Friends don't let friends preference the Greens. The Liberal Party's decision to preference the Greens ahead of Labor in the electorate of Melbourne at the last federal election has elevated a left-wing fringe party into a position of significant power. Not only is this outcome contrary to good policy development and the national interest; it also threatens to reopen old wounds in the Liberal Party.

In the federal seat of Melbourne last August, the Greens' candidate Adam Bandt won just 36.2% of the primary vote. The Labor candidate, Cath Bowtell, fared a little better, receiving a vote share of 38.1%. And on a primary vote basis, the Liberal candidate came a distant third with just 21%.

But the Liberal Party's decision to direct preferences on their how to vote cards to Adam Bandt effectively delivered the Greens their first lower house seat won in a general election.

Tactically, the Liberal Party's decision makes sense. By directing their preferences to the Greens over Labor, the Liberal Party effectively forced Labor to allocate precious campaign resources to the seat of Melbourne instead of the traditional Liberal-Labor battlegrounds such as Deakin, Lindsay, Dobell and Moreton.

But this tactical advantage comes at a cost. If Australia ends up with a legislated carbon tax during this parliamentary term, the Liberals will be somewhat culpable for the outcome because of their decision to deal the Greens (and specifically, Adam Bandt) into the debate.

A week before the election, Prime Minister Gillard categorically ruled out a carbon tax. But with the Greens helping her to form a minority government, Julia Gillard has since put the tax back on the table.

The issue of preferencing the Greens isn't about the politics of Labor versus the Coalition. It is about good, evidence based policy versus the Greens preference for more government control and irresponsible spending.

The Liberal Party's decision to preference the Greens has longer term implications. By effectively handing the Greens a lower house seat, the Liberal Party has delivered them not only another platform to espouse their rabidly left-wing policies, but all of the very significant resources that comes with a seat in the House of Representatives – four full-time staff, part-time staff and printing and communications allowances.

In other words, the Greens have now secured a beachhead in the state of Victoria. Short-term tactical advantage has been offset by long-term strategic loss—for the Liberals and for the country.

The decision may also have internal ramifications for the Liberal Party. A significant proportion, if not the majority, of the Party's membership base opposes the practice of preferring the Greens over Labor, with several high profile Liberal figures already publicly expressing their opposition.

The last time the Liberal Party hierarchy was at odds with its membership base was just 12 short months ago in the final months of Malcolm Turnbull's turbulent leadership as the Party wrestled with the issue of whether to support an Emissions Trading Scheme. Then, the Liberal Party made the right decision by handing the leadership to Tony Abbott and adopting a position on climate change that appealed to its base and restored its electoral fortunes.

The Victorian Division of the Liberal Party, facing a state election in November 2010, now faces the prospect of a membership backlash if it decides to direct preferences on its how to vote cards to the Greens ahead of Labor in the inner-city electorates of Northcote, Brunswick, Melbourne, Prahran and Richmond.

The Liberal Party's grassroots membership has a point. The majority of policies put forward by the Greens, such as their attacks on enterprise, choice and private education, are anathema to all Liberal Party members.

And by directing preferences to the Greens over Labor, the Liberal Party is at risk of losing moral authority and philosophical consistency.

It is difficult for the Liberal Party to sustain the argument that Bob Brown is dictating government policy when it was effectively the Liberal Party that handed the seat of Melbourne to the Greens.

As the leaderships of the Victorian and New South Wales Divisions of the Liberal Party formulate their preferencing strategies in the lead up to their forthcoming state elections, they would be well advised to consider the longer term implications of directing preferences to the Greens ahead of Labor. The growing influence of the Greens and their capacity to win lower house seats is not a positive development for Australian politics and the advancement of good policy.
Unsolicited manuscripts welcomed. However, potential contributors are advised to discuss proposals for articles with the editor.

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Hey... What did I miss?

The Institute of Public Affairs’ Hey... What did I miss? is Australia’s most widely-read weekly e-mail. Featuring the best from the web and the mainstream media in Australia and around the world, Hey... What did I miss? is essential reading.

If you’re not one of the 25,000 subscribers, here’s some of what IPA Executive Director John Roskam sent over the last few months.

**Economic reform**

**Happiness is just a koala suit away**  
**September 30, 2010**

Last week Canada’s Fraser Institute released its 2010 Economic Freedom of the World report. The countries with the most economic freedom were:

1. Hong Kong
2. Singapore
3. New Zealand

The least free were:

139. Angola
140. Myanmar
141. Zimbabwe

Australia came in 8th, behind USA 6th, and Canada 7th, and in front of Mauritius 9th, and the UK 10th. (The IPA’s one of the free market think tanks from 70 countries that co-sponsors the report.)

