This edition of the *IPA Review* focuses on the federal government’s new emissions trading scheme (ETS). It does not, however engage with the science behind climate change. In fact, in this edition at least, we avoid it deliberately.

We have all seen how the scientific contention that an increase in carbon dioxide emissions is causing rising global temperatures gets simplified and distorted by the meat-grinder that is the popular press. An article featured in *The Age* on August 9 shows just how far off the ranch the environmental hysteria has gone—‘rising temperatures are likely to bring increasing levels of violence to Melbourne by 2010’. As the blogger and *Daily Telegraph* columnist Tim Blair pointed out—‘that explains the constant riots in Queensland’.

At least these vacuous news items are slightly better than that cringe-inducing combination of moral superiority and product placement that passes for environment journalism in the lifestyle sections of our ‘serious’ broadsheets.

But anybody who points out that polar bears are not dying *en masse*, or that human history is full of doomsayers who proclaim our imminent demise, are quickly characterised as ‘denialists’. Indeed, this has been the strategy pursued by the federal government to market its ETS. Rather than discussing the specifics of the scheme, the government has been careful to keep media focused on the unfortunate dithering in the upper ranks of the federal opposition.

Government-friendly commentators have been similarly eager to avoid discussing the mostly complete proposal set out in the emissions trading scheme green paper.

But as advocates for small government have argued for decades, there are two parts to every government policy. It is not enough to set a goal. You have to design and implement a policy to reach that goal. And it is most often in the design and implementation phases that policies reveal their critical weaknesses—unintended consequences creep in, and everything just seems to take on a life of its own.

But a discussion of the specifics of the ETS has been notably absent from public debate. And for good reason. For the last decade, public debate on climate change has been predictably orientated—skeptics on the right, alarmists on the left. The debate has consisted of a pastiche of hockey-stick graphs, apocalyptic predictions and ice-coverage maps.

As a consequence, left-wing commentators give the government a free pass on the scheme’s merits because they don’t fully understand the enormous economic and political complexities of an ETS. Nor do they recognise the opportunities for rent seeking and regulatory gamesmanship that the ETS presents. They don’t understand just how large the scheme looms over the economy, choosing simply to dismiss criticism as the ranting of ‘denialists’.

The science of climate change continues to be crucial to public policy debate, and the *IPA Review* will continue to interrogate it, as we have done for more than two decades.

But free-marketeers cannot refuse to engage and critique the ETS just because they are not happy with the science. The general public supports some sort of action on climate change, and until that support diminishes the government is unlikely to retreat from implementing a climate change mitigation policy. But as we note in this *IPA Review*, the public may be eager for action on climate change, but remarkably few people understand what that action might entail—let alone understand what ‘emissions trading’ means.

But if it is introduced, the ETS will define Australian economic life for decades. We have provided a condensed guide to the ETS in this edition (see pages 38-39)—we’ve stripped out the jargon, targeted the key problems with the scheme, and tried to answer some of the big questions the ETS raises.

This edition of the *IPA Review* was prepared under the shadow of the ETS.

Considering the ETS’s monumental importance to Australian prosperity, it could not have been any other way.
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Front cover: © Fairfax Photos / James Brickwood
The idea that the government should ‘nanny’ its citizens has been around since at least Plato. *The Republic* provides the outline for a system of government that controls every aspect of human behaviour and thought. According to Plato, it’s all in a good cause, of course. Limiting what people do and say will make the state better and stronger.

Since Plato a few things have changed. The Nanny State is still with us, but the justification for it is now different. Instead of controlling what people do in the interests of the state, the modern excuse for the Nanny State is that it is in people’s own best interests if they’re told what to do and not do. We’re told that prohibitions on drinking, gambling, and smoking for example are necessary to protect the health and well-being of those who might potentially indulge in such activities. Over the course of human history, the reasons for the Nanny State have varied, but the result has always been the same—individuals are prevented from exercising their free will and judgement.

One hundred and fifty years ago in *Democracy in America*, Alexis de Tocqueville wrote about the Nanny State (although he called it the ‘Shepherd’ state).

He contemplated the effect that mass democracy would have upon the lives of citizens. He feared that the ‘rugged individualism’ of Americans would lead to less freedom, not more. This was because that individualism would produce a sense of personal isolation that people would try to overcome by coercive government. In the words of one of Tocqueville’s most perceptive modern commentators, Alan Ryan: ‘Lost in the crowd of other individuals, we run the risk of having no resources...and of becoming absolutely dependent on government and public opinion for emotional, intellectual, and finally economic support’.

Tocqueville identified a paradox. The greater freedom we have, the more security we seek. In his words, people are ‘constantly excited by two conflicting passions: they want to be led, and they wish to remain free.’ He appreciated that democracy by itself was not sufficient to guarantee liberty. One of the final chapters of *Democracy in America* is entitled ‘What sort of despotism democratic nations have to fear’. Tocqueville explains that he wasn’t contemplating despotism of the kind exercised by the Roman emperors—instead ‘it would seem that if despotism were to be established among the democratic nations of our days, it might assume a different character: it would be more extensive and more mild; it would degrade men without tormenting them.’

Tocqueville feared a government which, in the name of providing security ‘covers the surface of society with a network of small complicated rules, minute and uniform...’

The will of man is not shattered, but softened, bent, and guided; men are seldom forced by it to act, but they are constantly restrained from acting. Such a power does not destroy, but it prevents existence; it does not tyrannize, but it compresses, enervates, extinguishes, and stupefies a people, till each nation is reduced to nothing better than flock of timid and industrious animals, of which the government is the shepherd.
Try to remember: when you’re in opposition, it’s not about you anymore.

If you don’t understand the GST, don’t vote for it.’

That was Paul Keating’s message days out from the 1993 election. It helped turn the poll around. Like all successful political lines, it was both shorthand and subliminal.

What Keating really was saying was: ‘If you don’t know what the other mob’s policies mean for you, if you’re at all unsure, then stick with me.’ ‘Better the devil you know’ is a saying we hear very early on in life.

We all understand what it means—it’s a simple, cut-through line.

It’s a pity that the federal Liberal Party hasn’t been able to develop a line in response to Kevin Rudd’s proposed emissions trading program, the Carbon Pollution Reduction Scheme.

This isn’t an article on the science of climate change. It isn’t an article on the economics of emissions trading. It’s about politics, about the federal coalition’s inability to respond to that one proposal of the government. They got confused over the matter at hand.

It’s easy to understand why people might be climate change sceptics. Given some scientific forecasts of the past five years or so, it’s a miracle that more of us haven’t been carried of by the H5N1 bird flu or succumbed to SARS. Not only did we survive the new ice age first spotted in the early seventies, we didn’t even notice a chill in the air.

The mass starvation in developed countries that were forecast for that decade and the coming years have never eventuated. Instead, we’re warned over and over nowadays of the threats of an obesity epidemic.

And that quaint little period piece from the same time—the Club of Rome’s ominous report The Limits of Growth—seems to have been just a little out in its prediction that oil, gold, zinc, tin, copper and natural gas would be completely exhausted in 1992.

But climate change wasn’t being discussed here. Instead, one precise policy proposal to tackle the matter was on the table. Or worse, one imprecise policy proposal.

It is this that makes the Liberal Party’s feat in turning itself and its response into the issue so absolutely unforgivable.

Labor’s Carbon Pollution Reduction Scheme green paper was launched at the start of July with all the hoopla usually associated with a federal budget. There was a lock-up for media, another one for interest groups, briefings for the opposition and minor parties followed by the minister’s speech.

One thing, though, that we tend to associate with budgets was missing. Figures. The government’s green paper might have run to 600 pages, but it did not contain vital information about targets for greenhouse gas reductions or the potential economic costs of its proposed course of action. Treasury modelling had not been finished.

Indeed, in a triumph for bureaucracy, the modelling will not be available until October—even though public submissions on the green paper close in the second week of September.

Cheques are very useful things, but we rarely make one out, add our signature and then pass it on to the payee without putting in an amount.

The opposition didn’t need to sign a blank cheque on this occasion. But before Brendan Nelson could say that much, his colleagues were already squabbling about broader matters.

The hapless Liberal leader tried. ‘The coalition welcomes the release of the green paper because it finally reveals the government’s thinking on an Emissions Trading Scheme,’ Nelson said in a statement. ‘...there is a lot at stake for our environment, our economy and for all Australians. Mr Rudd is asking Australians to take him on trust—that he will compensate households and business for the impact of his new taxes and will get the details right.’

Nelson floated the fundamental political problems of the proposal straight away: ‘Mr Rudd and the Labor Party are proposing a new tax on petrol—but not until after the election. Indeed, Senator Wong confirmed at the Press Club today that she was “giving Australians notice” that they should prepare for higher petrol prices… According to the green paper, electricity is set to rise in price by up to 16 per cent. The government should therefore release its modelling of cost rises well before responses to the green paper are due. The public has a right to know the costs of any system if they are to make informed submissions on the cost of living.’

Nelson was absolutely right. An emissions trading scheme will create a cost that will have some sort of an impact on every household and every business in Australia. It will create a cost—an additional cost—in highly uncertain economic times.

Not that the message got through. Instead, the biggest story was Liberal division. It may be that the Australian public are prepared to pay the costs of an emissions trading scheme. It may be that they think the environment is that important. What is more likely is that the Liberals have completely buggered up their first big policy test since they found themselves in opposition.

They have managed to turn the detail of their response to a government proposal that lacked crucial detail in the first place into the story.

Some of this has been the result of malice. Most has been due to sheer incompetence.

They’re the opposition. It’s not all about them anymore.
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Police publicity comes before police work
John Shipp

At a time when our freedoms are being further curtailed in the name of law, order and the Nanny State, police departments across Australia are spending more and more tax-payer dollars on public relations.

_The Australian_ reported in July that police departments are spending around $10 million a year nation-wide on boosting their image in the community through media, communications and prime-time television programs such as _Policing the Pacific_ and _Forensic Investigators_.

Whether or not these shows rate poorly and exemplify the inanity of free-to-air programming is not the main issue. We fund law enforcement agencies to simply enforce the law. Should public money handed to the police forces be directed towards public relations rather than policing?

_The Australian_ found that PR spending exceeds $2 million a year for each of the nation’s largest police forces. These are resources that could instead fund an extra 16 cadet officers.

The NSW Police Force had the largest PR budget—$2.1 million a year—and employed 20 full-time staff. Victoria Police refused to reveal its PR budget, although it had almost as many full-time staff devoted to media and marketing as its northern counterpart—18 compared to 20. The Queensland Police Service spends $2 million annually. The Australian Federal Police has a PR budget of $1.5 million.

It is important that Australians have confidence in their institutions of law enforcement. However, the best way for the police force to build community confidence is to fulfil its primary roles—upholding the rule of law and keeping the peace. If there were more cops on the beat community confidence would follow naturally, without the need for expensive PR budgets or shoddy TV programmes.

Environment
Can polar bears be threatened if there are more of them?
Jennifer Marohasy & Nichole Hoskin

On May 14, 2008, the polar bear was listed in the US as threatened under the _Endangered Species Act_. This follows years of campaigning by activists who want to regulate greenhouse gas emissions, and is the first time the impacts of global warming have been cited as the sole reason for the listing of an animal species.

But Dirk Kempthorne, Secretary of the US Department of Interior, noted in his announcement that, despite the decline in the extent of sea ice in the Arctic, the number of polar bears has actually increased from about 12,000 to 25,000 over the last 30 years because of the introduction of quotas for hunting.

Kempthorne, cautioned that listing the polar bear will not stop global climate change or prevent any sea ice from melting. Also the ruling will not stop natural resource development in the region or continued hunting of polar bears by indigenous Alaskans.

Polar bears were listed under the _Endangered Species Act_ after findings that sea ice is vital to polar bear survival; that sea-ice has dramatically melted in recent decades; and that computer models suggest that sea ice is likely to further recede in the future.

Secretary Kempthorne emphasised that the polar bear poses a unique conservation challenge because potential threats to its habitat come from global, not local, influences. Any real solution to elevated levels of carbon dioxide, he said, will require action by all major global economies.

Half of children in Great Britain are not allowed to climb trees. Almost a fifth are banned from playing chasey.

(Herald Sun, 5 August, 2008)
Governance

Why not abolish the federal government?

John Roskam

Joel Fitzgibbon, the Defence Minister recently claimed that Australia ‘was the most over-governed country in the world’. Usually when anyone says this they’re demanding the abolition of state governments in favour of bigger and more powerful central government. It’s no surprise that abolishing state governments has long been a pipedream of federal labor politicians.

While few people would argue for more politicians, our federal system, that distributes authority between the federal and state governments, is far preferable to a centralist alternative.

As AJ Brown of the law school at Griffith University has pointed out, Fitzgibbon’s claim ‘is nothing short of rubbish’. Australia does not have more politicians than comparable countries, and in fact we have fewer elected officials at the local level. In May this year Brown surveyed 1,200 Australians and asked them about the existing system of government (the Griffith University Constitutional Values Survey). The results were encouraging. 75 per cent of Australians would like to maintain a system that has either state or regional governments or both. 7 per cent would like to abolish the federal government, and 8 per cent would like to create more states. The evidence is overwhelming. Although obviously there is room for improvement of our federal system, Australians understand that overall the system has worked well.

In recent decades High Court judges have had little regard for Australians’ preference for federalism. Coalition-appointed judges have proved just as centralist, if not more so, than those appointed by Labor. The new chief justice of the High Court, Robert French, has made some encouraging comments about federalism. And it helps that he’s from Western Australia.

In a speech in July, French said that the ‘benefits of federalism are real’ and that ‘greater centralisation of political authority’ could ‘ultimately involve a risk of losing some of the benefits of federation’.

Hopefully Robert French practices what he preaches.

As the Doha Round stalls yet again, it is time for members of the World Trade Organisation to put up, or shut up. Since the inception of the Doha Round, India has been a reticent negotiating party. If developing countries don’t want to liberalise they should get out of the WTO.

At the July mini-Ministerial meeting in Geneva, negotiators and observers were sceptical about a breakthrough. The round had seen eight meetings in seven years and outcomes were ever-elusive.

Yet progress was being made. Shortly before the collapse the US, EU and Brazil agreed to a compromise package to reduce developed country agriculture subsidies for reduced developing country industrial tariffs. But despite this major breakthrough India remained opposed. Indian Industry and Commerce Minister, Kamal Nath, argued the deal didn’t allow enough flexibility to enact temporary tariff barriers.

Because the WTO operates on consensus, the disagreement of one country is able to bring down an agreement. In theory, consensus serves the WTO well. Without the consensus requirement, more powerful nations could start imposing their views on others. But consensus also means one minister can destroy negotiations by putting political interest ahead of the interests of the global community.

In the days of the General Agreement on Tariffs and Trade, obligations on developing countries were low. Not much was expected of them, and they responded in-kind.

It is understandable if India and other developing countries are resisting liberalisation. But if India and its allies don’t want to liberalise, other WTO members should simply show them the door.

Politicians per head of population*

- **Australia**: 1 politician for every 2,900 people
- **United Kingdom**: 1 politician for every 2,600 people
- **United States**: 1 politician for every 600 people

* elected officials at the national, state, regional, and local levels

Source: IPA
Transport

Trainspotting not so productive without trains
Richard Allsop

In Warrnambool in south western Victoria, the local water authority, Wannon Water, is extending the sewer system to a growing part of town. Naturally, when doing this sort of work, utility companies need to negotiate with road and rail authorities for safe access to roads, or railways, where required.

In this instance, Wannon Water has been required to pay for the provision of a flagsman, at a cost estimated to be up to $1300 per week, to guard a local rail line to ensure that no trains hurtle through the work site and cause injury to sewer workers, or rail users.

But there are no trains to spot. Not only are no trains currently using the line, none have done so for the past ten years. Indeed, the line was actually blocked off earlier this year. A runaway train would have to be able to jump like a winning horse in Warrnambool’s famous Grand Annual Steeplechase to even make it onto the relevant section of track.

However, the rail authority insisted the man sit there for days on end, keeping an eagle eye out for the non-existent threat of trains.

Wannon Water clearly felt this was an absurd extra impost on their $400,000 project and so gave the story to the media. The Herald Sun quoted the ‘V-Line spokeswoman’ saying that ‘Safety is the no. 1 requirement’, which is a fine sentiment, except here there do not seem to be any safety issues at all. In a nice piece of communications strategy, the spokeswoman preceded to blame the victim by saying Wannon Water had erred by using a level 3 flagman, rather than a level 1 guard.

In itself, this instance of regulatory overkill might seem trivial, but it raises a more serious concern. State governments constantly argue that the cost of providing new infrastructure is so large that there is a need for massive federal funding to supplement state funds. It would be easier to take these claims seriously, if one had confidence that existing funding was not being squandered due to absurd regulations, or antiquated work practices.

Since the tax hike on alcopops in May this year, sales are down 30 per cent.
But sales of full strength spirits are up 46 per cent.
(The Australian, 28 July 2008)
Drivers need speed limit certainty to drive safe

Christopher Murn

A 2006 report undertaken by the Victorian road authority VicRoads found that motorists in that state were most concerned by fluctuating and inconsistent speed limits. This is hardly a surprise given that speed limits often vary dramatically over the same stretch of road.

Speed limits that vary depending on the time of day only add to this confusion. Motorists will lose their licence if they fail to slow down to 40km/h in a school zone on a 70km/h road—a fairly dramatic penalty for an inadvertent breach. In response Vicroads recommended joining 40 zones together where schools and shopping strips are in close proximity to alleviate fluctuations in speed limits—to the dismay of motorists.

Australian road authorities are understandably risk adverse, but risk minimisation is a slippery slope; slower will always be safer. In Victoria, the government uses a software package called V-limits to determine speed limits in any given area. The program varies the default speed limits of 50km/h in built up areas and 100km/h in open rural areas depending on several variables. And Vicroads and the Transport Accident Commission rely on shock commercials showing pedestrians casting themselves onto the streets to help motorist accept these limits.

One better approach might be to set speed limits based on the risk assessments of motorists themselves. Using the 85th percentile guideline, speed limits are set at a level that 85 per cent of motorists would drive below if driving at a natural and safe pace based on their own risk assessments. In this way motorists help determine the appropriate speed limit, drastically lowering the probability of inadvertent speeding.

Too often traffic authorities hide behind computer programs, crash statistics and black spots to justify confusing and unclear speed limits. It is time speed limits were simplified to reflect human nature, minimise inadvertent breach and restore credibility to road authorities.

