as a result of the illness and non-attendance being a breach which warrants income-support reduction. Who is to judge if a case manager is being unreasonable? What clear and publicly disclosed criteria should the case manager have to guide judgements?

The dilemma is partly addressed by replicating the Job Network model and allowing welfare recipients the right to have a range of providers available to them who may seek to provide services.

The answers in terms of system design processes are quite clear. What is really being talked of in the Report is the linking of payment of welfare

income and delivery of welfare support through clear contractual arrangements. The question is, what does the payer of welfare services and income expect from the welfare provider and receiver? At some stage the contractual terms must be addressed and resolved.

This should not be done behind closed doors. The Job Network experience provides good reasons why not.

In the first contract period of the Job Network, a significant number of providers ran into financial difficulty and collapsed, putting at risk community support for the new system. The reasons were simple and predictable. Contracts for the lowest level of job support were let at prices below those sustainable for delivery. From day one, providers delivered services at a loss. Excessive secrecy in the design of the early part of the Job Network system led to miscalculation of price. If designers had been better at consulting with likely providers, the problem could have been avoided.

The designers of the new welfare system have the benefit of others' experience. The designers should work from the assumption that, in designing a new system as sensitive as welfare, design errors will be a natural occurrence. Design of all elements, including prices and the triggers affecting reciprocal rights, should be constructed in an open and engaging manner with likely players, including the public.

The Interim Report seems to suggest that assessment of likely triggers may already be occurring within Centrelink but does not indicate how transparent or consultative the process is, or is likely to become.

The decisions that must be made, in these, the hard core areas, have not been addressed in the Interim Report. Yet failure to have these publicly addressed will threaten the viability of a new welfare support system.

Ken Phillips is a specialist in independent contractor systems and the understanding of applying commercial contract principles inside the firm.

I P A

The 'R' Files

ALAN MORAN

Regulation of Childcare Services

DEVELOPMENTS IN PROVISION AND COSTS OF CHILDCARE

Over the past dozen years, there have been three very significant directional changes in the provision of childcare.

- The first of these has been a shift to have the Government pay a greater share of costs. Commonwealth spending in dollar terms rose fourfold during the 1990s and the number of children being cared for appears to have almost doubled. The Commonwealth presently furnishes about 60 per cent of centres' revenues.
- Second, there has been a remarkable shift from public (community) to private provision. There are now about three times as many private as government or other non-profit places.
- Third, we have seen an avalanche of new regulations.

As a result of the increased regulation, from 1991 to 1998 real costs increased by 37 per cent in the case of community centres, 34 per cent



for private centres and 12 per cent in the case of family day care. These costs are still increasing as the facilities are given time to have their workers trained up and some existing workers with no formal qualifications are 'grandfathered'.

The relatively low increase in family day care came about in spite of an administration levy being imposed for the first time in 1997. Family day care started the decade costing almost exactly the same as the other systems, but by 1998 was 26 per cent cheaper than community centres and 21 per cent cheaper than private centres. The relatively faster increase in community centre fees is partly due to the termination of cen-

tre-specific subsidies and their replacement by subsidies to the parents.

In terms of provision, private centres had assumed the most important role by 1998 and have almost trebled in places; community-based centres had increased by only 31 per cent and family day care by 50 per cent.

It might have been thought that, given the relatively stellar performance of the family day care sector (recall that their cost increases were only one-third of other centres'), the authorities would wish to nurture it. After all, the service was demonstrating consumer appeal by winning market share.

However, their increased market share can be attributed to lower costs resulting from a lesser obligation to have child-specific facilities and for training of staff. Hence, the regulatory authorities find themselves at odds with this class of service because it is proving itself more attractive to the market than the regulators think is good for the consumer. As a result, low-cost family day care is largely a thing of the past. As of mid-1999, NSW, Queensland, and WA have regulated family day care cen-

Weekly Childcare Costs per Place, 1991=100, \$

	1991	1993	1995	1997	1998
Community centres	100	115	121	134	137
Private centres	100	116	127	130	134
Family day care schemes	100	109	110	111	(a)112

(a) This fee includes an estimated administration levy based on 1997 Census of Child Care Services data.

Sources: Department of Family and Community Services Biennial Censuses of Child Care Services 1991, 1993, 1995, 1997
Department of Family and Community Services Child Care System (CCS)—December 1998

tres, and other States had implemented some form of regulation (such as minimum standards, child-staff ratios).

Commonwealth funding has increased considerably over recent years to over \$1 billion in 1997/98 and government funding amounts to just over 60 per cent of total revenues of the centres. About 42 per cent of children are financed to the maximum degree by government assistance (which provides some 70 per cent of the costs) and about 33 per cent receive partial support.

Government assistance has increased at twice the rate of the CPI but has failed to keep pace with the fee increases. There is a growing gap, in money terms, between the maximum fee payable and average price for the services. But the service is clearly competitive and there can be no suggestion of 'market failure' in the observation that the fees have increased as much as they have.

A CLOSER LOOK AT COSTS

The increase in fees can hardly be because of some natural increase in costs—the basic costs involve labour with skills which, since time immemorial, have come naturally. And they involve facilities that most families have if they are bringing up children.

Impact of Credentialism

The increase in the costs that new regulations are causing must be sheeted home in large part to the credentialism that is being specified. Millions of generations have demonstrated that rearing and caring for the young requires no scholastic preparation.

The adverse impacts of credentialism can be crystallized under two headings:

- First, there is the needless cost of services forgone while the qualifications are being acquired. If two years are taken to obtain the diploma, and the normal working period is twenty years, society incurs a front-loaded cost increase

of 10 per cent. This, in fact understates the cost bloat. According to the Victorian Regulation Impact Statement on the issue (p.31) credentialled workers are paid 29 to 50 per cent more than other workers. That cost is paid for by the hapless consumer/taxpayer.

- Second, it denies some of the least-privileged members of society an opportunity to use their skills. The qualifications will prove too onerous for many willing carers. For others, the need to obtain the credentials and forgo paid employment will prove to be financially forbidding. The impact is likely to be on people, especially women, from poor backgrounds, including indigent Australians and migrants.

Staff/Child Ratios

There have been progressive increases in required staffing in all centres. Most State regulations require a minimum of two qualified staff to be in attendance at all times when children are present.

Facilities

Commonly, the regulations cover the facilities in great detail. They specify space per child, require natural light outdoor areas, child-specific toilets and wash basins and the ability for staff to observe children at all times. While these requirements are doubtless inspired by well-meaning considerations, a moment's reflection leads one to realize that a great many homes fall far short of these standards of appointment.

Should we not, therefore, require such facilities as a pre-condition of people having and bringing up their own children? The logic of requiring such standards in childcare centres is that they should be extended to all facilities where children are cared for. Indeed, they are all the more necessary where the child is living in premises for 24 hours per day rather than the 40 hours per week in a centre.

THE WAY FORWARD

The present regulatory tumescence is bringing high costs and denying capable carers the possibility of offering the service. Parents should be allowed to make choices about the class of childcare they wish to afford for their children just as they do about the nutritiousness of the food they serve or the quality of the housing they live in.

The childcare regulations represent a requirement that parents abandon to a bureaucracy their decision-making with regard to their children. Parents are agents for their children. They make decisions for them. Inserting a government bureaucracy into this process both undermines that agency and has adverse cost implications.

Doubtless the increase in costs over the years has been moderated by the enlistment of the private sector in supplying an increasing share of childcare. But we can have lower costs—reducing the burden on working families—if we opt for a lesser role in prescriptive regulations.

We should abandon mandatory staffing and other requirements and replace them by a requirement that all centres prominently display up-to-date information on the numbers of children and numbers (and qualifications) of all staff and their hours of operations. This will give parents the opportunity to select the services that suit their situations.