The rest of the world is interested in economic freedom – but the Australian Bureau of Statistics isn’t! Their report Is life in Australia getting better? released a fortnight ago includes things like:

- ‘the number of company directors who are women’
- ‘the number of threatened fauna species’
- ‘the proportion of adults undertaking environmental action activities’

Yeah, because I judge the quality of my life by how many people dress up as koalas and tin rattle for the Wilderness Society in the Bourke Street Mall.

**Governance**

**I play gym**  
**August 12, 2010**

One big policy has escaped scrutiny this federal election. It’s the Greens’ policy on ‘non-competitive’ sport—apparently they want us to play more of it. Imagine explaining you play ‘non-competitive’ sports to a friend:

**Friend:** What sports do you play?  
**You:** I play gym and yoga.

**Friend:** They’re not really sports though.  
**You:** Yes they are – they’re non-competitive sports.

**Friend:** A non-competitive sport is not a sport—dude. It’s just a thing you do.

**You:** Nuh-uh. I vote Green.

**Education**

**A billion dollar school**  
**September 2, 2010**

Seriously, how could a school cost $578 million? Only in California. It was meant to cost $400m. At least they didn’t do a BER. Here’s the story of the library in Cooma in NSW costing 3 times the original estimate of $285,000. Imagine. If we sent NSW bureaucrats to America, California could have had its first billion dollar school.

**Nanny culture**

**It’s not a light globe – it’s a heater that gives off light**  
**October 21, 2010**

Here’s more evidence Australians love being told what to do.

- 70% of voters want compulsory voting – compared to 27% who want voluntary voting. (University educated voters are more likely to want compulsory voting.)

Two weeks ago the IPA commissioned Newspoll to ask 1200 people about our electoral system. Here’s what else we found:

- 58% prefer a ‘first past the post’ system – compared to 37% who prefer the current preferential system.
- 48% like fixed terms and the same amount, 48%, like the current system.

**Elections**

… actions remain legal only because lawmakers have chosen not to criminalize them  
**August 26, 2010**

There’ve been lots of explanations for the election result on Saturday. Here’s another one:

The IPA’s Julie Novak prepared it. Sure – there’s lots of reasons people vote the way they do – but maybe – just maybe – if you work for the government you’re more likely to vote Labor.
Why we love Mad Men

In this age of over-regulation, who are the real Mad Men, asks Alan Anderson.

gorgeous cast, flawlessly recreated settings and styles, and the backdrop of one of the most interesting periods in modern American history: there are many reasons why the TV show Mad Men has been such a hit. Perhaps the most compelling is the portrayal of the cultural and political environment of the late 1950s and early 1960s, which contrasts, often pleasingly, with the present day.

To the contemporary viewer, a visit to the America of Mad Men is like a trip to some exotic country where the usual rules have been turned on their heads. The overweening regulation of the nanny state is absent, evoking the same feeling of liberation I recall from a bare-headed motorcycle ride during a youthful backpacking jaunt in Vietnam.

Cleverly, the show’s writers have chosen not to preach to us through facile examples of desirable freedoms we have lost but, by adopting the opposite approach, forced us to ponder for ourselves what we lose when we allow governments to think for us. Casual littering, an indifferent attitude to moderate drink-driving and ubiquitous and unrestricted smoking strike us as socially confronting, until we venture into the developing world and observe a different register of social priorities. For those without time to make the trip, Mad Men performs a similar service.

Contrasting brilliantly with this image of luminous individualism is the all-enveloping cultural conformity, expressed in scenes of church and country club. To the modern liberal, it seems almost incredible that, of all people, Marlboro Man was such a prisoner of societal strictures. The conservative social mores, almost comical today, underpin a public relationship between the sexes that cannot fail to appall any progressive thinkers among us who can bring themselves to watch the show. Yet watch it we do, not in horrified fascination, but with affection, tinged with disquiet. For the America of Mad Men, while flawed, throws into stark relief the unique idiocies of our own age.

Mad regulation

Most jarring to the contemporary viewer of Mad Men is the prevalence and acceptability of alcohol in the workplace and the omnipresent cigarettes. Indeed, Sterling Cooper, the Madison Avenue advertising agency around which the show is centered (hence ‘Mad Men’), boasts as a client Lucky Strike...
cigarettes.

Even the savvy, street-smart execu- 
tives at Sterling Cooper could never have dreamed of the war that was to be waged against the tobacco companies over the next fifty years—a war that would spread in time to other ‘sin’ industries.

There has been a seismic shift in cultural attitudes to tobacco and other addictive products such as alcohol and junk food in Western society over the past several decades. Much of this has been driven by improved scientific knowledge about our bodies and how best to look after them. Indeed, in a harbinger of things to come, the state has come to worry about the addictive nature of sugar, with the Chartered Accountants and the Department of Health and Ageing publicly warning that sugar is as addictive as tobacco. The rise of the sugar industry has been matched by a decline in the tobacco industry. While the focus of the media and health organisations was once on the lobbying that had developed in the tobacco industry, the focus has now moved to the sugar industry. This shift has been driven by a growing awareness of the addictive nature of sugar, as well as the health impacts of consuming too much sugar.