Sydney wins race to costliest housing

Alan Moran

A good measure of housing affordability is the years of income an average family requires to buy an average house.

In these terms, price collapses in Britain and California have left Sydney with the most affordable housing market of any major city in the world.

And several smaller Australian cities—Mandurah in WA and Queensland’s Sunshine Coast and Gold Coast—are even further ahead of the world pack than Sydney. At the same time Melbourne and Perth have rocketed up the unaffordable rankings, with Brisbane and Adelaide not far behind.

At the end of last year, house prices in 227 urban areas in North America, Britain, Ireland, New Zealand and Australia were examined by St Louis based consultancy Demographia. All major Australian cities were in the unaffordable category. And, like other unaffordable cities, they were driven there by planning policies that ration housing land availability.

As yet, Australia’s house price increases have not buckled under the pressure of the economic downturn. Australian cities have seen nothing like the price carnage experienced across the world in other urban areas where planning restrictions have brought inflated prices.

But Australia is vulnerable to those same forces. Australian cities have building restrictions that comprise zoning rules, lengthy approval procedures, heritage restraints, environmental requirements and, of course, hefty taxes masquerading as ‘development levies’.

The outcome is a chronic shortage of new developments and the escalating price of all housing.

Regulations that reduce the supply of housing not only bring price rises. They prevent aspiring new home owners getting a foothold in the market and nurture price bubbles. Price bubbles have a habit of bursting and when they do they bring dislocation to production, financial markets and ordinary people.
Kevin Rudd hates them.
Brendan Nelson has expressed deep concern about them. Bob Brown wants huge cuts to their numbers. And Senators Stephen Fielding and Nick Xenophon rant against them at every opportunity.

Dislike of poker machines is so universal that it joined the Costello brothers in rare unanimity on a public policy issue. Regular adversaries Andrew Bolt and Stephen Mayne at least share in common the fact that they have both campaigned strongly against them. And, in the perhaps ultimate recognition, a trendy leftie band produced a song attacking them.

Yes, if there is one thing that unites the conservatives and the left, it is agreeing that The Whitlams were correct—we should ‘Blow Up the Pokies’.

The third of the community who play poker machines are self-evidently stupid and need to be saved from themselves. Their views are never heard in a public debate that has concluded that the negative impacts of poker machines for problem gamblers far outweigh the advantages gained by those who enjoy them, or gain employment from them. Further, as a community, we only have to put up with them because state governments are ‘addicted’ to gaming taxation.

The volume of the attacks on poker machines—and on gambling in general—is likely to increase with anti-pokies campaigner Nick Xenophon taking his place in the federal senate, and the Council of Australian Governments requesting the Productivity Commission to update its 1999 report on gambling.

The PC’s 1999 report, *Australia’s Gambling Industries*, found that 81.5 per cent of Australians participated in some form of gambling in the previous year, while 38.6 per cent played poker, or gaming, machines. Instead of celebrating the fact that in the 1990s millions of Australians had finally been allowed to readily access a leisure activity for which there was such obvious demand, the PC came down against the pokies.

Since its release, the 1999 report has been used as the basis for numerous attacks on the gaming industry, all designed to deny citizens the right to enjoy gaming as a leisure activity. It would not be surprising if the updated version adopted the same illiberal way of thinking.

**Class and gambling**

Denying citizens the right to gamble is a time-honoured action of illiberal governments. It is typically one of the first steps of authoritarian regimes—the Chinese Communist Party banned gambling the moment it seized power in 1949. Hitler did not have the opportunity to close gambling houses in Germany, as they had been shut by decree of Kaiser Wilhelm I in 1872, but Hitler’s takeover of Austria in 1938 at least allowed him to close them there. Mussolini banned gambling houses in Italy in 1923, as did Castro when he seized power in Cuba in 1959. Indeed, for Castro, banning gambling was as much a priority as expropriating private property.

Democracies have also regularly impinged on their citizens’ gambling rights. The ebbs and flows of legalisation and prohibition in the United States not only vary over time, but from state to state, and from type to type of gambling. In England, the first attempts to restrict gambling were taken as early as the fourteenth century as, along with the playing of certain games, it was seen as diverting men from practicing archery. What is notable about the various English acts through the centuries is that they tended not to ban gambling *per se*, but to prohibit it in certain places, at certain times and, in particular to target certain classes of people such as craftsmen and apprentice labourers. Such discrimination has become typical of anti-gambling laws—gambling is allowed for the select few, but not for the masses.

For the first six decades of the twentieth century, the main gambling issue of concern for Australian Governments, and concerned wowserites, was illegal off-track gambling on horse racing.

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Richard Allsop is a Research Fellow with the Institute of Public Affairs.
Conservatives and the Left have always worked together on the issue of gambling to deny the working class their gambling of choice, while allowing the better off a largely free rein.

generally conducted by ‘SP’ bookmakers, but most famously by John Wren’s tote. The attacks on Wren’s tote, and private racecourses, show that conservatives and the left have always worked together to deny the working class their gambling of choice, while allowing the better off largely free rein.

One conservative politician who regularly passed Wren’s Richmond racecourse commented that he had ‘no time for these fellows who at this time when everybody else is trying to do something to add to the happiness of the community, waste their time at racecourses’. Similar comments were never made about patrons at up-market Flemington. Conservatives made constant attempts to place restrictions on horse race betting so that it would be limited to an upper class pursuit. Sometimes, Labor supported the conservatives; if they did not, they were accused of being bribed by Wren. Similarly, the conservatives frowned on trotting and greyhound racing, specifically because conservatives frowned on trotting and greyhound racing, specifically because they were designed to appeal to a working class clientele.

Wren’s most recent biographer, James Griffen, summed up the position perfectly:

... ‘wossers’ deserve their disparaging appellation. They tolerated gambling for gentlemen in elite clubs. They were oppressive and class conscious and, when triumphant, responsible for such squalid features of social life as ubiquitous back-lane betting and, after the First World War, the infamous six-o’clock swill. Their attitude was punitive: if the lower classes must drink, let them do it in degrading circumstances.

And yet, in the end, it was not conservative wossers, but the communist, Frank Hardy, who did the most to destroy Wren’s reputation. For a communist, providing enjoyment to working class people was anathema, as it would only divert them from their revolutionary duty. Unsurprisingly, the gullible Manning Clark was happy to pick up Hardy’s unsubstantiated and scurrilous accusations and bequeath Wren to history as ‘a preacher on humanity’.

Strange then, that Wren’s tote saw the operator take only 10 per cent of turnover, a lower figure than today’s TABs extract from their punters, and that all the evidence points to the Wren tote having been scrupulously fair. Wren’s private pony and trotting tracks charged lower admission than the public courses and yet, for both conservatives and communists, providing to the working class something readily available to the upper class was a sign of immorality.

While Wren’s tote stopped operating in 1907, SP bookmakers remained a feature of Australian culture for many decades. Certainly, not all the SPs operating in public bars across the country, returned 90 per cent of turnover to punters like Wren did, but they certainly gave nothing to government. Combined with moralising, the desire of governments to gain a share of gambling revenue was a key factor in the establishment of state-owned, off-course totalisators (TABs) that were introduced in every state in the 1960s. Realising that gambling taxes were a soft way to extract revenue, states soon found other ways to extract money from gambling and so state-run lotteries were introduced, followed in some jurisdictions by casinos.

While NSW was one of the last states to introduce a TAB, it preempted the other states by almost four decades when it allowed the introduction of poker machines in 1956. Most other states, excluding Western Australia, joined them in the 1990s. Often the rationale for allowing the entry of the machines in those states was not based on the right of citizens to seek enjoyment, but worries about losing tax revenue and employment to other jurisdictions.

Gambling rhetoric and reality

Nevertheless, the strangest aspect of anti-pokies rhetoric today is that it places a large proportion of the blame for ‘excessive’ gambling on state governments, which are allegedly beholden to taxation on gambling. This line of argument formed part of the Howard government attack on the states and Kevin Rudd has also criticised state Labor governments for relying too heavily on pokies tax revenue.

But in 2006-07, the states and territories received a mere $4.7 billion in gambling taxes out of a total state and territory revenue of almost $153 billion. It is hard to argue that a rate of a bit over 3 per cent for gambling as a whole—2 per cent for gaming machines—of total revenue is heavy reliance when compared to property and payroll taxes. Of course, an easy way to reduce their ‘reliance’ would be for the states to cut the rates of gambling taxes, but it isn’t clear that this obvious way to achieve this is to be regressive, but not apparently to the anti-gambling zealots. In fact, a plan proposed by Senator Fielding earlier this year would increase the rate of tax, an odd way to reduce ‘reliance’.

That is not to argue that there is no room for changes to how the states issue gaming licenses. The Victorian
government intends to end the duopoly of Tabcorp and Tattersalls when their current gaming licenses expire in 2012.

The claim about state government reliance on gaming taxation is just one of a series of myths that seem to go unchallenged whenever poker machines are discussed.

It is constantly claimed that Australia has the highest number of gaming machines in the world, and yet, with 2.4 per cent of the world’s total, it actually ranks eighth, behind Japan, the United States and several European countries.

Intriguingly, the pokies have tended to be far more controversial in the later entrant states. Victorians, who think that the pokies have had a particularly pernicious impact on their state, appear largely unaware that with a cap of 104,000 machines, NSW has well over twice as many machines per head of population as has Victoria with its 27,500 cap. It makes calls in Victoria to reduce the total number of machines seem particularly odd.

There was undoubtedly considerable pent up demand for gaming machines in the states which had not had them until the 1990s. There is also considerable evidence that, as the market has become more mature, machine use has plateaued, perhaps partly due to restrictions such as smoking bans and advertising restrictions, but also as a result of changing entertainment choices. As a percentage of household expenditure, gambling has generally been declining. And yet, if one listens to the anti-gambling rhetoric, one would think that it was a growing problem.

A gambling epidemic?

However, the real assault on poker machines is based on two claims: that pokies produce higher numbers of problem gamblers than any other form of gambling, and that problem gambling is a particularly pernicious social ill. Opponents of poker machines argue that the negative impact of problem gambling on individual gamblers and their families outweighs any benefits which may be derived from gaming.

The Productivity Commission’s 1999 report found that 2.1 per cent of poker machine users were problem gamblers. While there has been no national study since then, most state-based surveys have indicated a rate of problem gambling at less than half that level. And if surveys in Queensland are typical, it is a declining rate, in that state going from 0.83 per cent in 2001 to 0.47 per cent in 2006-07. According to the PC report, problem gamblers accounted for 43 per cent of losses on the machines and, despite evidence of a declining percentage of problem gamblers, opponents of poker machines argue that the figure is an underestimate and that now half of losses come from problem gamblers, which seems unlikely, unless a more wealthy cohort of the community are now becoming problem gamblers.

One recent commentator, Charles Livingstone, listed ‘financial ruin, relationship breakdown, the neglect of children, theft and fraud, and in some cases suicide and imprisonment’ as being among the harm that poker machines cause. While it is clear that poker machines have contributed to these problems, the actual figures seem to be much lower than Livingstone implies.

In 2004-05, there were 4,372 business bankruptcies in Australia of which 63 were attributable to gambling speculation. In the same year, there were 16,324 personal bankruptcies of which 480 were gambling related. (And bear in mind that the gambling category includes all types of betting, not just poker machines.) Twice as many business bankruptcies were caused by ‘failure to
keep proper books’ while four times as many personal ones were caused by ‘domestic discord’. Maybe Senators Fielding and Xenophon should turn their attention to accountancy courses and marriage guidance.

Interestingly, on the issue of marriage and relationships, a 2006 Relationships Australia survey placed gambling 22nd of 24 possible factors ‘negatively influencing relationship with partner’, with a score of just 3 per cent. Six times as many people had relationship problems due to disputes over housework and three times as many complained about the ‘influence of in-laws’. So while pokie critics stress about poker machine spin rates, perhaps they could do more good if they worried about in-law visitation rates.

As one of the most regulated industries in the nation, the gambling industry has been forced to take a number of measures designed to ameliorate the problems caused by excessive gambling. Given the range of voluntary measures also taken by industry in recent years—codes of conduct, staff training, exclusion policies—it is obvious that the gaming industry knows that it needs to do everything it can about problem gambling if it is to have a viable future.

Rage against the machines

Earlier this year Senator Fielding announced a ‘bold plan’ to rid pubs and clubs of poker machines. His plan, if implemented, would deny many Australians—particularly older Australians—their trip to a pub or club, a trip involving a cheap and wholesome meal, a couple of drinks. The chance to put a few dollars into a poker machine is a highlight of the week, with transport to the venue often provided as well. Many of these people would not have the means, or the desire, to travel to the far away casinos or racetracks where Fielding wants to corral pokies. They like going somewhere local, where the staff and other customers know them, and they feel secure. So when Fielding takes their pokies away, first the small flutter they enjoy would be denied them, next to go would be the subsidised meals and drinks, and finally the club or pub could also close denying these citizens a vital opportunity for social intercourse. Instead, they will probably just stay home.

While Fielding’s opposition to pokies fits neatly into an overall worldview, what is strange is the remarkably large number of people who adopt a libertarian attitude to most things, who nonetheless somehow draw the line at gambling, even if they otherwise support social justice.

The Productivity Commission also found that ‘in the absence of gambling other industries would have received the
consumers’ dollars and would have grown, invested, employed people and produced value in much the same way as the gambling industries have done’. The Australian Gaming Machine Manufacturers Association pointed out three obvious flaws in this argument. First, gambling would not disappear, it would operate illegally; second, not all people skilled in one industry can be instantly reemployed in another; and third, the multiplier effect might be completely different if the expenditure moves to something like Hollywood movies instead.

The amount of taxation paid by gambling tends to be one line of defence taken by the gambling industry. The industry can reel off a lengthy list of good causes that this revenue has been applied to both in dealing with problem gambling and funding other initiatives. Plus they point to the significant number of jobs provided directly, and indirectly, by the industry.

However, there is a much more fundamental issue at stake than these utilitarian benefits. While there is no doubt that problems have been caused by gambling and by poker machines, these negatives do not justify stopping the 97.9 per cent who are not classed as ‘problem’ gamblers from consuming a product they enjoy. A 2003 survey in Victoria found that only 4 per cent of people had found gambling had a negative impact on their lives, compared to 21 per cent who found it had a positive impact (and 75 per cent for whom it made no difference). Why should the needs of the 4 per cent outweigh the 21 per cent?

The whole language of the anti-gambling lobby underscores their prejudice. No one says that people ‘lost’ $100 on going to the football, the theatre or a restaurant. One might not enjoy seeing a football team lose, a lousy play or a poorly cooked meal, but people still do not say the money was ‘lost’.

Of course, there are many aspects of our society where if one chooses to focus purely on the negative aspects one can mount an argument that the activity should be stopped. For instance, car accidents destroy far more lives than poker machine addiction ever will. In 2007, a total of 1,616 people lost their lives on Australia’s roads, with some estimates of the economic costs of this being in the order of $25 billion per year. If one followed the pokies model, politicians would be proposing that we remove ten per cent of cars from the road, with a special cap placed on car numbers in country areas where the car accident rate is higher.

Whatever one’s personal position on the potential costs and benefits of driving a car, or playing the pokies, that decision is clearly best left with the individual, rather than the state.

In the United States in recent years, a similar debate to our one about poker machines has been taking place about gambling over the internet, which has been banned, with the exception of certain government approved forms, such as horse racing. As Radley Balko of Reason Magazine concludes:

The gambling ban seems to have been supported by two similar approaches to governance that, although they come from opposite sides of the political spectrum, are generally quite similar.

From the right, many feel that if they’re personally morally opposed to a particular consensual activity, it ought to be banned for everyone. From the left, it’s the mentality that because some people can’t engage in a particular activity responsibly and without harming themselves, that activity ought to be banned for everyone. One is moral paternalism. The other is Nanny State paternalism. But the result is the same. The government makes your decisions for you.

Gambling’s history of hyperbole

‘Among the lower orders, gambling forms a leading incentive to enormity, and should by all means be discouraged by efforts of the legislature.’
—Sydney Gazette, 1806

‘One of the most degrading vices of the present day is gambling. It is blighting the youth and manhood of Australia. Like many other forms of moral evil, gambling is ensnaring and fascinating. I propose to tear off the deceitful garb of this exciting fiend, expose his deformed character, and, so far as I can, drive him back to the hell from whence he emerged.’
—Henry Varley, Melbourne, 1890

‘Gambling has become such a curse in this city [Sydney] that our young people neglect everything for it. Married men neglect their wives and children, mothers their children, and boys and girls their ordinary duties to participate in the gambling craze.’
—William Murphy MP, 1893

‘A Vesuvius of carnality and greed ... a seething mass of flaming animalism ... tainting the community, corrupting the youth, luring to destruction the weak and foolish, and scattering among the hard-working clean living people the seeds of crime, debauchery and miserable poverty.’
—William Judkins, Methodist lay preacher, 1906, describing John Wren’s tote

‘Almost the first question one asks on hearing of an embezzlement is ‘Does he patronise the races?’ Who has not seen the ruined house, the heart-broken wife, the ragged children whose condition is due to gambling by the head of the house? And sometimes suicide and murder are its fruits.’
—Methodist Spectator, 1906

‘[A lottery] is the utter negation of brotherly love. It is the sin of Judas.’
—Archdeacon Schofield, 1952

‘Australia has the dishonour to lead the world in gambling. Australia’s is the gambler’s paradise, the treasure island of the slick fellows who know there is no more gullible person than the get-rich-quick gambler.’
—Rev. A. Crichton Barr, Melbourne, 1956
The Hollowmen and the sport of satire

What does our television tell us about Australian democracy? Over time, spin becomes truth. In the ABC’s new satire The Hollowmen, political advisors find that they can no longer tell the difference, even to themselves, between spin and the ‘real’ truth of an issue.

Hollowmen is an insider’s program, and it is extraordinary that over a million people watched the first episode. Presumably many will be horrified but also validated by what they have seen. The Hollowmen’s core message—that Australian politics is inherently without values or moral grounding—is a belief many Australians already hold, often at the same time believing that the government should intrude further and further into aspects of daily life.

Political satire has a long pedigree. From Yes, Minister back in 1980—a show that seems in hindsight, surprisingly innocent—to this year’s Hollowmen, the way in which comedians and writers have portrayed politicians, their staffs and the public service tells us something about how democracy is practised and perceived in the Anglo-sphere.