Childcare is an important matter for parents. By its nature, it is also a 'repeat purchase' and dissatisfaction will lead to changing the supplier. This places pressure on the centre to perform in order to gain and retain its customer base. With open access to the provision of childcare services, each centre must continuously strive to provide value. This market-based approach allows needs and offerings to be matched without the intercession of a bureaucracy.

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

I P A

WELFARE REFORM

Though few realized it at the time, the welfare state was doomed from its beginnings. The reasons were twofold. First, it established a *de facto* 'principle' that, through government, there is such a thing as a free lunch ... and that lunch could become ever more sumptuous. Second, it changed the attitude of a broad swathe of the public towards 'charity'.

The appearance of being a free lunch was achieved through artful disguise. We pay taxes, some of which are used for defence, policing, health, artists-in-residence and pro-tax ad campaigns. And some is used for welfare. Few seem to connect the loss from their pay-packets with the money paid to others. Consequently, the attraction to governments of buying votes by extending the categories of people in receipt of free lunches has proved to be irresistible.

Meanwhile, as Francis Fukuyama demonstrates in his 1995 book *Trust: The Social Virtues and the Creation of Prosperity*, social policy eventually changes people's attitudes and behaviour. In their origins, direct welfare payments were tiny, their recipients few. And, in many cases, still imbued with the work ethic and ashamed of receiving charity, they would only avail themselves of welfare when in great need.

Now, of course, welfare is a 'right'. Indeed, I've heard it argued that welfare is important precisely because it is *not* charity, that people who may be ashamed of receiving charity aren't ashamed of receiving support from the government.

Abolition would seem to be a political impossibility. Even gen-

tle reforms of the system attract condemnation. Yet some of the sites set out here offer some pointers about how attitudes may be changed, perhaps leading eventually to significant reform. We can but hope.

THE CATO INSTITUTE

The United States has one great advantage: the problems with its welfare systems are prominent in its public discourse. But, as a Website on the subject conducted by The Cato Institute puts it, the discussion centres not so much around 'reforming' the system as 'saving' it. This has been brought to a head by a recognition that the US's Social Security system has *unfunded* future liabilities of US\$20 trillion. Ouch!

Through its Social Security Privatization project, Cato proposes that rather than 'saving Social Security, [the US] should begin the transition to a new and better retirement system based on individually owned, privately invested accounts.' Go to:

<http://www.cato.org/pubs/ssps/ssp-20es.html>



As part of its project, Cato has established a whole site devoted to Social Security privatization advocacy, with some pages dealing with

the alternatives to private pensions, while others address specific issues, such as how a private system would work for African-Americans, low-wage earners and women. Go to:

<http://www.socialsecurity.org/index.html>

INTELLECTUAL CAPITAL

This site, while not exclusively devoted to welfare policy, contains a wealth of documents examining welfare reform options in a United States context. I could, I suppose, simply list them all, but the best way is to click in the little box in the top right-hand corner of the page labelled 'Search', type in 'welfare' and click the 'go' button. You'll be rewarded with dozens of documents. Go to:

<http://www.intellectualcapital.com>

POLICY.COM

No, not the Centre for Independent Studies' journal *Policy*, but another commercial site dealing with political, social and economic issues from a reform orientation. In early 1999, Policy.com featured welfare reform as its issue of the week, so it carries a small amount of reading on the following pages, along with links to several detailed documents covering such matters as welfare reform at the US State level and how people can successfully move from a life of welfare to one of work. Of course, there are also legislative issues dealt with which are perhaps of less interest to Australian readers.

http://www.policy.com/issuewk/1999/0125_54/detail265.html

**WHO, WHAT AND WHY?**

As with so many other policy issues, welfare is an issue into which international authorities are seeking to intrude. Subtitled *Trans-National Government, Legitimacy and the World Health Organisation*, Roger Scruton's book examines welfare in that context, focusing on the great international tobacco wars. What else could be more symptomatic of the West's obsessions with trivia in a world of war and real poverty? *Who, What and Why?* can be downloaded in Adobe Acrobat format from the UK's Institute of Economic Affairs at:

<http://www.iea.org.uk/books/op113.htm>

LIBERTARIAN ALLIANCE

Libertarians tend to have one reform in mind for all types of social security: abolition. The reasons are twofold. The first is that no form of government-provided welfare can exist without taxation. The money must come from somewhere, and sufficient funds for any significant welfare programme can be obtained by governments only by coercion. The second is that, as the twentieth century has amply demonstrated, even a modest, highly targeted system, once implemented, will inevitably grow

into our current complex, overlapping systems of middle-class welfare which transfer so much money from so many people to so many others that it acts more as a churn than a conduit.

The United Kingdom's Libertarian Alliance carries several documents analysing welfare issues at this more fundamental level. Consider the provocative article by Brian Micklethwait, the Alliance's Editorial Director. In 'Against Charity: Charity, Favours, Trade and the Welfare State', he argues that rather than state welfare, rather than charity, 'I prefer unfettered, unrestrained capitalism, which I consider to be the absolute best "welfare state" there is.' Go to:

<http://www.digiweb.com/igeldard/LA/economic/charity.txt>

In something of a contrast to this, Tim Evans argues that the history of the United Kingdom's labour movement demonstrates a non-state alternative to welfare. He examines its forebears in friendly societies over the past couple of centuries, which developed from the grass roots as self-help and insurance bodies for their owners/members. He reveals that, of seven million working men in 1892, 6.8 million



were members of the societies. Of course, since then, their entirely voluntary arrangements have been usurped by the state. Go to:

<http://www.digiweb.com/igeldard/LA/political/selfhelp.txt>

To close this list, I cannot help but return to Brian Micklethwait, and an approach to policy issues rarely seen in any published journal. In his 'On the Intended Consequences of State Welfare and of Business: Now Is the Time to Take the Moral Offensive' he unabashedly attacks on the moral level, accusing those who continue to support the welfare state of wickedness. Aware that moral judgementalism has something of a bad name, particularly amongst those with libertarian inclinations, he takes the trouble in a footnote to distinguish appropriate moral assessments from shotgun ones.

Those who, like me, are of perverse mind may enjoy another footnote which is an inverse of the theme of 'On the Intended Consequences':

Another gleam-in-the-eye literary project of mine is a story about some people who are malevolent, but, being completely wrong about how to do harm, end up doing a massive amount of good.

For this fine piece go to:

<http://www.digiweb.com/igeldard/LA/tactical/welfare.txt>

FEEDBACK

I would welcome advice from readers on any other sites of interest to *IPA Review* readers. E-mail me on scdawson@iname.com.

Welfare: The Next Frontier

JOHN HYDE

JOHN Howard is a leader (tax) and a policy wimp (digital TV) by turns. Nevertheless, there is more reform in him than is sometimes credited. His 'social coalition', somewhat in abeyance while the GST beds down, is an attempt to change attitudes to dependency upon government and to personal and corporate responsibility for a strong 'civil society'. It is more fundamental, more important and will prove more difficult than tax reform. Like many leaders, he is driven more by the right gut instincts than by detailed reasoning. Others must make the case for relying more upon society's 'little platoons'.

In spite or because of welfare expenditure that has increased almost fivefold in real terms since 1960, welfare dependency has increased. We are now so unhealthy that three per cent of the population relies on disability pensions—a proportion that is increasing by about .01 of a percentage point annually. Father-absent families and drug dependency have increased. The incidence of 'serious crime' has risen two-and-a-half times since the 1960s. The unemployment rate is three times higher than at the end of the 1960s and Aboriginal health and life expectancy have barely improved.

Some more disputable trends also accord with experience. One of these is the rise and rise of the complaining class. Where today is pride in shrugging off life's vicissitudes? We exaggerate our grievances and look to blame someone with deep pockets. We deny responsibility not just for our own lives but for family members and our duty to less well-placed strangers. We thus invite others to blame us as feckless and grasping. A vicious circle is entered, 'communities' wither and the 'alienation' described by Marx becomes com-

monplace. Alienation, not xenophobia or rural services, was the root cause of the Hanson phenomenon.

Would the proverbial sociologist from Mars expect anything else? Welfare's ill-effects cannot be entirely dissociated from the good. Where misfortune is profitable, it tends to be exaggerated. One does not have to take a moral position to conclude that we are reaping a harvest of our own sowing.

If I understand Howard correctly, he is trying to lead us toward social welfare that caters better for the genuinely needy *and* has fewer untoward side-effects. He wants a system that is

***We are now so
unhealthy that
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of the population
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pensions***

more personal, more flexible and more discriminating. Government, which most people will cheat at least a little and which can operate only by rules that are uniform and impersonal, cannot offer these advantages.

The problem is more easily described than the solution. The ideal is of many competing welfare organizations that can deal personally and flexibly with those who seek their aid, while maintaining a safety net that has no more holes in it than has the present one. That such a welfare system would better identify real needs is easy to accept. The difficulty is in

agreeing upon how aid should be rationed. Those who can pay for services should pay, but most of welfare's intended benefits are for those who cannot. For these, too, some form of rationing is required. Small organizations will probably ask people to comply with their views of right and wrong. For instance, they might insist, upon pain of withdrawal of services, that one beneficiary lay off drugs, another stop sleeping around, a third cease beating his partner, a fourth call upon the resources of her wealthy sons, etc. Not wanting to lose a customer to whom government money is tied, organizations will assist people to live these 'better' lives and they will resort to moral persuasion. In itself, this should horrify no-one. Welfare's very existence is based on a value judgement and the various qualifying conditions reflect the government's values. Semi-independent welfare agencies will, however, use more diverse criteria, some of which would not be acceptable to some people. The potential client would, however, be able to choose his welfare provider. If everyone turns him away, then he probably is undeserving. My guess is that there would, in fact, be less unfair discrimination than exists at present.

Government does not have a responsibility to provide welfare payments and services. It has a responsibility to ensure that they are provided by whoever supplies them best. Community-based systems will be imperfect but they offer better-targeted welfare with some associated discouragement of adverse side-effects. If future benefit cheques come with a little lecture on mutual obligation, so be it.

*John Hyde is a Senior Fellow with the
Institute of Public Affairs.*

I P A

REVIEW

The Dangers of Secret Treaty-Making

The Biosafety Protocol as a Case Study

THE HON. ANDREW THOMSON

Of all the public processes involving government, treaty-making and the treaty process are perhaps the most open to abuse because they are usually hidden from public view. This problem is of utmost importance, because the implications of international treaties are profound and far-reaching.

The story of the Cartagena Protocol—better known as the Biosafety Protocol to the Convention on Biodiversity—illustrates how a political movement, advancing a weak and flawed proposition, seeks to achieve its ends by trying to establish a rival set of rules designed to subvert an existing key international institution—in this case, the WTO—and to compromise Australia's sovereignty along the way.

This process can be seen working in the common agenda of what I will call the 'Camembert Alliance', made up of protectionist governments (chiefly European), a group of environmentalists, neo-pagans, wealthy social engineers and NGOs hostile to Australia's national interests. The Camembert Alliance is out to set up the 'New Rules'. They do this in two ways:

1. by legitimizing the use of trade sanctions against non-consenting third parties in order to impose domestic policies extra-territorially;
2. by expanding the scope of the Precautionary Principle to impose impossible burdens upon exporters and impose the Alliance's domestic political agenda.

The Camembert Alliance uses three grounds on which to advance the New Rules:

- environmental protection
- labour standards
- human rights

Biotechnology (in the form of genetically modified living organisms or LMOs) is the subject of the Cartagena Protocol, which aims at

... ensuring an adequate level of protection in the field of the safe transfer, handling and use of LMOs resulting from modern biotechnology that may have adverse effects on the conservation and sustainable use of biological diversity ... [Article 1 of the Protocol]

This language is typical of modern treaty-making: it is vague enough to allow all sorts of villainy to be done and it is a charter for malicious manipulation. Without any evidence of harm to human health from LMOs, a group of unelected and anonymous officials, acting in concert with NGOs hostile to Australia's interests, have negotiated a form of words that presupposes grave danger to human health. This then creates its own logic for expanding the Precautionary Principle to legitimize their attack on exporting nations.

Imagine how the same people would have dealt with the advent of the motor car late last century. There would have been an outcry over emissions, noise, speed, and the possible effects of electrical devices within the car body. It would have been denounced, restricted and its

development stymied. This tactic was in fact tried with the early version of the Sony Walkman. Sony's competitors conscripted what the Japanese call *hyoronka*, or learned commentators (usually retired bureaucrats or company executives), who attempted to block the Walkman by denouncing it as unsafe, alleging that, by listening to music through its headphones, thousands of young Japanese would die as they crossed the roads oblivious to oncoming traffic. Happily, the Japanese Government respected the rights of its own citizens.

Negotiations on the Biosafety Protocol, begun in 1995, have not been so happy. Australia was part of the Miami Group—an informal caucus of agricultural exporting nations including Argentina, Canada, Chile, Uruguay and the US. This group was opposed by the so-called Like-Minded Group of developing nations and the EU, which sought to advance its own trade and environmental agenda.

Throughout 1999, Australia held the line against the EU and its protectionist and NGO allies. Strangely though—and this remains unexplained to an angry Government backbench—in January this year, Australia capitulated to the EU. There is some suggestion that the US backed down first—probably due to Al Gore's election campaign strategy. But why the Australian delegation did not hold out and maintain its opposition to the final text is a mystery. ▶

There are four serious dangers lurking within the Cartagena Protocol.

I. ITS RELATIONSHIP TO THE WTO RULES

The Camembert Alliance is seeking to establish the New Rules by creating clear contradictions in the Preamble to the Protocol:

- the penultimate recital in the document says:
... this Protocol shall not be interpreted as implying a change in the rights and obligations of a Party under any existing international agreements ...
- Yet, the final recital says:
... the above recital is not intended to subordinate this Protocol to other international agreements.

Clearly, this is a surreptitious attempt to set up a parallel set of rules to the WTO. The Camembert Alliance will argue that the WTO deals with trade, and the Protocol deals with biodiversity: hence, different rules are permissible. But there is a dangerous phrase used in this context: that trade and environmental treaties should be 'mutually supportive'. This means simply that the Alliance can ignore the rules-based regime of the WTO while it uses trade sanctions to enforce domestic policy on non-consenting third parties.

If taken to its logical end, one could argue that cars, chemicals or oil 'may have an adverse effect on ... biodiversity' (whatever that means) and so should be the next target of regulation. A Greenpeace press release of 23 March 2000 exposes this attempt to merge the two areas and make the New Rules dominant:

... trade-related measures to protect the environment could be useful for ... catalysing international action ...

So, in Australia we should boycott all WA products until they fix their salinity problems? Or boycott Hunter Valley wines until they stop coal mining?

We must be blunt about all of

this. Voluntary boycotts are an exercise in personal freedom; legal sanctions against innocent third parties (such as Australian farmers) are an abuse of power. Dare I say it, an abuse of human rights, possibly in direct contravention of Article 6 of the International Covenant on Economic, Social, and Cultural Rights.

2. EXPANSION OF THE PRECAUTIONARY PRINCIPLE

The Precautionary Principle is best expressed in a passage from the Greenpeace Website:

'[It] ... allows for preventative measures to be taken where there is a threat of harm to biological diversity, including human health, even where there is no scientific certainty, consensus, or proof of the cause of the harm ...'