Each program reflects the political climate of its time, and the elites’ received wisdom about the motivations of politicians, the public and bureaucrats. Yes, Minister—on the surface a satire of the relationship between public servants and politicians—was a strong critique of the mid-century British mixed economy. The manipulation of trade deals, tariff and licensing boards, and state run enterprises by politicians for political expediency so devastatingly depicted in Yes, Minister was as good an argument for deregulation and privatisation as any presented by the incoming reformist Tories.

Similarly, the BBC series The Thick Of It, first aired in 2005, reflects British politics in the late Blair era where Ministers are seen to have become subservient to a centralised cadre of media and policy enforcers from the Prime Minister’s office—Alistair Campbell and his staff. Policy is no longer the battleground seen in Yes, Minister. Now it is only process and media perceptions.

The US series The West Wing was not only about defying the Democrats, it was also equally about the nobility of government. Staffers and the President both appeared as committed, intelligent and caring. It is ironic perhaps that the nation that prides itself on rugged individualism and small government produced the most pro-government homage. Of course The West Wing was never conceived as a satire. Aaron Sorkin, its creator, has described his show as ‘kind of a Valentine to public service.’ Despite this, The West Wing is funny for many of the same reasons political satire self-consciously is and the laughs don’t come from the worthiness but from seeing people deal with the process of government—after all this is the show that devoted an episode to how the census is collected, and made it funny.

Cynicism ≠ critique

The Hollowmen is a product of Australians distrust of the political process. It’s full of the cheap shots those outside the process routinely make about insiders. That they’re all entirely self-interested, not very smart and inherently corrupt. Australian political satire is an extension of a national distrust of politicians.

Yet this approach avoids a deeper and more convincing critique of politics. Trivialising the lives and behaviour of politicians may be good sport but these people have the power to profoundly influence our lives. To infantilise politicians, as cheap political satire too often tends to do, is to give them, in a way, a free pass for bad public policy.

The Hollowmen depicts politicians as almost entirely irrelevant to the function of government. In the first episode the only appearance of the Prime Minister was dressed as a banana—perhaps implying that cring-inducing stunts are all politicians are good for anyway. In the second episode we see the hackneyed cliché of the venal time-serving thug, determined to get his plum diplomatic post in return for vacating his Senate seat.

By contrast, in Yes Minister or the acidic The Thick of It, politicians are portrayed as holding specific roles within the process. Politicians work with their advisors, press secretaries and even, on occasion, departmental heads against external threats. Yes, great humour is derived from their vanity, their pomposity and their pettiness, but fear dominates their lives. Chris Langham, the actor who played the cabinet minister in The Thick of It expressed the crucial difference between the Australian and British approach. ‘The view of politicians in [The Thick of It] is quite compassionate I think. What you end up seeing, partly because of the improvisational style, is them as humans. They are vulnerable, often very, very tired people, who’ve been saddled with enormous responsibility and are completely out of their depth.’

Possibly because of the overarching cynicism driving The Hollowmen, in some ways it is remarkably gentle in its depiction of the operation of power. It is hard to portray the often brilliant fe-

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To infantalise politicians, as cheap political satire too often tends to do, is to give them a free pass for bad public policy.

rocility seen in politics (recall Paul Keating’s famous ‘mate, because I want to do you slowly’ retort to John Hewson) when everyone is either presented as a bit dumb or enthusiastically naïve. As Annabel Crabb has noted, ‘the show’s not especially realistic in a literal sense; Sitch’s character is way stupider than these people actually tend to be, for example.’

Phillip, the head of the public service, is no Sir Humphrey, and is quickly co-opted by the political advisors. Yet, in reality, the head of the Prime Minister’s Department is an extremely powerful position, not a slightly bumbling outsider presenting un-called-for ‘advice.’

Despite the creators of Hollowmen noting the show was in development under the Howard government, the reason the ‘all spin no substance’ approach works is because of the perceived parallels with the Rudd government. It was only June when Martin Ferguson’s leaked letter pointed out the failings of FuelWatch—not the least of which it will not work to bring down petrol prices and may in fact raise them in some areas. The press gallery and Canberra commentators branded it an example of being seen to be doing something, uncannily similar in intent to the obesity awareness campaign portrayed in Hollowmen.

Throughout this year the Rudd government has been branded as too centralised in its media management, too obsessed with drip feeding something every day into the news cycle, and too concerned with spin. Federal Labor thinks it has learned from its electorally successful state counterparts: as long as there is plenty of colour and movement, nobody will notice the lack of true action.

Particularly in the mould of Peter Beattie and Steve Bracks, there is an obsession with the daily news cycle, there is an obsession with micro-managing individual journalists’ responses and there is the centralised control over ministers by the Prime Minister.

Unlike the state premiers though, the federal government has a large permanent press gallery comprised of the most senior and talented journalists. There is a big difference between the leisurely appearances of Steve Bracks or Morris Iemma appearing on Stateline every few months and to the vociferous maw of daily and weekly political programming and newspapers faced by Kevin Rudd and his ministers.

State premiers could get away with not answering questions and a drip of re-announcements because they face little dedicated press scrutiny. By contrast, the Canberra press gallery has not only noticed the excess of spin over substance, it has made this the story. Politics is full of strategies that outlived their usefulness, or did not translate to a new time. It remains to be seen if the Rudd government’s strategy of media management as a replacement for major policy action will end up a millstone.

On the contrary, under the previous government Howard was seen as a conviction politician and often vilified for his decisions.

In this context it is not important whether the Howard government had spin-meisters like the Rob Sitch character. The Hollowmen only seems to work because it synchronises with what the political class thinks about the Rudd government.

The press gallery is increasingly hostile to Rudd’s office, with a steady stream of negative stories either about the spin, or the staff, or the treatment of women.
Liberal and Labor governments can’t seem to restrain their spending

The new government has been laying out excellent criteria for public policy, writes Mitch Fifield. But its own policies are failing these stringent tests.

On a Brisbane stage in mid-November last year, Kevin Rudd positioned the final nail above the coalition government’s coffin and drove it home. The then opposition leader, in his campaign launch address, criticised the coalition’s ‘irresponsible spending spree’. Rudd declared that ‘this sort of reckless spending spree must stop.’

That the coalition allowed the Labor Party—with their record of $96 billion in government debt—to brand itself as the party of fiscal conservatism and smaller government was the saddest indictment of the Liberal campaign. The coalition was a good government and achieved much for Australia. It should defend its legacy, but also needs to be honest about its failings. A little too often, politics did get in the way of good policy. The coalition could have done more to tame the expenditure beast, not to pre-empt an imagined inflation crisis, but because government smaller in size and scope is a core liberal tenet. Unfortunately the mechanics of government are stacked against treasurers and other advocates of fiscal restraint.

Some years ago, a particularly enthusiastic supporter of small government approached a Howard government minister and collared him over a new piece of burdensome legislation. Despite the minister’s attempts to pacify the man, he stormed away angrily declaring ‘I don’t know what happens to them when they get to Canberra! There’s something in the water!’ Perhaps the ACT’s water authority should conduct a few tests. How else to explain ‘Harmony Day’? It sounds like a mandated celebration in North Korea culminating in a mass choreographed performance. But ‘Harmony Day’ was actually a creation of the former government.

Over time, the belief that most situations can be improved by spending taxpayer money creeps through even the best governments. The previous government was no exception. Harmony Day and the accompanying grants program was established in 1999 to promote the self-evident concept of community harmony are prime examples.

The result was thirty-four million taxpayer dollars wasted on grants such as the $35,000 to the Sisters of Mercy in Brisbane for the ‘Believing women for a culture of peace’ program: an inter-faith, inter-ethnic dialogue for Muslims and Quaker women. And $50,000 to the Australian Wrestling Federation to encourage wrestlers not to sledge each other.

The Harmony Day program was a relatively small outlay but a clear sign the former government was drifting from its core belief in minimising the role of government. More substantial confirmation was provided by the billions poured into industry programs such as ‘Investing for Growth’ and ‘Backing Australia’s Ability.’ Too frequently the coalition conditioned Australians to look to government rather than themselves for solutions.

Aside from such transgressions, the coalition’s economic record was overwhelmingly positive. There is no doubt government would be bigger and in debt had Labor not lost office in 1996. After all, the coalition repaid $96 billion of inherited debt and balanced the budget, all in the face of Labor opposition and opportunistic posturing.

The results of the coalition’s economic policy are clear from the often quoted economic indicators which are looked upon with growing fondness. Yet it is little known that over the term of the coalition government Australia jumped from tenth to fourth in the World Index of Economic Freedom. But take a look at the future and it’s a depressing outlook for believers in smaller government.

The prospects for responsibility

Labor in government is not matching their pre-election rhetoric of economic conservatism. With nine out of nine governments in Labor hands, something of a Super-Nanny State is emerging. There are many examples: the alcopops tax—a revenue raiser and punitive social measure. The increase in the luxury car tax—another revenue grab and a return to the politics of envy. But the car industry is perhaps the clearest example of Labor’s interventionist approach to government.

To be fair, the coalition’s own record on industry policy is by no means unimpeachable. The Fraser government introduced an import quota and massively increased tariffs to 57.5 per cent, above even the Whitlam level of 45 per cent. Like the Hawke and Keating governments, however, the Howard government progressively reduced import tariffs and scheduled to decrease the 10 per cent import tariff to 5 per cent in 2010. The coalition also planned to eventually phase out the Automotive Competitiveness Scheme.

There was early cause for concern at the Rudd government’s approach to industry policy with the confirmation of Senator Kim Carr as Industry Minister.

Mitch Fifield is Senator for Victoria.
The Bracks review of the car industry presents the government with an opportunity to redress this situation. It’s time to bring down the trade barriers.

One of Senator Carr’s more interesting arguments in favour of automotive subsidies was his statement these would ensure that ‘we have the capacity to build fighter aircraft’. Automotive executives were surprised to learn that Carr plans to transform their production lines in time of war from making family four-doors to FA-18s.

But the direction of industry policy was beyond doubt with the announcement that former Victorian Premier Steve Bracks would conduct a review of the automotive industry, sideling the Productivity Commission. And before Bracks reports, the government is already expanding the concept of industry assistance. The government is picking winners.

Witness the allocation of $35 million to Toyota. Not only did the government put its weight behind a particular type of car—the Camry Hybrid—they wanted it built at Toyota’s Melbourne plant. The government’s firm hand guided the industry to build a particular type of cars at a particular place. There was no cabinet decision, or departmental advice. And there was no criteria or contestability for the grant.

Before the election Shadow Finance Minister, Lindsay Tanner, promised a new era of transparency in government economic and finance policy under the banner ‘Operation Sunlight’. He criticised the former government whenever plans were announced ‘without proper scrutiny by Treasury or Finance and without consideration by cabinet.’ Operation Sunlight’s rays didn’t quite reach the Toyota decision.

**Crucial governance mistakes**

Labor has also failed another Tanner test for good government decision-making: ‘to what extent are its initiatives directed towards advancing the wider national interest, as opposed to rewarding its supporters and securing its own re-election?’ A grant for a photo opportunity doesn’t really meet the ‘national interest’ test.

The Toyota grant, along with continued tariff protection for the automotive industry, fails a third Tanner test for good government, fitting his definition of ‘producerism’. The minister has argued that, producerism exists wherever the state implements regulatory and ownership arrangements which favour or protect particular producer groups at the expense of society as a whole. Tariffs, monopolies and other distorting regulatory regimes are the most obvious examples of the producerist philosophy at work.

Yet this ‘producerism’ appears to describe exactly the new government’s approach to the automotive industry. The industry is protected by a 10 per cent tariff barrier. The industry benefits from a half-billion dollar competitiveness scheme. And now the government will hand at least another $500 million to prop up car makers through the Green Car Innovation Fund.

As Tanner rightly pointed out, ‘every dollar spent on narrow producer interest is a dollar which can’t be spent fighting poverty, improving education and building infrastructure. Every regulation needlessly protecting businesses from competition is a regulation driving up prices and hitting those with the least capacity to pay.’ Yet that is exactly what government protection of the car industry does.

Domestic protectionism raises the cost of cars produced more efficiently overseas, putting them beyond the reach of Australian families. But there is a very cheap and easy way for the government to provide Australians greater access to more fuel efficient vehicles—cut Australia’s tariff barriers.

Consumers and taxpayers aren’t the only ones bearing the costs of a protectionist industry policy. Giving handouts and protection for one industry—in this case the car industry—hurts other domestic producers. At a time of record low unemployment, providing assistance to one favoured industry hurts others by artificially skewing employment away from more efficient industries. Australia’s best and most productive miners struggle to find skilled workers to meet surging world demand. Instead, workers are employed in industries which can only afford them due to government support. By contrast, open markets force Australian firms to be more competitive and to focus on the areas where we have the greatest skills.

The automotive industry has secured billions of dollars of subsidies from state and federal governments over the last few decades, at the expense of consumers. The Bracks review of the car industry presents the government with an opportunity to redress this situation. It’s time to bring down the trade barriers. It’s time to end politically motivated subsidies. It’s time to think of the consumer. The coalition should mount the case for economic reform, free trade and consumer interest.

In government, the Liberal Party became too removed from its core beliefs. ‘The answer to the question “why should we vote for you?” is never found by reference to a spreadsheet of spending commitments or a compendium of policies. The answer is found in a party’s philosophy and narrative with policy as its expression. The Liberal Party is, and should be, the party of small government and personal liberty. If the Liberal Party won’t step up, who will? The Liberal Party needs to re-embrace its **raison d’etre.**
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What’s happened to modern art?
Photographs of naked thirteen-year-old girls, crucifixes immersed in urine, and videos of chickens being decapitated: this is modern art.

So you’d think, at least, if you went by what gets the most attention in the news, and never visited art galleries or thumbed through art books. You might even get the impression that artists are mostly depraved or at best loopy. And you probably wouldn’t be too worried when you see photographs in the papers of police confiscating artworks from galleries.

It’s the wrong attitude, but understandable—because in many cases, high-profile artists are motivated by the idea that it’s a good thing to deliberately flout what they consider to be the ideas ordinary people hold about what is good, beautiful, and decent. Unfortunately, the intellectual dividends from such convention-busting brinkmanship are often meagre.

Australia’s most recent dramatic controversy over freedom of artistic expression centres on veteran photographer Bill Henson’s images of nude and semi-nude pubescent boys and girls. Following a complaint by Hetty Johnston of the anti-child-sexual-assault organisation Bravehearts, in May 2008 police seized photographs from a Henson exhibition due to open at Roslyn Oxley9 Gallery in Sydney. Just under two weeks later, police dropped all charges after the Office of Film and Literature Classification gave nearly all the images in question a rating of G (general). The sole exception, the image of a naked thirteen-year-old girl circulated on exhibition invitations, received a rating of PG (parental guidance recommended). Receipt of any rating at all is enough to quash charges of child pornography or indecency, but the awarded ratings are the broadest recommendations of suitability for any audience available under the Australian scheme, and mean that the Henson photos are subject to no legal restrictions on their exhibition or sale.

When professional, government-appointed classifiers place Henson’s images so clearly within the law, it’s astonishing to see politicians whip up such a media storm and inspire such heavy-handed action from police. The moral panic went all the way to the highest levels of our political system, with Prime Minister Kevin Rudd telling the Nine Network that he found the image of the thirteen-year-old girl ‘absolutely revolting.’ NSW premier Morris Iemma called the photographs ‘offensive and disgusting.’ The politicians’ foray into amateur art criticism continued when Art Monthly Australia used a photograph by Polixeni Papapetrou of a naked— but relatively modestly shot—six-year-old girl as its cover in July 2008. This act of defiance against the attitudes that had victimised Henson prompted the prime minister to comment: ‘frankly, I can’t stand this stuff.’

Seeing our police and top politicians turned vigilante art critics is more concerning than the climax of our last major art controversy over ten years ago. In 1997, an exhibition at the National Gallery of Victoria in Melbourne showed Andre Serrano’s Piss Christ, a photograph of a crucifix immersed in urine. George Pell, then Melbourne’s Catholic Archbishop, nevertheless called the work ‘a grossly offensive, scurrilous and insulting treatment of Christianity’s most sacred holy symbol,’ and attempted to secure an injunction from the Supreme Court of Victoria to prevent its exhibition. But an enraged member of the public made the definitive statement by taking to the piece with a hammer while it was still on display, damaging the glass it was mounted under but leaving it otherwise relatively unharmed.

More recently, sensing a public appetite for art controversy, articles on the Biennale of Sydney have called attention to the Mike Parr’s exhibition Mirror/Arse, which includes ‘a film showing a live chicken being decapitated … footage of Parr slicing his arm with a blade and burning his index finger with a candle.’ A police visit following a tip-off by the RSPCA in this instance only resulted in a strengthening of the warning shown at the exhibition’s entrance, so that it tells attendees that the show ‘contains acts of violence … some involving animals.’

Speaking as a writer (a class characteristically protective of their freedom to speak) and as a libertarian, all this is deeply troubling. The Prime Minister shouldn’t be intruding on civil society by parading his uninformed opinions of contemporary photography in the mass media. The police shouldn’t be confiscating artworks and tarnishing Henson’s reputation with charges relating to child pornography when they should have been able to tell how clearly the images in question fall within the law. Crazy people should have more respect for private property and not go smashing up artworks with hammers, and newspapers shouldn’t do so much to feed a public perception that the art world is impossibly depraved.

And yet, it is easy to understand how this all happens. It’s because all these artworks, and their artists, hold a common motivation that also pervades the academic arts and humanities in Western countries. Whether they see it as a way to turn a profit or, more nobly, as their moral and artistic duty, the core

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Artists and intellectuals today are often coached to think of mainstream mores and tastes as simple-minded and contemptible.

of their art practice is the activity of violating, however subtly, mainstream reasoning, taste, and morality.

In 2004, I spent an afternoon discussing the topic of ‘transgressing boundaries’ with a postgraduate reading group in cultural studies I was a part of at the University of Melbourne. Our focus that day was an article that included an analysis of ‘erotic vomiting,’ where two people took the stage in front of an audience and one vomited into the other’s mouth. In the context, it was supposed to be an act of intimacy and trust that had sensual allure and sexual charge for participants and onlookers alike.

Though many readers may now be feeling an instinctive revulsion (which I apologise for provoking), this anecdote is not designed to shock. Academics will treat such a practice clinically, even with an air of boredom if they have spent long enough discussing such topics. The point is that this level of deviance from commonly exhibited norms—not boring old bourgeois heterosexual love, or even homosexuals showing public affection for each other in the street—is what it takes to elicit interest in some quarters of the academy and the art world these days.

Academics will tell you that what people vomiting into each other’s mouths has to do with naked thirteen-year-old girls, self-mutilation, and religious icons photographed in containers of bodily fluids, is that it is an act of transgression. That doesn’t mean that it’s an act of wrongdoing, necessarily, just that some kind of line has been approached, prodded, and then straddled or even flagrantly crossed.

This is supposed to be a good thing because the standard distinctions we make between good and evil, truth and falsity, and a whole range of similar pairs of concepts, are fundamentally flawed and an obstacle to proper critical thinking. Thank French philosopher Jacques Derrida for that gem of unreason.

Participants in erotic vomiting test the limits of what they will accept into their bodies from another person. Serrano’s Piss Christ mixes up (so the standard analysis goes) the sacred and the profane, prompting us to consider what it really meant that God became man (the answer, apparently, is that Jesus urinated too). Henson’s photos of naked adolescents, poised between childhood and adulthood, show that puberty is a time of uncertainty, and that even though we might want to treat teenagers as children, their bodies are capable of carrying an adult sexual charge.

This last point, judging by the recent reaction to Henson’s work, is something that many people don’t like to be confronted with. And that’s exactly the point—artists and intellectuals today are often coached to think of mainstream mores and tastes as simple-minded and contemptible. I often think this way myself. But the mission these artists embark upon to prod and transgress such attitudes can too often become an equally simple-minded exercise in hating the status quo and rejecting it out of hand, busting norms in an act of ‘creative destruction’ without thinking much about what purpose those norms have served.

What comes out of it? Is ‘Jesus pissed too’ really all we are supposed to get from an artwork that caused an Archbishop to seek a court injunction and a zealot to smash it with a hammer? Is ‘puberty is difficult and thirteen-year-olds have a budding sexuality’ the most profound insight we get before the police show up and take Bill Henson’s photographs away?

The anxiety-producing nature of some modern art might be easier for public attitudes to stand if the ideas motivating it weren’t so crushingly banal.

Hetty Johnston, who made the complaint that started the whole Henson affair, advocates legislation that would see artists going through a government-supervised approval process before they were allowed to work with children. Appearing as a panelist on the SBS television program Insight, she said, ‘It’s a debate we have to have … I think it’s healthy that we’re having it.’

But the idea of artists begging the government to license them to do their work is as frightening as it is ludicrous. And it is lamentable in the extreme, for Henson as well as the art world, that the practice of boundary-prodding he’s been pursuing for most of a career that began in the 1970s has now come up against a public hysteria about paedophilia that is apt to see any hint of teenage sexuality as an incitement to child abuse. However overworked his message is, he remains immensely technically accomplished, and the producer of many images of great beauty. Henson’s craftsmanship is now likely to be remembered less than the fact that he was once accused of being a child pornographer.

Our law-enforcement authorities should legitimately be concerned about art that involves committing real crimes that involve real, non-consensual harm to people. Outside of that, the government should have nothing to do with art. It is one of the many facets of human civilisation that is best never politicised. Unless serial killers start exhibiting images of their crimes, we should not have to see, in the papers, images of police hauling photographs out of art galleries.

A world where government leaves art alone is a beautiful dream. If artists have any interest in seeing it realised, those who make a virtue of transgression need to make sure they have something genuinely profound and surprising to offer. Only then will they be able safely cry ‘hands off!’ when the next politician tries to whip up moral outrage.
Moral panic is never too far away from the Australian media.

The widespread claims that the internet is corrupting youth and encouraging violent behaviour completely misunderstands technology, the people who use it and the nature of crime itself.

In July *The Australian* reported that Australia was facing a ‘Facebook and YouTube … crimewave’. According to a Griffith University academic, police statistics show that violent crimes amongst young people are on the rise. Indeed, as *The Australian* noted, violent crimes such as homicide, assault, sexual offences and robbery committed by those aged between 10 and 19 in NSW, Victoria, Queensland and South Australia have risen from 17,944 in 1996-7 to 23,382 in 2005-6. Conspicuously, these figures do not take into account population changes, but they are nevertheless striking.

But trends, of course, need explanations. Professor Paul Mazerolle, Director of Griffith University’s Centre for Ethics, Law, Justice and Governance, who compiled the figures, attributed the rise in violence to the internet and alcohol. One of Mazerolle’s major arguments was that social networking sites caused the rise in violence by encouraging a mob mentality in groups of youth.

As Mazerolle claimed, ‘a birthday party that might once have been attended by 20 teenagers will now have 200 gatecrashers.’

However, this claim falls down when we examine the history of social networking in Australia. Mazerolle’s statistics only go to 2005-6. But Facebook, the most popular social networking site, was only founded in 2004—it didn’t reach a high penetration in Australia until mid 2007, when it was opened to public registration. YouTube itself was only launched in 2005. These types of social networking sites cannot be blamed for an increase in violence spanning a decade—they have only recently been available for us.

Another of Mazerolle’s claims was that violence had increased because young people wanted to record their crimes and post them on the Internet for notoriety. ‘Young people want to demonstrate superiority and toughness. That’s why we’ve seen a proliferation of things like the videotaping of violent confrontations.’

But does the fact that some crimes are posted on the internet mean that they would not have been committed if the technology did not exist?

There is no strong evidence of a causal link between new internet activities and violence amongst young people—just a specious correlation and an eagerness by the media to drum up a moral panic.

Indeed, such hasty analysis trivialises the causes of crime. Violent crimes of the severity of homicide, sexual assault and robbery have more complex explanations than technological change. One possible explanation for the increase in reported crimes is the growth in public awareness campaigns that encourage people to come forward if they are a victim of crime.

Social networking sites are primarily used for entertainment and have mechanisms that allow users to report or ‘flag’ inappropriate content so that it can be removed.

Anyone who suggests that violent assaults are caused by Internet usage is simply making excuses for these crimes. The internet is not dangerous. But people can be. And the internet is just a reflection of the real world that we all live in, both good and bad.

Every time a new technology comes along commentators blame it for all of society’s new problems. Social networking sites such as YouTube and Facebook are just the latest target.

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*Hugh Tobin is Managing Editor of the IPA Review.*
Flat tax in the Caucasus

Neville Kennard

We lost the twentieth century was how Paata Sheshelidze described Georgia's experience of the Soviet occupation from 1920 to 1990.

Sheshelidze is President of the New Economic School in Georgia (NES), a free-market think tank in Tbilisi. I had met him and the NES Vice President Gia Jandieri at the Property and Freedom Society Conference in Turkey. The Democratic Republic of Georgia is a country that has been trampled on, over-run, ruled and occupied many times in its long history but has also had periods of independence and sovereignty.

But now Georgia's government proclaims as one of its goals to reduce the size of government as a share of GDP from 29 per cent to 20 per cent.

The twentieth century may have been 'lost', in Sheshelidze's words, but it is visible. The pre-communist era Georgian architecture is charming and in a style that could probably be described as 'West Asian'. But the Soviet architecture is strikingly unpleasant—blocks of flats built by the hundred, recalling NSW Housing Commission blocks at their worst. Soviet office buildings and factories are conspicuous by their ugliness. The seventy years of Soviet rule emasculated Georgia as a functioning country and community. The Soviet withdrawal left them with little on which to lean except for the people's skills, culture and resilience, and these too had been severely crippled, even more so than in Eastern Europe.

Many buildings and roads are in poor repair after the 70 year Soviet experience. With a low per-capita income—and thus low tax base—infrastructure construction and restoration lags.

Georgia is now a reasonably-well functioning democracy, firmly heading in a free-market direction. Much has been privatised in the last ten years and this privatisation continues. Despite the interference of EU busy-bodies and other international bureaucracies, Georgia has largely resisted their recommended regulations and remains determinedly free-market and low-regulation. According to the World Bank's Doing Business survey, Georgia is number 18 in the world and was the number one reforming country for 2007.

The Georgian government imposes just six relatively low taxes—a goods and services tax of 18 per cent, a flat personal income tax of 25 per cent (which is soon to be lowered to 15 per cent), a corporate income tax of 15 per cent, and low excise taxes which apply to fuel, tobacco, alcohol and tyres. It has almost no import duties, and some minor property taxes on land, buildings, and vehicles.

Importantly for economic development, the government levies no taxes on financial instruments; restricts no capital or financial transactions; and positively encourages business formation and investment. In Georgia, it is quick and easy to register a business and form a company, and there is no labour regulation.

As a result of this liberal taxation and regulatory regime, per capita income has gone from $200 in 1995 to $4,700—still low by international standards, but a remarkable increase. Real GDP growth in 2007 was 12.4 per cent. And its share price appreciation between 2004 and 2007 was 1,150 per cent.

Georgia eyes the low-tax, low-regulation Baltic Tigers (Latvia, Lithuania, and Estonia) and their economic progress with admiration and is seeking now to emulate and out-do them in libertarian governance. Lying on the old Silk Route and a natural trade route now between the '-stans' of central Asia, Georgia sees itself as a free-trade economy and safe financial centre for the region. Unfortunately, they are starting from a low base and a decayed culture of personal responsibility and trust.

As history has repeatedly shown, great free market revolutions do not happen by accident. The current Prime Minister is Lado Gurgenidze, a businessman who returned to Georgia when the Russians left. A telling indication of his philosophy is in the name of the stock-broking business he founded—‘Galt and Taggart Securities’—the names of Ayn Rand’s main characters in Atlas Shrugged. And in a government document titled Looking Ahead, they expound ‘Compassionate Libertarianism’. Looking Ahead offers a very reassuring promise of reform and the implementation of free-market philosophies.

Sheshelidze and Jandieri at NES are intelligent champions of freedom and refreshingly libertarian. They are doing their best to inform and educate the policy-makers and ‘influencers’ of not only their own country but also of their neighbours—Azerbaijan, Ukraine, and even Iran and Iraq.

Much has been said about the successes and failures of post-communist transition in Eastern Europe. But Georgia is determined to show how free markets can work, even after a century hindered by socialism.

Neville Kennard is a preaching and practising capitalist, and founder of Australia’s largest self storage company.

(As this edition goes to print, Russia has moved troops into South Ossetia, in Georgia’s north. Hopefully the increasing hostilities will not threaten the lives and prosperity of Georgians.)
Nanny state is a poor guide to policy design

Mary Jo Fisher

Living in a first world country, Australians are entitled to expect their governments to support the delivery of basic services and amenities—for a price.

But now Australians are being told by state and federal governments that no matter the price, we cannot have access to certain services, nor decide for ourselves whether to exercise what should be the fundamental right to choose which and how much of a service we use.

As we are drawn into debate about whether we should have access to a specific basic service (like backyard water) or the right to decide to exercise a specific basic right (such as the responsible use and re-use of a plastic shopping bag), a government stands in our way, wags its finger, and imposes a ban, prohibition or punitive measure.

In so doing, governments prey furiously upon the intent of most Australians to ‘do the right thing’. Of course most people consider they are rightly ‘doing their bit’, because ‘every little bit helps’ … doesn’t it?

By preying upon the ‘feel good’ mentality of most Australians means it is somehow un-Australian to speak out against these supposedly ‘good’ bans and prohibitions. So we don’t. Instead, we honour the ban mostly in the breach, and prohibitions. So we don’t. Instead, we continue to ‘do the right thing’, because ‘every little bit helps’ … doesn’t it?

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In Melbourne … people are now using 22 per cent less water per person than they were in the 1990s. What’s most impressive about this statistic is that a saving of 22 per cent was achieved during a time without water restrictions.

And South Australian Water Minister Karlene Maywald has acknowledged similarly:

… it’s a voluntary program so we’re asking people who have the old style of shower heads to think about being water wise in the home and to take the old one in and get a free one from the council, through SA Water which is a terrific initiative. There’s no compulsion to do it but we’re certain that a lot of people will want to do this because our community is becoming far more water wise.’

… structural damage to buildings, deterioration of lawns and gardens; purchasing new watering systems; time spent on labour-intensive methods of watering; injuries from carrying ‘grey water’ in buckets and the emergence of ‘water rage’.

In Adelaide, houses built on clay soil are seeing thousands of dollars worth of previously unseen cracks open up due to drying soils—the Cathedral City is becoming a cracking city.

But the greatest indictment of all is that backyard water bans will do nothing to significantly improve the plight of the Murray-Darling River. When Maywald praises Adelaide for reducing water use by 29 per cent, she doesn’t tell us that will save a mere 11 GL out of 600GL (or less than 2 per cent) of South Australia’s annual usable take from the Murray-Darling River. When Maywald praises Adelaide for reducing water use by 29 per cent, she doesn’t tell us that will save a mere 11 GL out of 600GL (or less than 2 per cent) of South Australia’s annual usable take from the Murray-Darling River.

The country community of Broken Hill reduced household water consumption by an average 22 per cent between 2005–6 and 2006–7. According to Country Water’s General Manager Brian Steffen, without having water restrictions imposed upon them, Broken Hill residents were using water at the rate expected under level 3 restrictions.

This helps explains why the South Australian government can’t show any causal link between water bans, and water savings. Certainly, the state’s water figures show metropolitan Adelaide’s weekly consumption, tracking satisfactorily alongside level 3 water restriction target consumption. But neither these figures, nor any others, demonstrate any causation. There is none. Backyard water bans cause communities pain. They pit citizen against citizen, and make criminals of the community-minded. And as the Productivity Commission has pointed out, water bans have hidden costs, including:

... structural damage to buildings, deterioration of lawns and gardens; purchasing new watering systems; time spent on labour-intensive methods of watering; injuries from carrying ‘grey water’ in buckets and the emergence of ‘water rage’.

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Murray. Backyard water bans are a distraction from governments’ lack of action on water projects.

Addressing South Australia’s water problems includes separating Adelaide from the Murray and allowing our farmers and river communities full access to the Murray’s available water. Adelaide has a long coastline with consistent winds. Re-using waste water and combining wind energy with desalination would afford coastal rural communities and Adelaide itself access to green and plentiful solutions, at a price within our ability to pay.

State governments across the country are headed the same way with plastic bags. It’s another example of a ban which is unnecessary, won’t work, will cause community pain, and carry hidden social and economic costs. What will be ‘fixed’, by banning plastic shopping bags: Plastic bags are not the litter culprit they are alleged to be, so litter won’t be reduced markedly.

Plastic bags make up two per cent of Australia’s litter. Of the plastic bags used, a tiny one per cent end up as litter. And the oft-alleged damage that plastic bags cause to sea life (usually photogenic dolphins and turtles) misrepresents scientific reports which refer to the harm caused by plastic debris—mainly nets and fishing lines.

Nevertheless, we are already plastic-bag savvy—93 per cent of shoppers re-use or recycle their plastic bags.

The value of education over enforcement has again been acknowledged by government, with Federal Environment Minister Peter Garrett referring to voluntary action (including by supermarkets) causing plastic bag numbers to drop from 7 billion bags in 2002 to 4 billion now.

State government’s plans to ban plastic shopping bags defy independent research showing the proposed ban on 57 per cent of the state’s plastic bags would be inefficient and more expensive than the litter problem at which it is allegedly aimed.

Governments should do away with bans and prohibitions, embracing education and eschewing bureaucratic inaction.

Australians are increasingly waste-wise and prudent with plastic bags, re-using them, not misusing them. With education and constructive government action, we can do even better—but not with bans or prohibitions.

That’s not to say that we should never have bans or restrictions imposed by law. But they should be the very last resort, not headline-grabbing camouflage for inaction. It’s a matter of balance—a balance which Australians are letting governments take increasingly out of kilter.

Building the Australian Nanny State

Free bibs
Victorian Deputy Premier Rob Hulls has announced an additional $35,000 of funding for Auskick programs to provide bibs and waist bags to identify volunteers who had met working with children checks.

V-chip for Australia
The Senate Standing Committee on Environment, Communications and the Arts has recommended that parental content controls be mandatory on all new digital televisions and set top boxes. This technology is already in use in the USA (known as the V-Chip) where only 15 per cent who have the device bother using it.

Local councils
Manly City Council in NSW is undoubtedly the epicentre of the Nanny State in Australia. Attempts have been made to ban the sale of bubblegum in shopping centres, the sale of puppies and kittens in pet stores, smoking on the beach, plastic bags and the sale of bottled water at public events.

Run for your life
Soft drinks, chocolate bars, lollies and ice-cream are likely to become the next victim of the Nanny State. In Victoria, the sale of soft drinks at government schools has already been banned, with all confectionary to be phased out by the end of the year as part of the ‘go for your life’ Healthy Canteen Package. The most exciting snack on the menu is a frozen banana on a stick.

Junk food
Groups such as the Australian Medical Association are calling for a ban on junk food advertising targeting children, a proposal which was strongly rejected by the Howard government. Adult obesity rates are much higher than children’s rates in Australia; perhaps parents should consider leading by example rather than blaming snap, crackle and pop.

Net nanny
The Howard Government tried to make the internet safe for children with their free parental content control software called net nanny. The initiative was underutilised; Telstra stated that only one per cent of its customers utilised the software. The Rudd government will go further by ensuring all internet feeds are censored. Users must opt out to receive an uncensored feed.

- Christopher Murn
The intellectual gap goes to university

Major reform is needed to fix the problem of academic bias, argues Sinclair Davidson.

Following a campaign by the Australian Liberal Students Federation, a Senate committee is investigating the level of intellectual diversity at Australian universities. It is well-known that academia—and more often than not those who are university educated—have a left-wing progressive bias.

The best and most comprehensive analysis of that left-bias comes from the United States. A recent US study found that 72 per cent of 1,643 academics identified themselves as being ‘liberal’ in the US sense and only 15 per cent as being ‘conservative’. US academics are more likely to have left-wing views than the population and also to have views that are more progressive than the average.

Australian universities are unlikely to be much different. Anecdotal evidence supports the notion that Australian academics have left-wing views, and that these views may spill over into the classroom. One self-identified Greens Party member told his first year law foundations class that ‘I believe my role at the university is to teach you my opinion and [for] you to learn from it.’

Similarly a communications lecturer described John Howard and his ‘blue-eyed Aussie cultural jihadists’ as the true fundamentalists endangering Australian society. These may well be isolated incidents and there could even be plausible explanations for this type of political commentary. There is nothing inherently wrong with holding firm political and economic opinions—even left-wing opinions.

The real issue lies in the consequences of that progressive bias. Progressive intellectual bias permeates the entire university structure before it reaches the classroom. In other words, classroom bias is a symptom of a larger problem.