Clearly, this so-called principle gives scope for sanctions to be employed against an innocent party without any proof. It is an extraordinary notion. If applied in civil, let alone criminal law, there would be

The Camembert Alliance is using the Precautionary Principle as a stalking horse for surreptitious, undemocratic social change

an outcry. It should be pointed out that the actions of the Chinese Government in arresting dissidents and sending them to the Xinjiang gulag represent an application of the same principle—that is, no due process.

The Camembert Alliance is us-

ing the Precautionary Principle as a stalking horse for surreptitious, undemocratic social change. And the strange thing is that almost nobody is raising their voice in protest.

In the Cartagena Protocol, the fourth recital reaffirms the precautionary principle as expressed in Article 15 of the Rio Declaration. Yet it goes much further.

The Rio Declaration states:

'...Where there are threats of serious or irreversible damage, lack of scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation'.

But, the Cartagena Protocol, in Article 1 and Article 10(6) expands on this:

Article 1 '... modern biotechnology that *may have adverse effects* on the conservation and sustainable use of biological diversity...' Article 10(6): '... Lack of scientific certainty ... regarding the extent of the potential adverse effects of a LMO ...'

What is worse is that the EU, in its Communication of 2 February this year on the precautionary principle, cites this expanded definition (as yet, unsigned!) as authoritative. Indeed, page 4 of the Communication states clearly that exercising discretion according to the precautionary principle is 'an eminently *political* responsibility'.

But things actually get worse in the Protocol. Article 26 allows 'socio-economic considerations' (whatever they are) to be a factor in decision-making, qualified by the phrase '... consistent with their international obligations ...'

However, the preamble to the Protocol is not subordinate to any other agreement. So wherefore the WTO Rules? This expansion of protectionist legitimacy must accordingly be paramount to the WTO, more so because the new 'socio-economic' ground is specifically spelt out and the qualification expressed in general terms. In law, *generalia*

specificat non derogant (the specific has primacy over the general).

Bluntly described, this 'socio-economic' ground is code for what the Japanese Government has called the 'multi-functionality' of agriculture, *takinou-sei*. The argument has it that agriculture (no matter how inefficient) serves some purpose in buttressing society against undefined threats. In other words, it protects inefficient farmers.

3. SEPARATE APPEAL MECHANISM

In Article 34, the Protocol establishes no dispute-resolution mechanism. This might sound bizarre, but it's true. Suspiciously, it leaves it to a conference of the Parties to consider and approve measures to promote compliance. If this doesn't happen, presumably the mechanism in the Convention will apply, which involves an appeal to the International Court of Justice if and only if the Parties agree, and only conciliation if they don't.

What should be noted is the complete by-passing of the WTO disputes mechanism. Clearly, this regime is established to replace the WTO rules.

4. APPLICATION TO NON-PARTIES

The basic rule of treaty law is that a treaty cannot bind those who are not a party to it; it cannot create third-party rights or obligations (Article 34, Vienna Convention on Treaties). If a treaty is customary international law, then it can apply to third parties, but this is uncommon. Environmental treaties are *not* customary international law, no matter how fervent the support in either the news media or the cappuccino ghettos. They do not yet represent regularities in the actual behaviour of states.

The Camembert Alliance will soon claim that the Protocol is customary international law because the EU and some other large nations have signed it. This is a blatant denial of the sovereignty of any nation

who refuses to sign it—a sort of 'l'état, c'est moi' attitude. In the last instance they will probably claim that its principles stem from 'funda-

We have to face the fact that arguing against the global green NGO movement is very much a David and Goliath struggle

mental notions of human rights' and hence are non-negotiable.

In the Protocol, Article 24(1) makes the leap into extra-territoriality: '... transboundary movements of LMOs between Parties and non-parties shall be consistent with the objective of this Protocol ...' So much for the Vienna Convention. What this means is simple: the bigger we are, the less heed we may take of the established law. Where is the outcry from the supporters of the oppressed in the world? The strangest things happen these days: people who press for objective standards to be applied to bad governments like that of China, remain silent when it comes to checking the worst impulses of so-called civilized governments.

Clearly, in the currency of the modern Internet-driven NGO world, a Beijing artist or a Tibetan monk is worth 50 Australian farmers these days.

THE THIN END OF THE WEDGE

What Australia should really be worried about is what the Camembert Alliance will do next. Having succeeded in debasing treaty law with a so-called environmental protection regime in the Cartagena Protocol,

the next step is clearly an addition to the body of treaties using amorphous notions of human rights as grounds for trade sanctions.

In his election campaign, Al Gore will promise both this and a labour standards ground as bait for organized labour and Green support. If he is elected, we will have a real battle on our hands.

As a result of a number of Government backbench MPs in Canberra becoming aware of what's been going on with the Cartagena Protocol, a request was made of the Prime Minister that, henceforth, all treaties will be presented to the Government party room *before* they are signed. So far as I know, this is the most transparent treaty-making process in the world.

As for Australia's position, be prepared for the argument that says: 'we have to sign it to be a part of it. It's our only chance to reform it from within'. This is, of course, a defeatist position. It also masks a desire to join the effort to restrict freedom.

What can we do? First, we have to face the fact that arguing against the global green NGO movement is very much a David and Goliath struggle. If you recall, David was laughed at when he suggested he could beat Goliath. But he just walked down to the brook, picked up five smooth stones, and hurled one right into Goliath's forehead. Then he cut his head off. The Philistines fled.

Second, we need to stand firm. The Cartagena Protocol is a terrible treaty. Far from arguing about whether or not to sign it, the Australian Government ought to be busy organizing a campaign to destroy it. We need those five smooth stones. We need only the courage to put forth our arguments.

The Hon. Andrew Thomson MP is Chairman of the Parliamentary Joint Standing Committee on Treaties.

This article is an edited version of a speech given at a recent IPA Dialogue.

IPA

Education Agenda

KEVIN DONNELLY

Size Doesn't Matter

Is spending more money the best way to improve educational outcomes and to raise standards?

If one accepts the claims of the Victorian Labor Government, the federal opposition and their trade union ally, the Australian Education Union (AEU), then the answer is 'yes'. All argue that expenditure on education must be increased and that this will automatically lead to improved learning.

Nothing could be further from the truth. The reality is that throwing more money at education, by itself, is simply a waste of taxpayers' resources. As stated in the year 2000 edition of the OECD's report 'Education at a Glance', when comparing the results of international tests with the amount of money spent on education in different countries:

There seems to be neither a strong nor a consistent relationship between the volume of resources invested nationally and student outcomes. This suggests that international variation cannot be explained merely in terms of financial and staff resources and that the search for improvement in school performance must extend to factors that lie beyond material inputs.

Reducing class sizes provides a case in point. Given its debt to the AEU for helping to deliver a raft of marginal seats at the last Victorian State election, it should be no surprise that the Bracks Government has quickly delivered on its promise to employ more teachers and to reduce class sizes.

Forget that the overwhelming consensus is that smaller classes do not lead to improved standards. As stated in the 1997 OECD report, 'Education at a Glance': '... but there is no conclusive evidence that reducing class sizes is

always the best policy option for improving the achievement of students and the utilization of educational resources'.

Additional evidence that small is not necessarily best can be found in a meta-analysis carried out by the American academic Eric Hanushek. His 1998 study, 'The Evidence on Class Size', concludes: 'In sum, while policies to reduce class size may enjoy popular political appeal, such policies are very expensive and, according to the evidence, quite ineffective'.