For example, many conservatives allege that conservative academics are less likely to receive research funding, or be promoted, that conservative ideas are less likely to be taught in the classroom, and conservative ideas would be discouraged amongst the student population.

The overwhelming dominance of a single world-view within the university system generates and reinforces a series of misconceptions about university education.

The first myth is that good universities require substantial public funding. Certainly, good quality is never cheap. Yet many Australian academics would rather campaign for more public funding than work for more private funds. Nowhere is this more apparent than the incessant left-wing campaign against the so-called commercialisation of universities. This campaign has taken on an ugly undercurrent of vilifying international students.

The second widespread view is that universities exist primarily to promote an egalitarian society. The great irony is that many academics are both intellectual snobs and, often, intellectual bullies. Yet schemes to attract ever more students from low socio-economic backgrounds continue to be devised; never mind that individuals from those backgrounds may not want to attend university. After a generation of either free or highly subsidised university fees, there is at the moment no financial impediment to university education.

Academia in Oakeshott’s absence

The greatest conservative philosopher of the twentieth century, Michael Oakeshott, has described education as the initiation of a human being into their inheritance of human achievement. In his 1950 essay ‘The idea of a university’ Oakeshott describes a university as being ‘a corporate body of scholars’, ‘a home of learning, a place where a tradition of learning is preserved and extended’.

There is nothing in Oakeshott’s formation about public funding or egalitarianism. And we would be hard pressed to find an Australian tertiary course that prescribes Oakeshott as a required, or even recommended reading. It seems that he is not part of our intellectual inheritance—at least, not according to the Australian academic community. This could be due to his view that ‘a university will have ceased to exist when its learning has degenerated into what is now called research, [and] when its teaching has become mere instruction’.

Indeed that explains exactly what Australian universities have become. But a more likely culprit for his absence from Australia’s intellectual life is Oakeshott’s reputation as a conservative thinker that has seen him written out of our intellectual heritage.

He is not alone. Many, if not most, economics students will never have heard of Friedrich von Hayek. This is an even greater oversight than Michael Oake-
A self-identified Greens Party member told his first year law foundations class that ‘I believe my role at the university is to teach you my opinion and [for] you to learn from it.’

shott—Hayek won the 1973 economics Nobel Prize. James Buchanan, the 1986 economics laureate, has explained why Hayek has been written out of economics education and not just in Australia. Buchanan argues that, following the publication of Road to Serfdom, Hayek could never have returned to being a technical economist. He had ‘politicised himself’, and for the wrong cause, an unforgivable sin in the intellectual atmosphere of mid-century’. That academic sin remains beyond the pale even today—at least for those outside the left establishment.

George Stigler, the 1981 Nobel economics laureate, wrote a lot about academic freedom and intellectuals in the marketplace. Stigler makes the very important point that it is prosperous capitalist economies that can best support a large comfortable intellectual class.

Not only does capitalism provide for better universities, but Stigler also tells us that capitalists ‘have personally been strong supporters of intellectuals, and in particular those in the academic world’. Far from being anti-intellectual, captains of industry ‘are remarkably tolerant of almost everything except a mediocre and complacent faculty’.

But, of course, most academics and intellectuals oppose the capitalist economy.

What happened?

How did this state of affairs come about? Both Joseph Schumpeter and Hayek provide a theory of intellectuals. Schumpeter’s is a theory of incentives; intellectuals are forever questioning and attacking social institutions. Hayek provides a psychological argument—intellectuals are rationalist and require detailed explanations of all phenomena. It is not enough that something should work in practice; it also needs to work in theory. Hayek makes the prediction that the more intelligent an educated person is the more likely they are to hold socialist views.

Of course, universities are full of highly intelligent and educated people. It is important to point out that there is no conspiracy of academics and intellectuals to create a soft-left bias at universities.

Rather, the capitalist system itself creates incentives that interact with human psychology to create such institutions. The solution to this turn of events revolves around the application of free market principles to universities; in particular, consumer sovereignty and stakeholder accountability.

In the case of universities it is possible to combine these two principles.

Australian students make a modest financial contribution to their university costs through the Higher Education Contribution Scheme (HECS). The government allocates HECS places to universities and sets the HECS payment. Students face a Hobson’s choice when going to university. While many universities talk about having student centred learning programs, the student funding system is very much a producer centred system. Adam Smith warned against such an education system.

He argued that public education ‘is in general contrived … for the ease of the masters’ while those parts of education ‘for the teaching of which there are no publick institutions, are generally the best taught’. The government could empower students by making HECS funding portable. Students who are dissatisfied with their university education should be able to seek out another provider and take their funding with them.

Fully portable HECS places would require universities to substantially improve their teaching performance beyond the rhetoric of student-centred learning.

After graduation most students have a personal debt, but no other attachment to the university education system.

Yet graduates have the greatest interest and incentive to preserve the reputations of their alma mater. In many respects they are akin to being shareholders in the university. The alumni, however, play no role in university governance at all.

University councils are long overdue for major reform. At best they are self-perpetuating oligarchies. Adam Smith had recognised the corporate governance problem inherent in universities. Self-governance leads to idleness and complacency, while external governance may be arbitrary and capricious. The external monitor may have little knowledge of the internal workings of a university. The alumni, however, have an intimate knowledge of the university and by virtue of their qualifications have an incentive to improve the university quality standards and reputation.

The alumni should elect representatives to the university council to ensure that universities reflect the interests and concerns of their past students.

After all it is those students who can best determine the quality of the student centred learning that they have received. And their values will permeate through the institution, at least partly mitigating the problem of academic bias.
Who should take the blame for the biofuels tragedy?

Alan Moran

In Mexico early last year, 75,000 people took to the streets in protest of the increasing cost of basic grain, in what were branded the ‘tortilla riots.’ In March 2008, there were food riots in Egypt. And in April, Haitians rioted over the price of basic foodstuffs.

Yes, the joy of being green is never having to say you’re sorry.

There shouldn’t be any more comprehensively discredited environmental policy than the one which encourages food to be turned into fuel.

In early July this year, Britain’s Guardian newspaper reported it had got hold of a secret World Bank report that said the subsidies to biofuels had led to a 75 per cent increase in food prices.

Nevertheless, in wilful ignorance of the human cost of the biofuel scheme, many green activists still support biofuels, preferring to place their lofty environmental considerations above these more human considerations. ‘We must make the move to fuels from renewable sources,’ said Greens Energy spokesperson, Louis Delacretaz, as he filled his tank at Melbourne’s first retail biofuel outlet in Boronia in July. According to the ABC last November, the Greens want ‘efficient, biofuel or electric cars and fast, efficient and cheap mass transit’. The Australian Conservation Foundation has been particularly voluble in support of biofuels in a number of parliamentary submissions and had called for biofuels to comprise five per cent of fuel in the transport sector.

The support of green groups for biofuels is complicated by their often vehement anti-technology beliefs. Oxfam, Greenpeace and WWF and Friends of the Earth now oppose the use of crops for fuel as part of their dislike of genetically modified crops.

But Friends of the Earth, while it may now be proudly in the anti-biofuels camp, was campaigning for crops to be converted into petrol as recently as 2004.

Our very own taxpayer funded CSIRO has been a staunch supporter of biofuels. Spokesman John Wright told Fairfax newspapers in July that beyond the next ten years Australia would have to rely on less conventional fuel types, such as hydrogen and biofuels. And the UN Special Rapporteur on the Right to Food, Jean Ziegler has decided to blame the food crisis on ‘speculators’.

But as the results of the World Bank’s leaked report makes clear, biofuels make clear the stark choice that many in the environmental movement try to shrink from. Should government policies prioritise human or environmental needs?

Fossil fuels will not last forever, though coal, greenhouse considerations permitting, can supply all conceivable energy needs for hundreds of years.

Essentially, fossil fuels are the compressed crops and plants aged over millions of years, leading to a far more concentrated energy source. They embody far more energy than recently grown crops ever can. New crops might store up a year’s sunlight before they are burned but the conversion of the sunlight involves considerable wastage in the actual growth of the plants themselves.

If there is a clear ‘energy of the future’ it is most likely that it will be nuclear. But here too green groups face contradictions of their own making—for nearly half a century, the environmental movement has been a sworn enemy of nuclear technology.

But environmental groups need to face up to the mess they have already caused, and decide whether they can honestly continue supporting the destruction of food for fuel that has caused so much pain in developing countries around the world.

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emissions trading: The biggest economic change in the history of the nation
Placing a limit and a price on emissions will change the things we produce, the way we produce them, and the things we buy’, states the Federal Government’s Carbon Pollution Reduction Scheme Green Paper, which compares the economic impact of the proposed emissions trading scheme with the breaking down of tariffs and liberalisation of the financial sector in the 1980s.

The introduction of a wide-ranging emissions trading scheme (ETS) is, as the Minister for Climate Change and Water, Penny Wong, acknowledges, a ‘tough ... whole-of-economy’ measure. It is an unsettling statement of politics in the 21st century that this dramatic change to the economic structure of the nation is being formulated without any clear appreciation of what it will cost, where the costs will fall and whether the costs will bring any benefits.

The ETS vs. the GST

Many commentators have pointed to the introduction of the GST in 1999 as an economic reform on the equivalent scale of the ETS. In fact the ETS is a far more comprehensive policy measure than the GST. The GST saw the introduction of a flat and stable broad based consumption tax, to raise revenue. By contrast, the ETS seeks to penalise energy intensive forms of production, such as coal, and to a lesser degree, gas based electricity production. And it plans to do so in ever-increasing increments.

After its introduction in 2010, the government plans to steadily raise the price of emissions permits by restricting their supply, until, in 2050, the country is emitting 60 per cent less greenhouse gases than it was in the year 2000. The government’s objective is for an ETS to bring snowballing price rises spreading across the economy for at least the next four decades. But the outcome will be far more injurious than this. It will mean—at least if Australia’s tax approach is not followed by all nations—the disappearance of staple industries like smelting, cement production, cattle and sheep rearing as well as the coal based electricity industry which supplies 90 per cent of our needs, and for which there is no alternative.

As a consequence, the ETS will vastly devalue homes, factories, and commercial premises. It will require revolutionary and painful changes to the way we socialise, work and play.

The ETS differs from the GST in many other respects. Not least among these is the duration of its prior consideration. The GST was a policy initiative debated in political and business circles for nearly two decades and road tested in many nations around the world. Since it was promoted by then-Treasurer Paul Keating at the 1986 tax summit, the country fought three elections on the issue of a consumption tax. 1993 saw John Hewson’s FightBack! package partly flounder on the GST issue, 1998 saw John Howard successfully take the GST to the ballot box, and in 2001 Kim Beazley asked voters to support a partial rollback of the now implemented tax.

By contrast, the federal government’s approach to the ETS has been to emphasise urgency, and to produce a steady stream of draft and interim reports, green papers and government responses that add to the air of inevitability.

Moreover, we are not even going to see any modelling of the economic impact of the ETS until Treasury reports back in November this year.
Would we be ‘free-riding’ if we favoured our economy?

Sinclair Davidson

Economists advocating greater government intervention often invoke the ‘free-rider problem’ as justification for coercion. Some have suggested that opposition to an Emission Trading Scheme constitutes ‘free riding’. They argue that by not imposing a price on emissions, Australians are not paying their ‘fair share’ of global carbon pollution costs—we are free riding on those who do pay.

This is, however, more of a moral argument than an economic argument. Free riders get something for nothing and are generally regarded as ‘spongers’.

The economics of free riding, while not trivial, are certainly overblown. Economists usually argue that free riding will lead to market failure. We are invited to believe that the market will not provide goods or services because not everyone will pay for them. But consider some examples. Lighthouses were historically privately owned even though not everyone paid for them. Similarly, there are far more football fans than there are paid-up football club members. Yet there is no shortage of football.

Ironically, the greatest free rider problem is probably associated with democratic politics—there are far more ALP and Liberal voters than there are members of those political parties. Welfare recipients free ride on the taxpayer all the time—but many would argue that there is an over-supply of welfare, not a shortage.

In short, free riding is ubiquitous.

The point of all of this is to suggest that vague notions of ‘free riding’ are a poor policy justification for an emission trading scheme. Before such a scheme—indeed, any public policy proposal—is adopted, a hard-headed economic analysis of tangible benefits and costs must be undertaken. We have yet to see that analysis.

An open-checkbook...

Less than 18 months away from the implementation of a ‘whole-of-economy’ reform, Australian businesses and consumers have almost no idea what is going to happen to prices. It is no surprise that investment is drying up in vital sectors like energy and energy intensive activities, while firms nervously wait to find out what impact the ETS will have on their business models—or what concessions they are able to squeeze out of the implementation process.

The level of ignorance about the facts and the rationale for an ETS is widespread. In July, an ACNielsen poll reported that while 67 per cent supported the introduction of the system, only 39 per cent professed to understand what it was. Confusion is also apparent in political circles. For example the Treasurer, Wayne Swan, has claimed that the inflationary effect of the ETS will be a once off. Unless the initial permit allocation somehow manages to dramatically reduce carbon emissions to 60 per cent in the first twelve months after implementation, the ETS demands a steady price increase over a number of years to achieve that goal. The government is hoping that technological change will be able to offset some of the price rises, but this is surely the first time that the health of the Australian economy has been bet on the entirely unpredictable pace of invention and innovation. And throwing money at research and development—as the government plans to do with some of the proceeds of the ETS—is no guarantee of commercially viable technology.

The ETS is the largest change to the Australian economy since settlement 220 years ago. For such a significant reform, it is being designed, prepared and implemented at unprecedented speed. It lacks the comprehensive nature that would be crucial to ensure its impacts are felt equitably—the inclusion of major sectors like agriculture is being deferred and other sectors are receiving preferential treatment.

The opportunities created by inconsistent burdens and political favours will be targeted by lobbyists seeking competitive advantages around the new system.

...and the minister with the pen

And in charge of all of this is the Minister for Climate Change and Water, Penny Wong. Her stewardship of the political negotiations necessary to implement the ETS make her one of the most powerful government ministers in Australian history. Under the banner of the ETS, there is no sector of the economy which is outside of Wong’s purview; no price in the country which will not be affected by the political decisions made in her ministerial office.

One particular example of the scale of these ministerial decisions is the issue of ‘trade-exposed’ industries, which will be granted some free permits until there are ‘broadly comparable’ ETSs developed in competing countries. There are numerous unanswered questions about these measures, which will involve making arbitrary distinctions and relative value judgements. For instance, not all industries can be neatly siloed off into ‘trade-exposed’—a small army of lobbyists is descending on Canberra with their briefcases full of trade statistics for the industries they represent. How ‘broadly comparable’ must international ETSs be to make industries ineligible for free permits? Those lobbyists will have a view on that question as well. The same challenge will be presented by the
energy industry, many of which will be granted some degree of assistance as the scheme is implemented.

And as some industries are in part excused from paying for the cost of carbon, achieving the ETSs short and long term goals will be ever the more challenging, and borne by those industries which are unable to receive government assistance. Further discretion will be available to the Climate Change Minister as targets are set and adjusted and other sectors are dragged into the scheme. The complexity of the ETS and the political manoeuvring which will be necessary to implement it will make the administration associated with the GST look like a family picnic.

What of the goal of the ETS? The IPA Review has long been one of the few outlets in Australia which publishes views that dissent from the global warming consensus—from critiques of the science around carbon dioxide pollution and its impact on global temperatures, to discussions of green political ideology.

The government has to be asked how the ETS will be adjusted if the now ten-year-long period where the global climate has been stable continues. Is the ETS a policy to be pursued no matter what, or is it contingent on long term temperature rises and the sturdiness of the model of relationship between carbon dioxide emissions and temperature?

Nevertheless, even if we accept the government’s goal of reducing greenhouse gas emissions, there is much to be critical of in the ETS. How does the government intend to leverage a domestic ETS into a global carbon pact, when the self-interest of China, India, Russia and the United States seem firmly opposed to such a pact? Australia’s contributions to global emissions are as little as 1.1 per cent of the total. Do Australian politicians have such a surfeit of hubris that they imagine others will follow simply because of the example they set or be persuaded by the rhetoric they offer?

Australia is staring down the barrel of long-term, entirely unpredictable price increases, coupled with the opportunity for rent-seeking and political opportunism to redraw the contours of the Australian economy.

And, as the government points out, a domestic ETS is only the prelude to an international agreement—one which may take these complications out of the hands of our domestic climate change minister and into international bureaucracies.

The ETS may be ‘brave’, it may be ‘tough’ and it may even be ‘courageous’ economic reform. But that does not mean it is desirable.

Australia already has in place a plethora of taxes, subsidies and regulatory measures targeted at reducing emissions. These include requirements on electricity suppliers to use renewable energy, subsidies for low carbon dioxide emitting technologies and regulations on the design of houses and white-goods. If there is a political imperative to maintain and augment these, the government’s approach should be one that is carefully targeted and able to be withdrawn or intensified causing minimal disruption, while avoiding jeopardizing international competitiveness. Recognizing the consensus that petrol is now out for the time being, a tax on gas and electricity that is directed to the household consumer would be a place to start—offering some incentives to start on what may or may not be a long haul to diminish the nation’s wealth and transform its economy.

But in the manic rush to implement the ETS, such a measured—and reversible—policy appears to be off the government’s table. It will be the Australian economy that suffers.

A coal ship in Newcastle pumping out its ballast tanks whilst it is loaded with coal.
What is it?

The emissions trading scheme, or ‘Carbon Pollution Reduction Scheme’, is a ‘cap and trade’ system. This requires firms to obtain a government ‘permit’ if they emit greenhouse gases.

The government caps the level of emissions by restricting the number of permits available. The government plans to progressively reduce the pool of permits made available each year—intensifying the competition for permits and making them accordingly more expensive. So how does a cap and trade system work?

1. Each year, firms acquire permits directly from the government through an auction process or some other allocation mechanism. The firms can decide whether to use those permits themselves, hold them for some future period, or sell them to other firms.

2. Over the course of the year, firms can emit only the quantity that they have permits for. Government audits emissions levels to ensure compliance.

3. Used permits are surrendered to the government. This process is intended to provide incentives to reduce carbon emissions, by favouring low (or zero) greenhouse gas emitting forms of production and consumption. And, to the extent that prices of goods and services are affected by price rises, the ETS is supposed to restrain demand. The reduction in emissions may be brought about by firms utilising lower emission technology or implementing carbon capture and storage systems. Firms that lower their emissions will need to buy fewer permits, and to sell unused ones to other firms.

Does the ETS apply to all emissions?

The ETS applies to a broad range of greenhouse gases. Firms will require permits to emit, carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons and perfluorocarbons—the gasses nominated by the Kyoto Protocol. Nevertheless, carbon dioxide accounts for 74 per cent of the total.

But not all Australian greenhouse gas emitters require permits to emit. The ETS covers only the largest emitters—roughly 1000 firms. This leaves 25 per cent of Australia’s total emissions uncovered by the scheme. The announcement that petrol will effectively be excluded for up to three years from the ETS reduces the coverage by another 14 per cent.

Why not just a simple carbon tax?

The ETS effectively acts as a tax. It requires firms to buy—or be awarded—permits from the government in order to emit greenhouse gases. Certainly, the permit awarded by the government can be bought and sold in the market. But the ETS is, at its core, just a tax. And as a tax, it will raise the cost of production. This extra cost will, either directly or indirectly, be passed onto consumers, dramatically raising the price of goods and services across the economy.

Australia produces a tiny 1.1% of total global emissions.

Even if we entirely eliminated our greenhouse gas emissions, it would have a statistically insignificant impact on global emissions.
What’s going to happen to all that money?

The ETS is going to bring the government a huge amount of additional money as it auctions permits each year. Conservatively, that amount will be at least $5 billion extra in the first year, not including the extra GST applied to permits traded in the marketplace. Reducing emissions by 60 per cent of their 2000 levels by 2050—as the government has committed to do—will require making fewer and fewer permits available, and the amount of money the ETS brings the government will increase massively.

The government has described the ETS as ‘revenue neutral’, however, the government only means that it plans to spend all the extra money it receives. This is no different from money raised from other taxes. The government has explicitly committed to use much of the proceeds of the tax (the figure of 50 per cent has been mentioned) to compensate low and middle income households, pensioners and other welfare recipients.

Other money will be directed towards subsidising energy efficiency technologies at the household level. In short, the government plans to return much of the money it taxed—a highly inefficient government practice that has been widely criticised in the context of welfare and family policy.

But instead of this elaborate tax churning, the introduction of the ETS should be an opportunity to cut taxes in other areas of the economy. With just the first year ETS windfall of $5 billion, the government could increase the tax-free threshold from $6,000 to $9,000, or entirely eliminate the top 45 per cent income tax bracket.

But most importantly: Will the ‘Carbon Pollution Reduction Scheme’ reduce carbon pollution?

Australia contributes 1.1 per cent of total global greenhouse gas emissions. Our contribution is dwarfed by big emitters like the United States which contributes nearly 21 per cent, China which contributes 17 per cent, and Russia which contributes just over 5 per cent.

Even if we entirely eliminated our carbon footprint, the impact on the global total would be statistically insignificant. Reducing emissions would do nothing for the Murray-Darling Basin, or the Great Barrier Reef, or Australia’s rainfall patterns, even if human-induced climate change was the culprit. What matters for the environment is global emissions, not Australia’s emissions.

For this reason, the federal government is hoping that implementing a domestic ETS will apply pressure to the big emitters, and set the stage for a new international carbon trading scheme.

The ETS turns the Australian economy into a diplomatic bargaining chip, endangering Australian prosperity as it does so.
Federal government ads misleading on climate insurance cost

Sinclair Davidson

In order to prepare the nation for the introduction of the ETS, the federal government has begun a large advertising campaign to argue that, without action, climate change will have a significant economic impact.

In particular one of their most widely distributed advertisements claims that ‘scientists warn that climate change will cause more severe bushfires, storms, cyclones and floods. This is already pushing up insurance premiums.’ Both these statements may be true in isolation—some scientists are warning of such things, and some insurance premiums are going up—but the federal government invites us to believe that the first is causing the second. This is, however, not the case. The government’s argument can be tested by looking at a more direct measure of damage from climate change—insurance losses.

In a paper published in the peer-reviewed journal *Environmental Science & Policy*, Ryan Crompton and John McAneney of Macquarie University have investigated the link between insurance losses and meteorological hazards. Using data from the Insurance Council of Australia over 1967–2006 Crompton and McAneney adjusted the insurance losses to normalised 2006 dollars. Doing so involves more than just accounting for inflation. For example, as population and wealth increases the loss from a meteorological disaster increase. Conversely, changes in building safety standards reduce losses from wind damage. Crompton and McAneney have taken these sorts of factors into account to standardise insurance loss data, to ensure they are comparing like with like. The results are quite startling. Cyclone Tracy destroyed Darwin in 1974 with an insured loss of $200 million—in normalised 2006 dollars that would be equivalent to $3.56 billion. It is quite rightly the single largest meteorological disaster in Australian history. But before Crompton and McAneney normalised the data, the ICA data appears to indicate that the 1999 Sydney hailstorm was the largest disaster in Australian history with an insured loss of $1.7 billion, but $3.3 billion in normalised 2006 dollars.

Crompton and McAneney conclude there is no discernable evidence that human-induced climate change is significantly impacting insured losses. The observed increase in insurance losses is largely due to an increased number of more valuable buildings.

Would you swap climate change for acid rain?

John Abbot

‘Climate change is happening so quickly that mankind may need to pump sulfur into the atmosphere to survive’, argued Tim Flannery, 2007 Australian of the Year, in May. Flannery has suggested the sulfur be dispersed by jet fuel as a last barrier against climate collapse and that this would change the colour of the sky purple.

He conceded, however, there were risks.

But following Flannery’s predictions would be reckless—his ‘purple sky’ strategy to tackle climate change would be a dangerous and highly expensive solution to an uncertain problem.

Deliberately introducing sulfur into the stratosphere would be an example of geo-engineering to mitigate global warming. Geo-engineering describes ‘technological efforts to stabilise the climate system by direct intervention with the energy balance of the earth’.

The recent report on climate change from Ross Garnaut referred to a range of other geo-engineering proposals, including cloud seeding, and fertilisation of the ocean with iron and nitrogen to increase carbon sequestration.

The idea of artificially cooling the
planet by introducing sulfur compounds into the stratosphere is not new. It dates back several decades, and was developed by Nobel laureate Paul Crutzen, and others, including Edward Teller, who originated the concept behind the hydrogen bomb.

There are reasonable scientific grounds to believe that a cooling effect could result from pumping sulfur into the air—introducing an artificial sulfate aerosol layer in the lower stratosphere would reflect solar radiation. Indeed, it has occurred a number of times in recent history from natural forces.

It has been estimated that eruption of Mount Pinatubo June 1991 injected some 10 Tg (teragrams) of sulfur into the tropical stratosphere. The enhanced reflection of solar radiation caused by the sulfur particles cooled the earth’s surface on average by 0.5 degrees Celsius in the year after the eruption.

According to a 2006 paper in the journal *Climate Change*, the annual cost of deploying an effective amount of sulfur (about 1 Tg) into the stratosphere to achieve cooling would be in the range of $US25–50 billion.

But even that estimate could be low. In line with some other bulk commodities, the price of sulfur has in fact soared from $US50 per tonne a year ago, to $US800-900 per tonne now. So, it might now cost in excess of $US50 billion annually to cool the planet with sulfur—about 5 per cent of the current annual global military expenditure, and this is only if the current price of sulfur remains stable.

Increased demand for sulfur would further exacerbate price rises, particularly for sulfuric acid, which is already used for the manufacture of fertilisers, such as superphosphate.

And it is uncertain how long any cooling effect from the injected sulfur would last. Estimates based on studies of clouds of radioactive debris from atmospheric testing of nuclear weapons in the 1950s and 1960s suggest residence times of between 10 and 16 months for the aerosol particles.

Indeed the sulfur must eventually come down. It will be as droplets of sulfuric acid—like a dilute acid rain.

Over recent decades the developed world has gone to great lengths to get rid of the acid rain problem—petroleum refiners like Caltex in Australia have been forced to spend ten of millions to get sulfur out of our petrol and diesel. New Australian regulations limit the maximum amount of sulfur in diesel to 50 parts per million, down from 500 parts per million.

But still each year globally, 70 Tg of sulfur comes from fossil fuel (coal and oil) combustion and industry.

Other potential risks from Flannery’s sulfur proposal include depletion of ozone and a decline in global rainfall while having no effect on ocean acidification because the atmosphere would still have high concentrations of atmospheric carbon dioxide.

Destruction of the ozone layer was of major environmental concern in the 1980s. The ozone layer is important because it blocks dangerous ultraviolet radiation from the Sun and sulfur can destroy ozone. The El Chichón volcanic eruption in 1982 injected 3–5 Tg sulfur, destroying about 16 per cent of local ozone at 20 km altitude. After the Mount Pinatubo eruption the loss of global ozone was about 2.5 per cent.

There is good evidence that global temperatures have increased since the beginning of the last century, but there remain uncertainties in defining the contribution of man-made emissions to this warming and its impact on the planet. Given the dollar cost, transient nature and real potential risks of injecting sulfur into the stratosphere, Flannery’s idea has rightly not been developed in detail by the government’s climate change advisor, Ross Garnaut.

The album *Purple Rain* is ranked amongst the best in rock and roll history—a real musical experience—but Flannery’s idea of purple skies should definitely remain just that—an idea.
Climate change is not our #1 problem

John-Paul Fenwick

It is easy to forget that climate change is not the only issue facing the world today. In ignoring other problems we run the risk of introducing inefficient solutions that make other problems worse. A good example is the promotion of biofuels which is now acknowledged as contributing to the global food crisis.

Unfortunately, most Australians are unlikely to have heard of the 2008 Copenhagen Consensus, run by Bjorn Lomborg, author of The Skeptical Environmentalist. The idea behind the Copenhagen Consensus is quite simple. If US $75 billion (over a four year period) was available for worthwhile causes, what would be the best way to spend it in order to achieve the best outcome?

The Copenhagen Consensus has been totally ignored by the Australian media which is disappointing given the involvement of 5 Nobel prize winners and Australian International Trade economist, Professor Kym Anderson of the University of Adelaide. Ten major world problems were identified—Global warming, Malnutrition and Hunger, Trade and Subsidies, Diseases, Education, Women and Development, Sanitation and Water, Conflict, Air Pollution and Terrorism. Looking at the major problems and solutions together should be a necessity as quite often a solution to one problem might lessen the impact of another.

For each of the ten problems a challenge paper was written by a panel of three experts (Anderson was a lead author on the Trade & Subsidies challenge paper) and two commentators provided alternative analysis through their prospective papers. This work, conducted over a two year period was aimed at developing an up to date cost benefit analysis of potential solutions to the ten problems. These experts have a much greater claim to being the ‘best and brightest’ than those who attended Rudd’s 2020 summit in April and their work provides more tangible opportunities to provide lasting benefit than was achieved in two days with butcher’s paper and post it notes.

The challenge and perspective papers were presented to a panel of eight economists, including the five Nobel winners in late May and their task was to rank the thirty solutions identified in order of maximum return on a cost–benefit basis. This is a process that many business leaders will be familiar with. If resources were unlimited we would want to undertake all projects that provide a positive net present value (i.e. discounting future returns back to today’s value), but when resources are finite, projects have to be ranked in order of which will provide the maximum benefit. Of course cost–benefit analysis on problems affecting people’s lives will always be controversial, not the least because a value has to be put on things such as increased life expectancy.

Micronutrients before climate

The top ranked solution—the provision of micronutrients (Vitamin A and zinc) to 80 per cent of the 140 million children in developing countries who are undernourished—has a cost of $60 million but would provide benefits in health and cognitive development of over $1 billion per annum. Expert panel member Douglass North noted in the Copenhagen Consensus press release of the results that this solution ‘has immediate and important consequences for improving the well-being of poor people around the world—that is why it should be our number one priority.’

The second ranked solution, the Doha development agenda, was assessed as increasing global income by more than $3 trillion per year, $2.500 trillion of which would go to the developing world. Nobel Prize winner and expert panel member Finn Kydland stated that ‘by reducing trade barriers, income per capita will grow, enabling more people in developing countries to take care of some of these problems for themselves’. Unfortunately there appears to be little political will to make this a reality. Unlike global warming, free trade doesn’t have high profile celebrities railing to the cause and the mainstream media seems unwilling to highlight this issue, except negatively.

Solutions to Malnutrition, Diseases, Trade, Education and Women ranked much higher than those for Global Warming and Air Pollution. Thomas Schelling, also an expert panelist and Nobel Prize winner noted that ‘the best defence against climate change in the developing world is going to be their own development’. It should be obvious that having a healthy and educated labour force and reduced trade barriers will enable developing countries to boost their economic growth and be more able to address future uncertainties, including any climate change related problems. It is often noted that the impacts of climate change will have a greater impact on poorer nations, but assisting these nations to become wealthier is usually ignored as a potential solution.

Too often this point is lost in the climate change debate as the focus has been narrowed down to how much emissions should be reduced by rather than discussing whether adaption and other methods should be included in the overall solution.

Unfortunately while global warming has a number of high profile spruikers who receive endless amounts of media coverage, regardless of whether their claims are credible or not, most of the

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Bob Geldof, who 23 years after Live Aid is still trying to bring the world's attention to problems in Africa has noted the failure of the media to highlight the very real and significant contribution the Bush administration has made to the fight against AIDS and Malaria. Bush has also twice re-authorised the African Growth and Opportunity Act which allows previously high taxed goods to enter the US tax free. Geldof believes that the Bush administration has saved millions of lives in Africa, yet the media seem uninterested in letting us know.

So why was mitigation of global warming by cutting emissions ranked at the bottom of the priority list? As Schelling noted, spending US$75 billion to cut emissions would not achieve much, but even the analysis presented to the expert panel showed that spending $800 billion until 2100 would only result in $685 billion in benefits. This does not suggest that we should ignore climate change, but does highlight that governments should reassess how they intend to tackle the problem and weakens case for mitigation, whether through taxes or emissions trading. As Bjorn Lomborg has pointed out many times, we know that providing vitamins to impoverished children will certainly save lives, but we cannot be certain that spending billions on reducing carbon emissions will have a similar effect.

Funding for research and development in to low-carbon energy technologies ranked significantly higher at number 14. Ultimately any objective to reduce carbon emissions will only be achieved when new technologies are as reliable and as cheap as current fuel sources. If this can be achieved it will be much easier to convince the developing world that they can be part of the solution. Actions to reduce carbon emissions currently are expensive, which is why an emissions trading scheme will only capture some low hanging fruit rather than making a significant difference to emission levels.

The Copenhagen Consensus process is not perfect, and some criticism is valid. The number and list of problems to be solved could be debated. It can also be argued that prioritising problems and solutions should not simply be a matter of comparing the cost-benefit analysis of each solution; social, environmental and political factors should also be considered.

Nevertheless the Copenhagen Consensus is a very good starting point if we are serious about addressing the world’s biggest problems and making informed choices about potential solutions. As Kydland said in the final Copenhagen Consensus press release ‘It’s hard to see how one could do any better in terms of coming up with a well founded list of where to start for the purpose of the betterment of the dire conditions in much of the rest of the world.’ It is a great pity that our media have ignored their efforts.
An Appeal to Reason: A Cool Look at Global Warming is a concise and interesting contribution to the debate about the significance of global warming. According to its author, Nigel Lawson, the former British Chancellor of the Exchequer in the Thatcher years, it was a major struggle to find a publisher willing to publish something that ‘flies so much in the face of the prevailing orthodoxy’. Nevertheless, since finding a publisher, Lawson has done a reasonable job of attracting coverage for his arguments about the exaggerated, unnecessarily fearful stance that many are adopting with regard to the issue of global warming.

His message that human beings are more adaptable than they are being given credit for in the current global warming debate is the most convincing part of the book, and the one that has received the most favourable coverage in the press.

Referring to the role of the Intergovernmental Panel on Climate Change (IPCC) and its attempt to predict what the impacts of global warming might be by 2100, Lawson undoubtedly has a point when he argues that ‘there is something inherently absurd about the conceit that we can have any useful idea of what the world will be like in a hundred years time’. As Lawson points out: ‘We have only to ask ourselves whether the Edwardians, even if equipped with the most powerful modern computers, would have been able to foresee the massive economic, political and technological changes that have occurred in the past hundred years’. For Lawson, combining the ‘uncertainties of long-range weather forecasting’ with those of ‘long-range economic forecasting’ and ‘long range population forecasting’ does not provide a sound basis for ‘seriously expensive’ long-term policy decisions.

The book is at its best when simply raising commonsense points about the scale of the problems that may be posed by global warming in the context of future economic and technological development and man’s adaptive capabilities. For example, using the IPCC’s own assumptions that have shaped their various future scenarios about economic growth, population growth and growth in carbon emissions, coupled with the IPCC’s associated projections about the range of possible average temperature rises associated with these different scenarios, Lawson demonstrates why people in the year 2100 (the time span the IPCC focuses on) should in general be well able to cope with any necessary adjustments that society will need to make in the face of warming.

According to Lawson, using the IPCC’s own assumptions, even under its gloomiest scenario with the lowest assumed rate of technological advance and the highest assumed rate of population growth (15 billion by 2100, nearly 50 per cent higher than the United Nation’s own highest projection for that year), the costs associated with coping with the consequences of the 3.4 degrees Celsius best estimate rise in temperature made by the IPCC will mean that people in the developing world will, on average, be ‘only 8.5 times as well off as people in the developing world today, instead of 9.5 times as well off’. Similarly, people in the developed world will be ‘only 2.6 times as well off as we are today, instead of 2.7 times’. According to Lawson, if you take the IPCC’s most optimistic growth scenarios, then the corresponding figures would be 4.7 times as well off for the developed world compared to 4.8 times as well off, and 45 times as well off in the developing world compared to 50 times as well off.

Thinking about these widely varying assumptions and their lack of any real grounding in reality makes one very aware of the futility involved with predicting the future in this way. But this number-crunching exercise does help to put the scale of the problem of global warming into perspective. As Lawson readily admits, global warming...
may well present people with challenges and problems to overcome—whether through impacts on water supply and food production, sea-level rises in low-lying areas, or the spread of some diseases. But none of these problems need be catastrophic, and in some instances the advantages of warming are likely to be greater than the disadvantages. If we prioritise continued economic growth and technological development, there appears little reason to believe that, in general, we cannot take the challenges posed by warming in our stride as we march towards greater prosperity.