Throwing more money at education, by itself, is simply a waste of taxpayers' resources

A recently released paper analysing data provided by the American National Assessment of Educational Progress (NAEP) supports Hanushek's conclusion. The paper, entitled 'Do Small Classes Influence Academic Achievement?', analyses the relationship between class size and results in national reading tests and it concludes:

Class size has little or no effect on academic achievement, according to this analysis of 1998 NAEP data. It is quite likely, in fact, that class size as a variable pales in comparison with the effects of many factors not included in the NAEP data, such as teacher quality and teaching methods.

The common sense observation that it is the quality of teaching that determines educational success is supported by the results of international tests such as the Third International

Maths and Science Study (TIMSS). Countries such as Korea, Singapore and Japan, which consistently achieve the best results, have the largest classes.

That it is the quality of teaching, and not simply the level of resources, that determines educational success explains why, in England and America, governments have committed themselves to identifying under-performing schools and teachers.

Of course, ensuring that resources are being spent wisely and that teachers are held accountable are not measures guaranteed to please teacher unions. The last thing the AEU wants is a situation where parents can identify teachers who put students at risk.

Better for the union if more teachers, and potential union members, are employed. Better for the union if, when claiming a 30 per cent wage increase, the success of the education system is measured by how much money is being spent.

In order to differentiate his government from the bankrupt regimes of John Cain and Joan Kirner, Premier Bracks delights in telling one and all that his government will be fiscally responsible. Gone are the days of the 'guilty party' when millions were wasted and when union apparatchiks controlled government.

Judged by what is happening in Victorian education over the last six to eight months the opposite is the case. Not only has the old 'left-wing' guard—Bill Hannan, Jack Keating, Lindsay Connors, Ann Morrow and Joan Kirner—returned to the corridors of power but, once again, we have an Education Minister prepared to squander money at the behest of the teacher union without any attempt to measure how effective that spending is.

Dr Kevin Donnelly is Director of a Melbourne-based consulting group, Education Strategies.

I P A

REVIEW

Can Genetically Engineered Crops Feed a Hungry World?

C.S. PRAKASH

FOOD companies thinking about banning genetically modified grain from their products should consider what happened to Frito-Lay when the company decided to cave in to anti-biotech activists, who have nothing but fear-mongering and pseudo-science to support their demands.

Frito-Lay recently told its corn producers to stop planting corn that is genetically improved to ward off harmful insects. Even though there was very little consumer demand for such an action, the company apparently feared a food scare generated by activists and took the step anyway. But the move was not enough to placate activists, who still threaten action until the company does everything necessary to declare its products free of genetically modified foods.

There is no science to support the ban of insect-resistant corn, which forced Frito-Lay's producers to revert to chemical insecticides. A much larger grain purchaser, Archer Daniels Midland, one of the USA's largest purchasers and exporters of grain, has already reversed an anti-biotech decision. This hold-the-line decision is extremely important in blunting the pseudo-science of the activist community and moving toward biotechnology's potential to help feed a hungry world. The anti-biotech community claims there are '10 reasons why biotechnology will not ensure food security, protect the environment and reduce poverty in the developing world'. In stark contrast, more than 2,700 members (and counting) of the scientific community have signed a statement declaring their belief that

biotechnology is a powerful and safe way to enhance substantially our quality of life by improving agriculture, health care and the environment.

Over the next century, world population will approach 9 billion. But purchasing power is concentrated in the developed countries, while more than 90 per cent of the projected population growth is likely to occur in developing countries. It is not difficult to predict where food shortages will occur. As UC Davis Professor Martina McGloughlin says, unless we are willing to accept starvation, or put parks and the Amazon Basin under the plough, there is only one good alternative: find ways to increase food production.

Biotechnology innovations are being developed to increase crop yields and provide opportunities for growing crops on land otherwise unable to support plant growth. High levels of aluminium, toxic to plant roots, exist in the soil of more than one-third of the world's arable land. The presence of aluminium can cause production losses of up to 80 per cent in corn, soybean, cotton and field beans. Mexican researchers have isolated a gene that helps crops fight aluminium toxicity and are now testing the gene in rice, which is a food staple for more than half the people on earth. Likewise, exciting discoveries are on the horizon that may help us grow crops in the future under drought conditions or using sea water.

Sweet potato is a staple crop in Kenya, normally grown by poor women as a primary food source for their families. A virus can wipe out an entire crop. Efforts to eliminate

the virus through conventional cross-breeding were not successful. But Kenyan scientists, working in conjunction with American biotechnology experts from the government (US Agency for International Development), a nonprofit foundation (International Service for the Acquisition of Agri-Biotech Applications) and a private corporation (Monsanto) have developed a virus-resistant sweet potato that can potentially increase yields by 20 to 80 per cent. Research in my laboratory at Tuskegee University has also found a method to improve the protein content in sweet potato, which, if successful, will bring much-needed nutritional benefit to developing countries.

Biotechnology is being used to develop crops that deliver vitamins. A research team led by Ingo Potrykus of the Swiss Federal Institute of Technology, in collaboration with scientists from the University of Freiburg in Germany, have succeeded in producing beta-carotene, a precursor to vitamin A, in rice. This rice strain may prevent blindness in millions of children. Improved vitamin A nutrition would also prevent up to 2 million infant deaths from diarrhoea and measles, according to the United Nations Children's Fund. Efforts to develop rice with high iron content are also in process and may help address anaemia, which afflicts a billion women on this planet. The International Rice Research Institute in the Philippines has already developed and tested rice strains that can withstand diseases and pests. These new seeds will be made available freely to farmers in Third World countries. ▶

Cultural Wars

RON BRUNTON

Biotechnology improvements are in development that would allow hybrid rice to be colonized by bacteria that fix nitrogen from the atmosphere. Plants that are able to fix nitrogen improve productivity in the absence of synthetic fertilizers, which are typically unavailable to poor farmers.

The anti-biotech activists incorrectly suggest that the integration of chemical pesticides and seed-use has led to lower returns for farmers. To support that argument, they point to one obscure study, while ignoring other far more comprehensive and respected studies that report increased net returns and reduced chemical use.

Improved production economics, the introduction of crops spliced with a gene that causes them to produce a natural insecticide (Bt) and herbicide-resistant crops, have forced tremendous competition in the herbicide and insecticide markets. Prices of many herbicides and insecticides have been slashed by more than 50 per cent in these markets. Such price reductions led to significant discounting of weed and insect control programmes and even benefited farmers who have not yet adopted biotechnology crops.

Anti-biotechnology activists argue against Western-style capitalism and for boutique markets that sell organically grown, biotech-free foods. But their arguments are not relevant to the issue of meeting human needs or developing a sustainable and diverse ecology. Companies that play into activist hands delay expansion of technology that can solve many problems. And, ironically, as Frito-Lay has demonstrated, they may be creating new problems for themselves.

C.S. Prakash is a professor and director at the Center for Plant Biotechnology Research at Tuskegee University, Alabama.
(<http://agriculture.tusk.edu/>)

This article was previously published in the San Francisco Chronicle.

Dr Prakash gave a series of lecture on biotechnology in Australia as a guest of the IPA.

IP A

Missing the Message on Mandatory Sentencing

The continuing outcry over Western Australian and Northern Territory laws on mandatory imprisonment typifies the sad state of debate about public policy in this country. Reasoned discussion invariably takes second place to moral posturing, misinformation and a dash to the United Nations.

First there is the rhetorical overkill, as prominent people compete to make the most outlandish statements. The Human Rights Commissioner, Chris Sidoti, always a strong performer in this arena, said that Prime Minister John Howard's statements on the issue 'lump us in with the worst human rights offenders' such as China. But this time he lost out to NSW magistrate Pat O'Shane, who has suggested that there could be 'a hidden genocidal intent in the Northern Territory's mandatory sentencing laws'.