The more relaxed perspective on global warming argued for by Lawson is out of kilter with much of what we hear about the issue in the media or from politicians, business leaders and pretty much everybody else these days. According to Robin McKie, reviewing Lawson’s book for The Observer, this is because Lawson ‘simply piles up scientific howlers’; McKie accuses Lawson of using ‘cherry-picked’ and ‘distorted data’. He particularly objects to Lawson’s focus on the static average global temperature increases recorded for the years 2001 to 2007. McKie says: “The Met Office states clearly: ‘The temperature change over the latest decade [1998-2007] alone shows a continued warming of 0.1 degrees Celsius per decade.’”

Indeed it seems quite reasonable to object to the level of attention Lawson pays to a very short period of time when the science of global warming is about longer-term trends. However, given that the science of global warming is often presented as much more accurate and well understood than it actually is, in order to use the science to push through political objectives and specific policy responses, it seems quite reasonable for Lawson to point out that this period of roughly static temperatures, much commented upon within the scientific community recently, was not predicted by any of the clever computer models wheeled out to tell us why we must all start doing our bit to reduce our carbon footprint.

The strength of Lawson’s book is probably not in his presentation of the science of global warming, though he does do a reasonable job of pointing out that the science is less certain and clearer than it is frequently portrayed to be. The reason to read this book is because, in the context of all the hype and hyperbole about this issue, his pragmatic and sober approach to examining the potential impacts of global warming against the potential for humankind to adapt, and weighing these up against the cost of expensive and drastic action now, is quite refreshing.

The weakness of Lawson’s book is his political analysis of the situation. To explain the meteoric rise of the green movement, he gives the simplistic pat explanation ‘with the collapse of Marxism... green is the new red’. Anybody who remembers the Thatcher administration, in which Lawson was a central influence, might balk at the rosy-eyed view of the forward march of economic growth that he puts across. During that Conservative administration, mass unemployment was an ever-present feature. Moreover, blaming the left is rather one-sided; it was Thatcher herself, who was the first major leader to raise the issue of global warming, at a speech to the Royal Society in 1988.

Nonetheless, when it comes to the issue at hand, Lawson does an admirable job of demonstrating that there is a profoundly important debate to be had about how we respond to global warming that is simply not being properly had out today.

Equally refreshing is Austin Williams’ polemic against the tediously self-righteous orthodoxy that has grown up around the sustainability agenda. Williams’ The Enemies of Progress: The Dangers of Sustainability is a romp of a read. The author does not mince his words. ‘Sustainability is an insidiously dangerous concept at odds with progress’ and ‘a pernicious and corrosive doctrine that has survived primarily because there seems to be no alternative to its canon’, he writes.

Across eight well-argued chapters, Williams hangs out to dry those who view humankind as our biggest threat and who celebrate the curtailing of human activity in the name of saving the planet. He also offers up some interesting insights and questions to explore if we are to properly understand the stranglehold sustainability has over society (as Williams notes, ‘nowhere is the word “development” printed without its adjectival corrective’), and how we might begin to cut loose from it.

The Enemies of Progress starts with two hard-hitting chapters, one on transport and mobility (‘The New Parochialists’) and one on energy provision (‘The Opt-Outs’), which take up the central tenet of sustainability: the idea that we need to make do with less and curb our ambitions and desires. ‘The New Parochialists’ begins with a wonderful early nineteenth-century quote from Dr Thomas Arnold, headmaster of Rugby School, who, upon seeing a Victorian steam train travelling across the countryside, stated: ‘I rejoice to see it, and think that feudalism is gone forever.’ Contrast this to Tony Blair at the beginning of his premiership in 1997, when he suggested that ‘a new approach to transport may mean sometimes not travelling at all’, or the fact that in 2005/06 the UK managed to complete ‘a meagre 22 miles of road network’, and you can begin to see where Williams is coming from.

With irony, the author notes that the Chinese, ‘with fewer qualms about the human efficiency gains resulting from swapping their bikes for motor cars, have recently announced that they will be building 5,500 miles of new roadway in the next five years’, while India has initiated a ‘15-year project to widen, resurface and maintain over 40,000 miles of national highways’. Contrast this to the UK, which added a mere 6.3 miles of road improvements between 2006 and 2008!

Williams is scathing of the impact of ‘carbonistas’ (translation: obsessive carbon counters and moralisers) on transport policy, pointing out how ‘sustainable transport has won a considerable pyrrhic victory; undermining the legitimacy of mobility and the sociability, aspiration and inquisitiveness which are contained within the desire to transport ourselves beyond the local’. He is equally scathing of the drive towards
'microgeneration' to meet energy needs and the 'constant subliminal drone of public service broadcasting all directed cynically to encourage civic engagement in an “energy dialogue”' where, he argues, 'the mere process of people getting involved in deciding which jumper to wear while the thermostat is turned down a degree or two is the real victory for sustainability devotees'.

The seriousness with which all of this is taken is well-illustrated by an amusing quote from the Chairman of America’s Edison Electric Institute, stating that 'the most efficient and environmentally responsible [power] plant you can build is the one that you don’t build'. That such a comment can be made in seriousness demonstrates the strength of the problem that Williams rightly rails against when he argues ‘human time spent on these penny-pinching activities is automatically deemed to be worth it’, when in fact ‘it is the minimisation of human effort, not external energy, that is the key to progress: the freeing up of labour so that humans can do other things’.

The book includes interesting chapters on the subversion of education in the cause of propagandising to the young about sustainability and green issues; sour-faced attitudes towards the remarkable economic development taking place in China and India; and the dressing up of reactionary attitudes about what the Third World should aspire towards as enlightened thinking in the guise of sustainable development. The chapter on education, ‘The Indoc-trinators’, is particularly worth reading. The tedium that is being inflicted on our children’s minds when the same old green agenda is stuck in front of them at every opportunity becomes obvious when you reflect on how many extracurricula initiatives choose to orient themselves towards the sustainability agenda.

Children’s Book Week, a national students’ entrepreneurship and technology competition and a national poetry competition are just a few examples of initiatives that have chosen the environment as the theme or focus for their activity in the past couple of years. And the way in which the integrity of education itself becomes undermined as even the basic teaching of subjects becomes subverted by the environmental cause is drawn out by a nice example from Beech Hill Primary School. Apparently, with assistance from the World Wildlife Fund, music lessons at this school involve children matching different rhythms to suit pictures of nature and of people such that the resulting cacophony provides ‘a springboard to consider the effect that humans have on the environment’. No longer, it would seem, are students simply allowed to learn music; rather, they now need to demonstrate due deference to the sustainability agenda while listening to a tune.

The Enemies of Progress concludes by addressing the growing tendency for some environmentalists to react against the doom and gloom associated with environmentalism. For example, leading environmentalists Ted Nordhaus and Michael Shellenberger worry about environmentalism’s ‘failure to articulate a positive and inspiring vision’, while Sir David King, former chief scientific adviser to the UK government and leading advocate of drastic reductions in carbon emissions, has worried about a sense of despair dissuading people from taking action over climate change.

But for Williams the corresponding and growing emphasis on ‘techno-optimism’ among some environmentalists does not wash. Their fundamental point and approach still views human beings as the problem and seeks to curtail our ambitions: ‘What does ambition mean if we allow humanity to be represented as the biggest problem on the planet, rather than as creators of a better future...? If our ambition is to put nature first, humans come second. Period.’

For those excited about the potential of humanity to shape the world, Williams’ book is a refreshing and useful polemic.
It’s been a long time since the Corn Laws

Tim Wilson reviews
Trade Policy, New Century: The WTO, FTAs and Asia Rising
by Razeen Sally
(Institute of Economic Affairs, 2008, 226 pages)

Despite their common goal, there is enormous debate amongst free trade advocates about the best means to achieve their objectives. Razeen Sally’s new book Trade Policy, New Century delves into current obstacles and provides insightful analysis about how advocates should change tact in the twenty-first century.

Considering the state of World Trade Organisation negotiations and the fast-paced adoption of regional trade agreements (RTAs) and free trade agreements (FTAs) Sally’s book is timely. He provides an engaging narrative of the interplay between the theoretical discussions and political reality of contemporary trade politics. And his arguments are not focused on economics. He argues that the political costs of protectionism—such as the lack of transparency and the accruing of benefits to vested interests—come clearly at the expense of the population-at-large. But his commentary is not just a repetition of existing free trade arguments. What sets his book apart is the contemporary analysis of the operations of the WTO and trade agreements.

His criticism of the WTO and modern trade agreements is expansive and deep. Sally is critical of not just their structure, but he also points out how reciprocity in trade negotiations is delivering poor dividends.

The WTO is often depicted as the first-best free trade solution, followed by second-best RTAs and FTAs. But as Sally shows, such a perception is wrong. The WTO is the second-best of three options. RTAs and FTAs are over-celebrated and under-deliver. The best mechanism for trade liberalisation remains unilateralism which enables countries to gain from free trade.

Such a blunt analysis is welcome. But the most important parts of the book for committed free traders are Sally’s identification of contemporary challenges and how to overcome them. Sally argues the debate about free trade has become a debate only about economic gains led top-down by international institutions. Governments either lack the will for reform or have deferred to these institutions to oblige them to reform.

And in his criticism he also points fingers at free trade’s allies. The West lacks a ‘grand project’ for free trade mirroring the leadership of Ronald Reagan and Margaret Thatcher in the 1980s. This lack of leadership provides no support for advocates of free trade in developing countries. Instead, the momentum has been seized by neo-protectionists, principally led by non-government organisations. They advocate ‘development’ through government intervention, foreign aid and infant industry protection. They inculcate protectionist sentiment in developing country government officials, while using domestic grass-roots networks to secure popular support.

This lack of free trade leadership is driving free trade advocates toward the top-down approach. But this approach only delivers short-term benefits and undermines free trade’s natural constituency. The consequence is that ‘the defence of free trade has been cut off from the general case for free markets, limited government and economic freedom’.

And as Sally identifies, this is a poor position to be in at a crucial moment—the next round of liberalisation reforms will be significantly harder to enact. Like many 1980s domestic market reforms, trade liberalisation initially targeted low hanging fruit—tariffs, quotas and subsidies. The next generation of barriers to trade are harder to identify, more complex to address and do not have a natural constituency—‘services regulation, intellectual property protection, public procurement, customs administration, and competition rules’. They are also deeply infused by domestic political considerations, not just trade policy.

In a global economy governments cannot simply divide the world into domestic and international policy. Domestic policy is deeply integrated into a country’s capacity to secure its potential from trade. If domestic politics remains a barrier to free trade countries will suffer. Unilateralism remains the most expedient method to deliver free trade, but it remains politically unpopular.

To address this problem Sally argues free trade’s advocates should re-couple free trade with classical liberalism. He argues ‘liberalism from below’ will broaden its constituency through a package deal of limited government, fiscal responsibility and individual rights. Trade Policy, New Century is an exceptional pocket-sized compendium to the historical and philosophical foundations of free trade, contemporary challenges and a considered reflection on the future.
Building the social convenant around social diversity

At the end of history there are no serious ideological competitors left to liberal democracy. So said Francis Fukuyama in the early 1990s. Since then culture and identity have replaced ideology. The Home We Build Together: Recreating Society, by Jonathan Sacks, Chief Rabbi of the United Hebrew Congregation of Britain and the Commonwealth highlights the significance and consequences of this development.

Sacks believes that multiculturalism is now counterproductive. It has encouraged segregation rather than integration.... Undertaken in the name of tolerance it has created new forms of intolerance.

Holland demonstrates his point. Sacks refers to Paul Sniderman’s and Louk Hagendoorn’s study which reveals that most Dutch have a high regard for Muslims and think that Muslims are entitled to live according to their beliefs, but oppose multiculturalism because it compounds the differences between the majority and minorities. Tolerance and multiculturalism is not the same thing, especially when multiculturalism has morphed into valuing all cultures except your own.

Multiculturalism reflects the transformation of the concept of rights which were created as a defence against excessive government intrusion into the lives of individuals has become the basis of an argument for more government intervention. Thus, work which historically was undertaken by voluntary and self-help groups now is undertaken by ‘professionals’ and is largely paid for by the taxpayer. A number of Sacks’ observations have been dismissed previously by the multicultural lobby on the basis that they reflect cultural prejudice or a desire to return to the days of assimilation. Sacks cannot be dismissed this easily. In Britain the opposition to multiculturalism is being led by people such as himself and the Archbishop of York, John Sentamu who comes from Uganda.

Further Sacks rejects assimilation. He supports ‘integration’ which he likens to a home in which differences are accepted and people work together. For Sacks, society is made out of the contributions of us all. What we give is unimportant; that we give is essential. ‘A nation is made by contributions not claims; active citizenship not rights; what we give. Not what we demand’.

Sacks cites a practical demonstration of his point. Having attended a private dinner, the King of Jordan and an Israeli foreign minister, were astonished when their host required them to wash up dishes before leaving. A friendship was born and, had it not been for a prime ministerial veto, would have resulted in a peace treaty between Jordan and Israel. In 1995 the host, Lord Mishcon, was awarded the Star of Jordan.

While Sacks’ views on multiculturalism and the incompatibility of group rights with the foundations of liberal democracy accord with those of Fukuyama, he differs with Fukuyama’s ‘end of history’ thesis and argues that ‘there is nothing inevitable about liberalism and the free society.’ Sacks reminds the reader that it took over a thousand years for liberalism to evolve and argues that there is no guarantee it will survive because it cannot offer an objective justification for itself. For Sacks:

Liberal democracy is in danger. … Non-political institutions are becoming politicised, university campuses are turning into ideological arenas, and a combination of political correctness and

Rick Brown reviews
The Home We Build Together: Recreating Society
by Jonathan Sacks (Continuum, 2007, 272 pages)

For Sacks, society is made out of the contributions of us all. What we give is unimportant; that we give is essential.

Rick Brown was the Foundation Editor of Australia and World Affairs and was a Senior Adviser to former Immigration and Citizenship Minister Kevin Andrews.

www.ipa.org.au
Sacks believes the solution to the breakdown in social cohesion, of which multiculturalism has become symptomatic, does not lie with government, but with us. He distinguishes a social contract from a social covenant.

ethnic-religious separatism are eroding the graciousness of civil society. Religious groups are becoming pressure groups… Boycotts and political campaigns are infecting professional bodies.

Australian readers should ask if Australia is one of the countries which fit Sacks’ description.

With the emergence of groups of professionals advocating on issues outside their expertise (‘Lawyers for Forests’); the passage in Victoria of the Racial and Religious Tolerance Act; the drumming of Geoffrey Blainey out of the Arts Faculty at the University of Melbourne in the 1980s because of politically incorrect statements about history; and the apparent exclusive focus of some clerics on various political issues leaving churches open to the criticism expressed by former Victorian premier Jeff Kennett that ‘church leaders getting involved in the political field is almost to me an indication of an acknowledgment of failure in their primary purpose… They are not looking after the souls of the community’, the answer would appear to be obvious.

Sacks highlights how multiculturalism has reinforced the undermining of national identity by globalisation, one result of which is that ethnic identities are becoming religious identities. This development has major implications because religions are global. This explains why religion is emerging as the most powerful form of global allegiance.

Sacks’ explanation will resonate with many. Parents want their children to earn self-respect through hard work and genuine achievement. They do not want them to think all lifestyles are equally valid and be moral relativists who are ‘tourists in all cultures, at home in none’. They do not want their children to take drugs or alcohol, be sexually promiscuous or become teenage parents.

For societies, such as in Australia, in which many deem religion irrelevant to public debate, and some, especially amongst our self-appointed elites, have replaced it with manifestations of secularism, such as environmentalism, the idea that religion plays a significant cultural role is anathema and exposes divisions between those living in inner, metropolitan areas and those living in outer suburbs and regions.

In canvassing the inability of cosmopolitans to understand why everybody does not desire to be a bit of this and a bit of that, Sacks notes that cosmopolitanism is a highly specialised identity, prevalent especially in academic and international business circles, and that cosmopolitans do not relate to non-cosmopolitans.

This analysis would strike a chord with Mark Latham. In Latham’s World: The New Politics of the Outsiders, Margaret Simons wrote that Latham says ‘the insiders live like tourists in their own country. There is a sense in which they don’t live in Australia at all. The outsiders, on the other hand—the people who live in the outer suburbs and the regions—are the Residents of Australia… They cannot distance themselves from the problems of the neighbourhood.’

For validation of Sacks’ and Latham’s analyses, one need only to look at the results of the biggest focus group on a cultural issue undertaken in Australia—the referendum on a republic in 1999.

Sacks believes the solution to the breakdown in social cohesion, of which multiculturalism has become symptomatic, does not lie with government, but with us. He distinguishes a social contract from a social covenant.

Politics is about power and a social contract distributes that power. It defines the legal relationship between the citizen and the state and the limits we accept on our freedom in exchange for peace, order and a coherent society.

However, as Sacks argues, the problem we face is not about power but about society. We need to re-establish a consensus around issues of culture, morality and social cohesion. Civility and toleration are values which cannot be legislated but which provide part of the glue for a cohesive society. The way we interact with each other is determined by what Sacks calls a social covenant, and it is that covenant that must be established not only in the United Kingdom but also Australia. The argument that integration is a key element in building that covenant is compelling.

Sacks confronts issues many would prefer to ignore and presents responses which will make some people uncomfortable. Nevertheless these are issues we have to address if we want to enjoy social cohesion.
Superannuation and MacBank as the zenith of the Australian nation

Richard Allsop reviews
Unfinished Business: Paul Keating’s interrupted revolution
by David Love
(Scribe, 2008, 264 pages)

According to David Love in his new book Unfinished Business: Paul Keating’s interrupted revolution, Paul Keating and Macquarie Bank are the twin heroes of modern Australia.

The author’s apparent wackiness does not end there. He also elevates the introduction of compulsory superannuation to the status of the nation’s defining public policy issue in the last few decades.

However, these idiosyncratic ideas in many ways increase, rather than diminish, the enjoyment one derives from this highly readable, often insightful, pro-free market book that will potentially upset readers across the political spectrum.

The blurb of Unfinished Business states that Love ‘becomes Keating’s modern day Boswell’, a somewhat ambitious claim given that the book cites three interviews with Keating the author conducted in ten years.

The reader is certainly left in no doubt about the author’s regard for his hero:

In every generation, a person arises with a capacity well above the ordinary in foresight and in the ability to lead their community to greater things.

However, unlike most paeans to Keating, this one does not praise Keating’s social agenda, dismissing it as irrelevant compared to his role as the greatest pro-free market reformer this nation has seen. For Love, Keating was the seminal figure in unleashing ‘two forces—creative politics and creative finance’ that have combined to create a phenomenon most of us have not yet grasped.