Then there is the neglect of important details. For instance, most Australian States, including Queensland, have mandatory imprisonment for people who are convicted more than twice for certain serious traffic offences, such as driving under the influence of alcohol, or dangerous driving.

However, this does not seem to upset the righteous. Maybe this is because they think that private vehicle ownership is rather wicked, and something that should be discouraged. Certainly, it is hard to see Opposition Leader Kim Beazley or Greens Senator Bob Brown calling for a United Nations investigation into whether Australia's traffic laws

infringe international human rights conventions.

And despite claims that Johnno—the Aboriginal youth whose suicide in a Darwin detention centre triggered the current outrage—was killed by the Northern Territory's mandatory sentencing law, Aborigines convicted of an offence are actually less likely to die in prison than outside. The Royal Commission into Black Deaths in Custody reported that the 'death rate of those Aboriginal people on non-custodial orders is approximately twice that of Aboriginal prisoners'. The commentators who condemn governments for not following through on the Royal Commission's work carefully ignore this distressing finding, thus giving the lie to their supposed concern with Aboriginal welfare.

The mandatory sentencing laws have been widely condemned by the judiciary and the legal profession. Obviously recognizing that the laws have a considerable degree of public backing, four senior judges from NSW signed a letter claiming that this 'provides a disturbing insight into the practical operation of the simplistic notion that democracy is merely the majority will'. Their letter provided an even more disturbing insight into an increasingly common attitude amongst judges that it is they, rather than the people's elected representatives, who should be making the laws.

Social workers and psychologists attached to courts like to tell us that juvenile crime is a 'cry for help'. Be that as it may, perhaps they and their colleagues should consider whether popular support for mandatory imprisonment might also be a 'cry for help'; a sign of widespread disquiet about the ability of our le-

REVIEW

gal system to strike an appropriate balance between the rights of criminals and the rights of society as a whole.

Few people still believe that large numbers of delinquents and criminals are likely to be rehabilitated in gaol, despite the lip-service that is given to this desirable goal. Whether the threat of imprisonment acts as a deterrent is more complicated. Opponents of mandatory sentencing argue that a great deal of crime is impulsive and that most individuals don't stop to weigh the cost and benefits before breaking the law.

Nevertheless, American statistics examined by the National Center for Policy Analysis indicate that as the expected punishment increases, so the amount of crime decreases. However, this relationship does seem to apply more to adults than to juveniles, suggesting that the deterrent effect of gaol may be greater with adults.

But rehabilitation and deterrence are not the only purposes of imprisonment. Although incarceration may be expensive, locking up criminals removes them from circulation—or as criminologists say, it 'incapacitates' them. A recent study focusing on NSW by the Australian Institute of Criminology concluded that 'a sentencing policy oriented towards incapacitation of juvenile violent and property offenders would reduce the supply of juvenile violent offenders by 28 per cent, and that of property offenders by at least 46 per cent'; significant reductions indeed.

And as Michael Duffy pointed out in the *Courier-Mail* in February, for many people the most significant aspect of imprisonment is that of

punishment—it is a way of making criminals receive their just deserts. The educated middle class, increasingly in thrall to dubious sociological notions about the causes of crime, takes a more lenient view and reviles as 'rednecks' those who believe in the importance of retribution.

But there are a couple of ironies here. The educated middle class usually thinks that traditional indigenous law should be recognized and celebrated, even though these traditional legal systems place considerable emphasis on the attainment of moral balance through retribution.

Furthermore, the 'redneck' position is actually based on a more generous view of human dignity. The 'redneck' sees the criminal as a moral agent who makes a choice to break the law, and demands that he or she face the consequences of such

actions. The 'caring' member of the educated middle class effectively treats the criminal as some kind of automaton, acting under the influence of social and psychological forces largely beyond individual control.

Personally, I have serious reservations about mandatory sen-

tencing. I certainly do not see it as a panacea, particularly for young offenders. But if judicial discretion in sentencing is to regain the support that it should rightfully receive, the culture of the legal system needs to be changed so that it is more in line with public values. Instead of asking the United Nations to condemn Australia, our judges and lawyers should be asking themselves what they can do to recover public trust.

Dr Ron Brunton is a Senior Fellow with the IPA.

**Aborigines
convicted of an
offence are
actually less likely
to die in prison
than outside**

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The Third and Fourth Ways

GARY JOHNS

THE Third Way: new public policy in a global economy, new thinking, new demands on old political parties, and all of the rest of the hyperbole raises the thought that, if there is a third way, then there must be a fourth.

The two-party system dominates Australian politics; it is a binary system, with a little bit of light relief courtesy of the Democrats. Of the 700-or-so members elected to the House of Representatives since the two-party system settled in, around 1941, only seven independents have been elected. None, of course, has ever served in government. Any new ideas in public policy are either acceptable to both sides (for example, a non-racially discriminatory immigration policy), or they are acceptable to one side and unacceptable to the other (for example, a treaty with Aboriginal Australians). The middle way, if not the third way, is a product of the Senate electoral system. The Democrats' common electoral ploy is to play to the crowd, for example, GST-free food, which saved the public from being confronted with a difficult choice, Labor or a full GST. So the Third Way can either be of the 'cherry-picking variety', taking the best and leaving the rest, often at a cost to first-best policy options, or it can be genuinely new, the test of which is whether it generates a response, namely, a fourth way.

Third Way talk, as it has been imported to Australia, is a Left attempt to reposition itself. There are three reasons for this. First, because the Left is out of government and wants to return. Second, because the old political cleavages, based essentially on class, are less identifiable and are no longer sufficiently pow-

erful to use as a ready-made electoral base, or at least not enough ever to win an election. Howard woos the battlers, Beazley woos the chardonay set. Each has a problem of representation. The middle class have taken over the Labor Party and won the preselections, yet they must represent the working class. The middle class always owned the Liberal Party but they now have to represent the workers. Clearly, there are a lot of crossed lines, a lot of uncomfortable constituencies and a lot of uncomfortable representatives. Third, much of what the Left has historically promoted has either been achieved, for example, a sub-

stantial welfare state, or has proved to be harmful to the people it was meant to assist, such as a substantial workfare state or protected industries, including public utilities.

Third Way talk is also stimulated by 'globalization'. The ability of capital to flow freely and speedily around the globe has rendered national governments less able to protect their citizens from the impact of such movements. However, the only thing that changed from when there was a less globalized economy was

that governments could appear to protect their people, while putting off the day of adjustment. Something that both sides of government, but particularly the Coalition, did for a very long time. Globalization, which is the new bogeyman of the Left and is mentioned in every social science course in every university in the country has, as a tool of analysis, almost no explanatory value whatsoever. It is neither good nor bad, neither right nor wrong, nor does it predict who will win or who will lose—it simply reminds us that there is a race on, and that it started a long time ago!

Third Way thinking may also come upon the exhaustion of the Right's agenda, the implementation of economic libertarianism. Mark Latham promotes the exhaustion thesis in a partisan way when he talks of the failings of the libertarian agenda for the Right and the declining relevance of 'old statism' for the Left. Note, not the failure of the welfare state, just the declining relevance of old statism. To prove my point, Latham then spends a considerable amount of space reinventing the welfare state, to make it user-friendlier, less bureaucratically driven. If the agenda of the Right is exhausted, it is most likely for much the same reasons as the Left—part exhaustion, part rejection.

The primary tool of the new agenda is precisely that of the old: 'collective action'. The New Way is still the old. One appeal that Latham makes, which is a useful caution to both Left and Right, is only to make changes that are universal and applicable to all. He has heeded the considerable criticism levelled at Labor in its attempts to woo segments of the market on the basis of separate identity. The identity or

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'minority' politics of the Keating era were very destructive of the sort of consensus required to run any welfare state.

Latham's Third Way agenda has five strands:

- A more complex *Equality*, not based entirely on merit, the market or egalitarianism, not delivered exclusively by laissez-faire markets or the state.
- A defence of national *Sovereignty*, based on public investment in life-long education and public infrastructure spending to overcome spatial inequality.
- New ways of *Gainsharing*, particularly public-funded jobs.
- *New Welfare* requires more 'designer' programmes, not one-size-fits-all, and aims at social inclusiveness.
- *Devolution* requiring the formation of self-governing mutual bodies, bringing new life to the logic of collective action.

What, then, is the response to these examples? What is the fourth way?

1. Citizenship rights are overwhelming the different concepts of equality as the bases for claims on society. The Left agenda of recent years has been to argue that every misfortune in life is the misfortune of the person as citizen and that every remedy lies in a course of action against all other citizens. The Right should re-enter the fray and ask: what contribution does each citizen make? The Right does not need the accusatory tones of 'downward envy', but its approach may well concentrate the minds of those who think they can endlessly expand the realm of claims of one citizen or class of citizens against all others.
2. 'Sovereignty' is used here in a peculiar sense; it appears to mean a tool to defend us against outside adversity. The tools are public spending in infrastructure, including life-long education. Life-long education is a truism; technical

innovation alone determines that it is so. Spatial inequality is the geographic reflection of the requirement of the economy for a particular combination of resources. If the economy does not come to your town, you have to move or change your role in the economy. The solution to the first is to allow people to move. Don't fill heads with dreams of past glories, whether they are coal miners or Aborigines. Enable them to move to where they can live more productive lives. Fortunately,

Citizenship rights are overwhelming the different concepts of equality as the bases for claims on society

most people have worked this out for themselves. Australia is full of migrants, international, interstate and interregional. Public spending can mask the pain or cure the disease.

3. Gainsharing through public-funded jobs, as a permanent solution to unemployment would be to turn a short-term fix into a permanent problem. It also condemns the holders of those jobs to a job ghetto, denies the wider economy their skills and ultimately skews resources to areas of inferior activity. Nevertheless, if the electorate wishes to have programmes funded that would not otherwise be undertaken in a timely or efficient manner, then let them have the information to so decide. And let the Productivity Commission produce the figures!

4. Designing new welfare programmes and payments is a response to complexity. The needs of single mothers are different to those of old married men. But what better design than to give people assistance so that they may purchase the product they require? If taxpayers are to continue to fund a social insurance programme, not a 'rights of citizen' programme, they must make up their own minds. Telling people how to live is now a favourite pastime of the medical profession. If people want to drink, gamble and smoke, so be it. The issue is: are the taxes on the products sufficient to cover the costs generated by their use? Governments that make more than they need as a punishment for non-approved behaviour need to desist.
5. Self-governing mutual bodies, as a form of collective action, sound good. But what the Third Way really has in mind is to hand funds to local organizations to disperse as and when they see fit. The great strength of bureaucratic systems and rules is that people can be treated fairly and objectively. That is, without the prejudice and pettiness of local officials. Anyone who has spent time in private associations knows that they can suffer from endemic infighting. This is not a concern when they are dealing with their own funds. It is a serious problem when they are dealing with the taxpayers'.

So much for the Third Way. There are some new ideas around but despite their labels we will not know how good they are until they have been run through the binary party system and judged by the people. So the Right has plenty to work on in the next little while and, if they want, they can call it the Fourth Way!

The Hon. Gary Johns is a Senior Fellow with the IPA

IPA

Letter on America

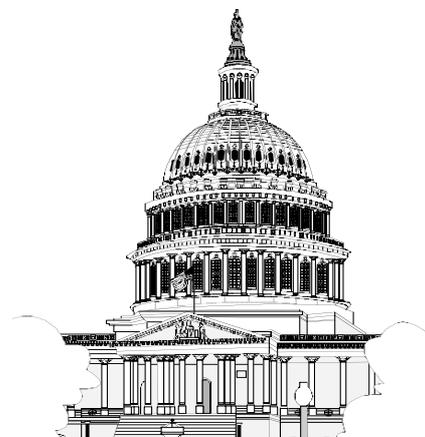
NIGEL ASHFORD

Globalphobia in America

THE USA portrays itself as promoting an open, global, free trading system. Both Republican George W. Bush and Democrat Al Gore proclaim themselves free trade internationalists. A major coalition of interests opposed to globalization, however, threatens to push the debate away from free trade and make it more difficult for whoever is elected to turn their free trade rhetoric into policy. The most visible feature of this coalition was the protests in Seattle against the World Trade Organization (WTO) and in Washington, DC against the IMF and the World Bank. However, this opposition goes far beyond radical demonstrators. It brings together elements in the major parties, third parties, trade unionists, environmentalists, students and academics.

The leaders of the Democrats in the House of Representatives are protectionists, closely allied with the trade unions, led by the AFL-CIO federation. The Democratic Majority Leader, Dick Gephardt, opposed NAFTA, fast track and MFN for China. If the Democrats win control of the House in November, and they only have to win six seats, he would be Speaker, the position formerly held by Newt Gingrich. The second most influential person would be David Bonior, who led the opposition to Chinese trade. A majority of House Democrats voted against fast track. If Al Gore is elected, he will be beholden to the unions who have been at the forefront of his supporters and if he brings with him a Democratic Congress, he will be unable to pass free trade legislation.

The situation among Republicans is not so grave, but some are unhappy



with globalization. Gary Bauer, a Christian Right leader, led opposition to Chinese trade on grounds of religious freedom. There is an isolationist element who fear international organizations as a threat to national sovereignty. Lack of confidence in the United Nations among Republicans easily spreads to other international organizations like the WTO.

Pat Buchanan is likely to be the presidential candidate of the Reform Party of Ross Perot, who led the opposition to NAFTA, and predicted economic catastrophe would follow. A former prominent Republican, Buchanan wrote a protectionist screed, *The Great Betrayal*. He is receiving about 4 per cent of the vote in opinion polls, which could be crucial in the general election, and is certain to make trade a major issue in the general election.

The leading third party on the left is the Greens, whose candidate will be the 'consumer' activist Ralph Nader, with 7 per cent in the polls. The Greens have placed opposition to globalization as central to their world vision. Environmentalists are now a powerful force in US politics. The Sierra Club will spend about \$80 million in promoting their cause. They can appeal to ordinary Americans concerned about clean air and water and unaware of the real Green agenda.

Protectionism is now one of the popular causes on college campuses. It has focused around 'the sweatshop movement'. United Students Against Sweatshops (USAS) is organized on 175 campuses and has conducted demonstrations and sit-ins. They are calling on universities not to buy college emblomed clothing, worth \$2.5 billion a year, from developing countries which, they protest, is produced with labour standards far lower than in the USA. The result of their demands would be devastating for the clothing industries and their workers.

Economists have been almost unanimous in their praise of free trade. However, academics from other disciplines are not. I attended the Conference on World Affairs at the University of Colorado at Boulder in May 2000. It was marked by a series of panels biased against free trade. Here are some of the panel titles. 'Free Trade versus Fair Price'. 'Globalization: the Third World Left Behind'. 'Global Dimensions of Corporate Power: A Threat to Democracy'.

Protectionists use the language of 'social rights,' which enables them to show a lack of concern for the predictable consequences their policies. The demand that trade should be conducted only when all the partners have the same labour, environmental and welfare policies ignores the economic principle of comparative advantage. This group truly deserves Thomas Friedman's title, 'the Coalition to Keep the Poor Poor'. Instead of deferring to these groups, US political and intellectual leaders need to combat them head on, or else the whole world and not just America will suffer.

Dr Nigel Ashford is Visiting Fellow at the Social Philosophy and Policy Center in Bowling Green State University, Ohio.