Certainly, if the further reading list at the end of the book is any guide, Love does not believe that previous biographers, or writers about Keating, have told the Keating story correctly. Where others have stressed Keating’s working class origins, Love asserts that his background was in the petit bourgeois. He also makes the intriguing assertion that if Keating had been born in Melbourne, he would have joined the DLP, and remained in obscurity.

Thankfully, for Love’s Australia, by middle age the boy from Bankstown ‘could produce explanations of how the world worked that were remarkable for their breadth and internal consistency’. Even more fortuitously, he was able to bring the Labor Party and the trade unions along with him to deliver ‘the golden circle’—rising household savings, rising capital supply, rising international strength, stable interest rates and back to rising household net worth.

And our hero is humble too. After the 1996 election defeat, Keating allegedly confounds ‘the supposed innate arrogance of the man’ by quietly trying to convince government and opposition to press on with the move to the 15 per cent compulsory superannuation. Love laments that Keating’s ‘reasoned humility counted for nothing’.

The reason that Macquarie Bank features so strongly in Unfinished Business is because it showed ‘what could be achieved once Australia was freed from the bonds’ of the pre-Keating financial regime. Macquarie put the funds supplied by compulsory superannuation to work around the world.

If Macquarie is Keating’s love child, then neither parent, nor child, seem quite to share the author’s enthusiasm for the relationship. Love interviewed Macquarie boss David Clarke in 2006 and tried to badger him into saying that Keating was much better for their business than Howard. Clarke refused to agree, insisting that ‘both Keating and Howard contributed’.

To Love this is nonsensical. As the title of the work makes clear, Love does not share the view, encapsulated in the title of the George Megalogenis book, The Longest Decade, that there has been a policy continuum across the past two decades. How can there have been, when there was such a capricious halt to the most important policy—increasing compulsory superannuation contributions to 15 per cent?

Love cites ‘international observers’ who have claimed stopping at nine per cent compulsory superannuation was ‘the strangest act on the part of a conservative government seen ever, anywhere in the world’. He also has sources in Treasury who were ‘amazed’ to find that the Howard government did not continue with the planned increases. Everyone agrees Peter Costello was an ‘intelligent man’, so the only explanation must be ‘political’. Love concludes that the motives of Howard and Costello were a mixture of ‘political spleen, distrust of the unions, and a tactical desire to keep budget tax cuts uncomplicated’.

This criticism is certainly too harsh...
Love finds it a tragedy that Macquarie Bank can only employ 300 to 400 of its 60,000 annual applicants. His view that working for Macquarie should be the highest aspiration for bright young Australians will upset many on the left.

given that on the one hand Howard generally supported Labor's key economic reforms from opposition in the 1980s, and continued to acknowledge their worth when he was in government, while on the other Keating has scarcely ever praised a political opponent for anything.

However in Love's view, one man is even more culpable than the evil Liberals—the unfortunate Nick Sherry who, as Labor spokesperson on retirement incomes policy, 'had no real concept of the glories of Keating's savings plan'. Sherry's failure to support further increasing the rate of compulsory super contributions is a symptom of a Labor Party with 'the same old primitive grasp of financial economics'.

According to Love, the pensions policy that Labor took to the 2007 election demonstrates that Labor as a whole has not been converted to support for free markets. He believes significant elements of Labor and the unions are still full of 'real Australian conservatives ... in the Bolshevik sense of hard line left-wingers who refuse to change' and these types are just waiting for a chance 'to turn the clock back to state pensions and other nanny-state measures'.

Earlier in the book, Love provides a nice critique of how the old fortress Australia economy used to operate saying that it produced 'a dull, tight little island run as a conspiracy against the nation as a whole'. He also acknowledges that Keating himself was once a supporter of the conspiracy, describing his position as a protégé of the 'crazy old patriot' Rex Connor as 'an embarrassment to his later friends and mentors in Treasury, the Reserve Bank and elsewhere'.

What does not trouble Love's narrative is any consideration of whether opposition to compulsory superannuation can be a sign of anything other than unreconstructed socialism. While free marketers generally do like saving, they also tend to have an aversion to compulsion.

Similarly, there are other glaring omissions. From Love's telling one would conclude that Bob Hawke had no role in the Hawke government. While Keating deserves his share of credit for the economic reforms, 'old jellyback' needs far more coverage, even if only to explain why Love believes it was more Keating's work than Hawke's. Also lacking is an assessment of other key areas of economic policy from the 1980s to the present, such as industrial relations and industry policy.

Of course, the combined failings of Howard, Costello and Sherry would not even be on Love's radar if it were not for Keating's loss of the 1996 election. For Love, neither blaming Keating nor praising Howard are possible options for explaining this terrible event. He finds his explanation and his culprit—rising interest rates and Bernie Fraser.

First, the reader is told how Keating wanted Reserve Bank chief Fraser to cut rates sooner in 1989 which would have avoided 'the recession we had to have' and then, in 1994, Fraser increased rates by 2.75 per cent in six months, which led in the election of March 1996 to Keating being 'executed for a crime he did not commit'. The supposed dire consequences of these were twofold—Howard and Costello were able to claim credit for ongoing low inflation, and, more fundamentally, it got them elected which in turn ended the march to 15 per cent superannuation.

In case any reader fails to grasp the seriousness of Keating's defeat, Love provides analogies with Cardinal Wolsey and Prometheus, to prove both martyrdom and tragedy.

There are some delightfully quirky tangents in this book, including fascinating recollections of 'Doc' Evatt's 1955 election campaign, an explanation of the significance of Scottish investment in United States railways in the 1870s, and engaging descriptions of the settings for his interviews with Keating and Clarke. There is also praise for an old Keating opponent, John Hewson, to whom Love gives credit for having first initiated reform in the late 1970s, by getting the Campbell Committee underway.

Love also gets into the predictive business when, perhaps surprisingly given his view of Sherry, Love opines that 'we can be fairly certain' that the Rudd government will move towards raising the compulsory contribution to 15 per cent.

Love is now 75 years old and this is just his second book, following his 2001 collection, Straw Polls, Paper Money which contained interviews and comment about the previous thirty years in Australian politics and finance, and contained the genesis of many of the ideas Love is espousing here. One hopes that there are more, because an author whose greatest hope is that Macquarie Bank can employ even more of the brightest young Australians is welcome in the nation's public discourse. Love finds it a tragedy that Macquarie can only employ 300 to 400 of its 60,000 annual applicants.

Love's view that working for Macquarie should be the highest aspiration for bright young Australians will upset many on the left, and his praise of Keating will upset many on the right, which underscores Love's value as an independent thinker. One does not have to agree with everything he writes to enjoy his stimulating contribution to our understanding of how far Australia has come since the 1970s.

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Can free markets be as interesting as regulated markets?

Eamonn Butler has written a marvellous little book promoting the free market. *The best book on the market: How to stop worrying and love the free economy* is a very good, very basic introduction to market economics.

The book itself is full of little gems. Butler advises readers to ignore their economics textbook—‘nobody said that economics was about real life’—and concentrate on the intuition of markets. Contrary to textbook models of competition, it is disagreement that makes collaboration and trade valuable. Exchange occurs when people disagree on the value of a commodity, not when they agree. Butler emphasises this point again and again. By making use of examples from his own travels and everyday human behaviour, Butler is able to show how trade and exchange are ‘natural’ and how free markets allow us to live the lives we choose.

This is a book that everyone should read—preferably at a young age. Butler makes use of simple language and simple ideas to get his message across. This book is aimed squarely at the novice who has no clear understanding of how markets operate. It is not aimed at economists—indeed an economics student would fail their exams if they were to repeat Butler’s views. Of course, that simply reflects professional hostility to free markets. Most economists would benefit from this book too.

Indeed, the economists at the Australian Competition and Consumer Commission would benefit substantially from *The best book on the market*. The ACCC have relied on the concept of ‘information asymmetry’ to regulate the petrol markets. Information asymmetry is the idea that different people know different things. Butler has a chapter on pricing and also on market failure that debunks much of the nonsense that passes for rigorous economic debate. As Butler emphasises, ‘information is subjective, personal and local’. Just because the government doesn’t know where to buy cheap petrol doesn’t imply that nobody else knows where the bargains are to be had.

The fact that it is necessary to write a book such as this raises an important question. Why is it so hard to sell the free market?

The answer is likely due to the pseudo-intellectual rigour of the alternatives. The ideas in Butler’s book can be dismissed as being too simplistic—there are no inherent contradictions that people must grapple with before enlightenment dawns. The free market is far more mundane. There is no need for central planners and empowered decision makers—in the free market, individuals advance their own interests by promoting the interests of others. Busy-bodies and do-gooders have to earn their living the same way as everyone else.

The problem this book has, and the others like it, is in its potential readership. While politicians and government regulators would derive great benefit from this book, most people actually reading it will be true believers already. The book comes with glowing references all well deserved.

But unfortunately it will never make its way into a school or university library; certainly it will never get onto a university reading list. That is a great pity. University economics subjects are very dry and lack the human element that Butler uses so well to illustrate his argument.

Eamonn Butler is the director of the Adam Smith Institute and has written extensively on free market principles. His previous writing includes books on Adam Smith, Milton Friedman, Ludwig von Mises and F.A. Hayek. His latest work is a fine contribution to the literature supporting and promoting free markets.

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Sinclair Davidson reviews

*The Best Book on the Market: How to Stop Worrying and Love the Free Economy* by Eamonn Butler (Capstone, 2008, 172 pages)

Just because the government doesn’t know where to buy cheap petrol doesn’t imply that nobody else knows where the bargains are to be had.

Can free markets be as interesting as regulated markets?

Sinclair Davidson is a Senior Fellow with the Institute of Public Affairs.

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It would not be possible to stare down the Soviet Union for as long as Alexander Solzhenitsyn had without deep personal courage. When he died in August this year, he had outlived the regime that imprisoned him by nearly two decades.

For nearly thirty years, Solzhenitsyn was Russian communism’s most prominent dissident—in the meantime becoming a target of both Soviet propaganda and the KGB. But at the same time, Solzhenitsyn was no classical liberal. His reputation has been tainted by accusations—some accurate, and some overblown—of anti-Semitism and Russian nationalism.

Solzhenitsyn’s career as a dissident began in 1945, when, as a captain of artillery serving in World War II, he was arrested for the terrible crime of belittling Stalin. He spent the subsequent eight years in labour and prison camps, followed by a forced exile in southern Kazakhstan, the standard fate for released gulag prisoners.

It was during this period in Kazakhstan that Solzhenitsyn wrote the book for which is his most famous—One Day in the Life of Ivan Denisovich. One Day, published in 1962, is a short novel describing a prisoner’s struggle for survival in the Soviet gulag during a single day.

The book had an enormous impact in Russia and the West. After reading One Day, Nikita Khrushchev was moved to say ‘There’s a Stalinist in each of you; there’s even a Stalinist in me. We must root out this evil’. In the modestly liberal and politically complicated environment of the Khrushchev thaw, One Day was even assigned as a school textbook.

But the Khrushchev Thaw was short-lived—One Day ended up being the only book published in the Soviet Union that defied the official party line about the labour camps. Solzhenitsyn quickly fell out of favour with the regime when he tried to publish two further works—Cancer Ward, which chronicled his battle with cancer during his exile, and the monumental Gulag Archipelago, which chronicles his experience in the labour camps and the experience of others. In 1974, Solzhenitsyn was exiled again, this time entirely from the Soviet Union, four years after he had been awarded a Nobel Prize for Literature.

Despite his staunch anti-communism, it would not be possible to describe Solzhenitsyn’s political view as ‘liberal’—rather, his conception of the ideal nation was based on a romantic conservatism. After having been granted asylum in the United States, he famously criticised Western culture for being too legalistic, too materialistic, and obsessed with a ‘destructive and irresponsible freedom’.

But much more critically, he was dogged in the last few decades of his life by accusations of anti-Semitism—accusations which his Two Hundred Years Together, published in Russia in 2003, that purported to chronicle the complicity of Jews in Soviet repression, did nothing to dispel. And in his final years, Solzhenitsyn was conspicuously silent on the state of human rights under Putin, neglecting to criticise the same sort of transgressions of the new regime that he had opposed so vehemently a few decades before.

But none of this diminishes the courage and importance of Solzhenitsyn’s Soviet-era writing. The following passage from the Gulag Archipelago, where he demands his former captors face up to their crimes, could just as easily work as his epitaph:

But let us be generous. We will not shoot them. We will not pour salt water into them, nor bury them in bedbugs, nor bridle them up into a ‘swan dive’, nor keep them on sleepless ‘stand-up’ for a week, nor kick them with jackboots, nor beat them with rubber truncheons, nor squeeze their skulls with iron rings, nor push them into a cell so that they lie atop one another like pieces of baggage—we will not do any of the things they did! But for the sake of our country and our children we have the duty to seek them all out and bring them all to trial! Not to put them on trial so much as their crimes, could just as easily work as his epitaph:

‘Yes, I was an executioner and a murderer.’
Taking apart Australia’s last single desk

Louise Staley

After more than two decades of economic reform there were few truly egregious examples of government sanctioned protection left to greet the incoming Rudd Government. Perhaps the most outstanding was the monopoly granted to a publicly listed company to control the entire sale of one of Australia’s largest export industries—wheat. It is to the government’s great credit that this monopoly has at last been dismantled.

The Institute of Public Affairs has been at the forefront of arguing for the removal of restrictions on export wheat, and other commodities for many years. As former executive director Mike Nahan noted in his farewell IPA Review editorial in June 2005, the IPA has led the debate on just about every issue, including tariff cuts and free trade, … deregulation of the electricity, air transport, rail, port, coastal shipping, telecommunication, wheat, barley, and milk industries. The IPA has always done the hard yards. It could never be accused of joining a race near the end. It always leads from the front. It has never shirked a debate.

Following the food for oil bribery scandal and the revelations of the Cole Inquiry the position of AWB as the holder of the single desk monopoly export licence for wheat became untenable. The Howard government made some tentative reforms to free up the export of wheat in containers and to allow the issuing of a limited number of bulk export permits. However, at every step of the way, the coalition partners, the Nationals, fought any reform. The Nationals, having narrowed their identity from a broad based country party to being defenders of the single desk as their main differentiating policy platform, were skewered like a lamb kebab of their own making—to support reform was politically unacceptable to their core support base but to reject reform increasingly positioned them as out of touch with broader community concerns over the bribery scandal.

Despite the poor climate for wheat liberalisation, the IPA kept chipping away at putting the case for reform. Between 2006 and 2008 the IPA published opinion pieces, newsletters and briefing papers calling for the abolition of the single desk. The current executive director, John Roskam, summed up the IPA’s position in November 2006—‘there’s not much to be gained by the federal government delaying a decision that should have been made years ago. There will be howls of outrage, regardless of whether the single desk is abolished next week, next year, or next century.’

The election of the Rudd government provided a fresh impetus for reform of wheat marketing and a heightened sense by the many long-time opponents of the single desk that their sometimes decades-long campaigns were coming to an end. Even the holder of the single desk, AWB, came to the conclusion it was the end of its monopoly. Yet the obstacles to meaningful reform remained. The coalition still controlled the Senate and the supporters of the single desk were becoming increasingly shrill.

In March 2008 the agriculture minister, Tony Burke, introduced legislation to abolish the single desk and replace it with a licensing regime. Immediately, opponents of reform demanded a poll of growers to decide the issue. Once again, single desk supporters, and the Nationals, appeared to have little understanding or regard for democracy. The Rudd government had gone to the election promising to deregulate wheat marketing so could claim a mandate. Still the minority was vociferous and every other government had crumbled on this issue.

Labor’s draft legislation was sent off to a Senate committee for review. The final Senate committee report supported the bills but unsurprisingly also produced a dissenting report from the Nationals clinging to the old system. The IPA made a substantial submission to the committee in support of the deregulation of wheat export marketing. However we noted that the draft bills fell short of full deregulation.

The IPA’s submission and other IPA publications on wheat deregulation were cited nearly a dozen times in the final Senate Committee Review report, more than any other submission. The data provided to the parliament through the IPA’s submission, and the earlier briefing paper, were also cited during debate on the bills.

It may have taken over twenty years from when John Hyde started including the single desk in his analysis of policy settings hurting country towns to its final abolition, but Australian farmers, and the Australian economy, will benefit from the abolition of the last single desk for decades to come.

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Fun for the whole family

New Russian laws are making it illegal to dress ‘emo’—a subculture fashion inspired by hardcore punk, goth and indie music—following criticism that the emo culture encourages anti-social behavior and glorifies suicide. The new laws regulate emo culture websites and ban emo and gothic dress styles in schools and government buildings. Emo kids have gathered on mass to protest in Krasnoyarsk, Siberia, with the support of their favourite bands and brandishing banners saying, ‘a totalitarian state encourages stupidity.’

Monash council dumps late night trash cops

Melbourne residents have been woken in the early morning to find recycling inspectors rummaging through their garbage with head torches. Scoop Enterprises Pty Ltd has been contracted by many Melbourne councils to ensure prohibited items don’t find their way into recycling bins. Monash City Council recently put an end to midnight inspections following a spate of complaints from frightened residents.

Put that hair back

Clyde Scott, a barber in Louisiana, was recently fined by police for breaching a 1966 Houma city ordinance prohibiting the barbershops from opening on Mondays. Clyde confessed ignorance of the 42 year old provision. District attorneys later dropped charges after media attention, stating that they have no record of the law ever being previously enforced.

Fashion police

A Flint, Michigan, police policy targets wearers of saggy pants exposing underwear with indecent assault. The American Civil Liberties Union plans to challenge the policy after Flint Police Chief David Dicks refused to give in to ACLU demands to drop the policy. Dicks refuses to back down until youths pull up their pants and start using belts.

StrANge times

Frustratingly, defending freedom means defending the freedom of people to look like this.

If you talk and walk, you’re a bloody idiot

An Illinois General Assembly Bill has been introduced to ban Chicago pedestrians from using mobile phones while crossing the street. Pedestrians will be charged with a misdemeanor and fined $25 for texting while crossing a road. State Representative Ken Dunkin hopes the legislation will stop people ‘haplessly crossing an intersection and almost killing themselves.’

All tax is ‘voluntary’

Seattle City Council has approved a new tax on supermarket bags. A tax of 20 US cents on each paper or plastic bag used will be phased in by next January. Council President Richard Conlin described the tax as a ‘voluntary fee’ stating ‘no one has to pay it. You only have to pay it if you chose not to use reusable bags.’ By this logic, income tax is also voluntary—simply choose not to work.