TIP A

REVIEW

Summaries and excerpts from interesting reports

THE COUNTRY-CLUB VOTE

The Economist (20 May 2000) tells us that never in the history of human wealth-creation has so much been pocketed so quickly by so many. The United States now boasts 300 billionaires and 5 million millionaires, with Silicon Valley adding 64 new millionaires every day. Nine million Americans have household incomes above \$100,000 a year, up from just 2 million in 1982. If Great Britain was the first country to produce a mass middle class, the United States is the first country to produce a mass upper class.

FUEL FROM HUMAN WASTE

Suzanne Mooney of BBC Science reported (Monday, 29 May 2000, 14:43 GMT 15:43 UK) on Thai scientists finding a new use for something which is always with us.

The process turns human excrement into fuel. A working reactor has already been produced. Unfortunately, the oil produced costs twice as much to produce as diesel fuel.

Ms Mooney explained that the Thai engineers have been retrieving excrement and recycling it into what they are tastefully calling 'bio-oil'. The Thai team make their oil partly by mimicking the process that creates natural oil under the Earth.

Nature's oil is formed after rotting animal and vegetable matter is buried under layers of sediment and rock. The resulting heat and pressure transform the organic matter into oil over hundreds of thousands of years. Following similar principles but speeding up the process, the Thai engineers have developed a reactor which works by blasting very hot nitrogen gas over human waste.

The resulting product, they say, is a high-quality fuel which can power car engines.

The obvious advantage is that, unlike the oil made in the Earth, the supply of ingredients for this people-derived fuel will never dry up.

Ms Mooney's enthusiasm may be a little overstated, since the long-term trend in petroleum prices continues (despite recent increases) to be downwards.

BEER FOUND TO BE GOOD FOR THE HEART

While many policy-makers emphasize the negative effects of alcohol, a recent study found a positive effect. A survey of five beer drinking, Czech districts found an inverse correlation between beer consumption and myocardial infarctions (heart attacks).

The study found that:

- People who drank less than once a month were twice as likely to have myocardial infarctions than those who drank several times a week.
- People who drank daily or almost daily were three times less likely to have myocardial infarctions than those who drank less than once a month and almost two times less likely than those who drank several times a week.

While the study did show the benefits of beer, it also shows the detriments of drinking too much beer. People who drank twice a day or more were just as likely to have myocardial infarctions as those who never drank.

Source: Martin Bobak, Zdenka Skodova, and Michael Marmot, 'Effect of beer drinking on risk of myocardial infarction: population based case-control study,' *British Medical Journal*, May 2000.

The National Center for Policy Analysis (NCPA) based in Dallas, Texas produces a daily digest. Here is just one example:

TOBACCO-LAWYERS' MEGA-JACKPOT

Fees handed over in the past 17 months to lawyers who sued the tobacco companies on behalf of the states add up to \$US10.4 billion.

- Twelve law firms involved in the Florida suit split \$US3.4 billion amongst themselves.
- Seven firms got \$US3.29 billion out of the Texas case.
- Fees in Mississippi totaled \$US1.4 billion.
- The \$US575 million award for lawyers representing Louisiana works out to \$US6,700 an hour, according to a dissenting arbitrator.

While critics acknowledge that the lawyers took a big gamble in going forward with what must have seemed almost unwinnable cases, they argue that the stratospheric fees have become disconnected from the value of work done or risk taken.

Consequently, Texas has passed a bill making it far more difficult for the State to hire private lawyers in the future. And the U.S. Chamber of Commerce is lobbying for legislation that would not only limit the States' ability to hire private counsel, but also give added protection to industries.

Source: Editorial, '\$6,700 an Hour? Lawyers' Tobacco-Suit Fees Invite Revolt,' *USA Today*, May 22, 2000. For text <http://www.usatoday.com/news/comment/nceditf.htm> For more on Tobacco Company Suits <http://www.ncpa.org/pd/law/mcc/index4c.html>

IP A

Book Review

Multicultural Blues

Michael James reviews

After Multiculturalism

by Yasmin Alibhai-Brown

The Foreign Policy Centre, London,
2000; ISBN: 0-9535598-8-2,
88 + x pages, £9.95

Multiculturalism has never achieved the same currency and salience in Britain as it has in countries of recent settlement such as Canada, Australia and the US, where large shares of the population are descendants of recent immigrants, if not immigrants themselves. Nevertheless, Britain's ethnic Caribbean and Asian minorities are nowadays officially expected not to assimilate to the dominant culture but are encouraged to maintain their native cultures, and all are encouraged to welcome the consequent 'diversity'.

Yasmin Alibhai-Brown's thesis is that diversity so understood has become a source of social division and is hindering, rather than fostering, any comparative advantage that Britain might enjoy from its combination of established and immigrant communities. She argues that globalization is challenging everyone's sense of identity and no-one can expect to have any particular identity fixed and protected indefinitely. She envisages a world of evolving and overlapping identities that offer opportunities from which everyone can benefit.

The author is particularly well qualified to argue in this way. A member of the Asian community that was expelled from Uganda 30 years ago and resettled largely in the UK, she was born in Africa into an Indian culture and with a British passport. Having grown up mainly in Britain, she insists that she is as British as anyone born in the UK. But she is also acutely aware that the British identity is itself

now being challenged by devolution (a response to the rise of Scottish nationalism) and by the British establishment's determination to involve Britain in the European Union's quest for 'ever closer union'. These forces have sharpened the sense of 'Britishness' among people like herself, who are not members of any of the four nations that make up the United Kingdom but whose identity is largely a product of the British Empire.

Yasmin Alibhai-Brown writes in a very lively, if rather breathless, way, and makes some devastating observations about 'traditional multiculturalism'. Some immigrants have successfully invoked cultural relativism to defend brutal patriarchal practices that would not be tolerated in other contexts. In education inspired by

... globalization is challenging everyone's sense of identity and no-one can expect to have any particular identity fixed and protected indefinitely

multiculturalism, 'home cultures of black and Asian children are revered and those of white children ignored ... It does not focus on the need to extend the appeal of Shakespeare to enable black and Asian children to feel this is part of their heritage and cannot see that white children need to see Benjamin Zefaniah as their poet too' (page 70). Her interviews with a selection of people aged between 15

and 24 suggest that multiculturalism will fade as the present generation of lobbyists and policy-makers retires. Asked what the term 'multiculturalism' meant to them, a black female aged 17 said, 'I really don't use it. I prefer to say British.' A black man aged 18 said, 'I think it is a stupid word used for black people when white people think they want to be polite' (page 24). A 20-year-old Muslim female said 'I am a proud British Muslim ... We are developing a modern, cosmopolitan Islamic network across the world' (page 25).

People do seem to be able to envisage, without anxiety, multiple identities for themselves: French and European, Australian and Asian, Muslim and British. As international trade in goods, services and capital increases, and as pressure mounts for more freedom of international migration as well, identities will undoubtedly be challenged and evolve faster than in the past. But it's not clear that anything needs to be done other than abandoning experiments in social engineering like multiculturalism. The book's publisher, the Foreign Policy Centre (for which the author works), is a 'New Labour' think-tank. Reflecting this provenance, Yasmin Alibhai-Brown writes about 'projects', 'strategies', and 'renegotiations': the self-aggrandizing rhetoric of Blairite hyperactivism that likes to think of itself as being in touch with, and shaping, all the emerging trends. But, of all social phenomena, identities are quintessentially unintended and unforeseeable outcomes of human action, and can't be controlled by human design. The real message of this book is that multiculturalism, as a set of policies for cultural maintenance, is finished. Only the rent-seeking apparatus remains.

Michael James is a freelance editor
and writer based in the UK.

IP A

REVIEW