Similarly, the Labor Government’s proposed ban on branded cigarette pack tobacco advertising, culminating in the introduction of plain packaging, is quite reasonable. Men and women are evidence of more movement against the tobacco companies over the next fifty years—a war that would spread in time to other ‘sin’ industries.

Nor are advertising bans the only weapons in the state’s arsenal. Years of increases in tobacco and alcohol taxes have been buttressed with the alcohol excise tax, a levy which extends the role of government from telling you how much to drink to telling you what flavour! A recent study showed, unsurprisingly, that this has done nothing to curb risky drinking in the target demographic.

This growing state intrusiveness represents an unwelcome revolution in the purpose of regulation, from the prevention of public vice to the imposition of private virtue, even as the state relieves us of personal responsibility for our own misdeeds.

Of course, ‘sin’ regulation existed in the America of Mad Men. But, as the series makes clear, the regulation was directed towards the maintenance of public morality.

By contrast, the America of Mad Men seems a portrait of sanity and restraint. The Sterling Cooper executives happily sly their way through a series of setbacks without the slightest sign of wanting to ‘glass’ someone. And rather than trying to control their physiological and psychological indices with intrusive OHS laws, the state gets on with its traditional job of making sure they are not niggled on their way home.

The age of conformity

The complementary aspect of Mad Men that disconcerts us is the conformity of the characters to the social and religious mores of their community. At times in the series, even the most conservative viewer cannot but cringe at the obsequious paid to outmoded customs. What are we to make of this?

Again, the writers have adroitly pro- voked us into examining our own equiva- lent relationships, while reminding us that the burden of social convention must not be measured in isolation from the prevail- ing ills which it once mitigated.

Unlike the brazen denunciations of traditional families mounted in liberal diatribes like the movie American Beauty, the gentle mockery of 1950s ‘family values’ hypocrisy in Mad Men is more nuanced and less judgmental. Infidelity, bigamy and marital disputes receive ample coverage. Yet Mad Men never truly forecloses the possibility that the pursuit of the traditional family ideal, while often frustrated by the imperfectability of its characters, leads to a better life for them and their loved ones than the alternative of unconstrained hedonism that breaks out in their weaker moments.

Nor are the women behind the Mad Man picture-book Suzie Homemakers, for all that they pretend to be in public. In the privacy of the home, Mad Men portrays complex adult relationships with emotional depth and shifting balances of power. In doing so, it puts the lie to the modern myth that ‘family values’ are a code for the unqualified subjugation of women.

None of this is to deny the obvious net benefit of empowering the female half of the population to pursue career aspirations and escape the tyranny of the glass ceiling. But the much-repeated refrain of the younger generation of women today from the militant denialism of the sisterhood, into a more realistic appraisal of the trade-offs that must be made between work and motherhood, suggests that we would be unwise to hold the traditional view of the family in the unreasoning disdain popular amongst the social policy academy.

In our own time, confronted with the miseries of a welfare state built on the wreckage of the traditional family, we are reminded that it is dangerous to be wholly critical of the discarded social mores of the past. The proven correlations between illegitimacy and economic disenfranchise- ment, substance abuse and child abuse should not simply give modern policy-makers pause for thought.

Tragically repetitious child protec- tion scandals across our states and terri- tories, an army of children in foster care and the list goes on—none of these problems on welfare are the baseline against which we must measure the costs and benefits of the contemporary social policies that once partly constrained these problems, even as they created new sources of bureaucratic frustra- tions and sexual hypocrisies.

Equally, while few lament the demise of female exclusion from the workplace, we are provoked to ask ourselves whether we have thrown out the baby with the
bath water, so to speak. Have we, in our rush from judgment, underestimated the role played by social norms concerning the value of a stable home, a father and a mother in the upbringing of children? If so, Mad Men hints, we have done so to our detriment.

Outside the home, social expectation plays a far greater role in defining the conduct of the Mad Men than it does in the West today. Don Draper’s creative team wait, albeit impatiently, for their boss’s arrival at a meeting before they attack the boardroom sandwiches. Draper himself implicitly corrects a young man in the elevator, guilty of levied conversation in the yardstick of his speech, that their sense of decency does not restrain them, we find ourselves challenging the system we have put in place—a system which counteracts a claim of battery and a $37 million lawsuit over the flicking of a bra strap.

The case makes itself: formal mechanisms are a poor substitute for informal norms of behaviour, and the modern contempt for the latter gives rise to an increased need for the former.

Ironically, in relation to the most prominent vice in Mad Men, social norms result in far harsher treatment than we would expect today. When an alcoholic executive wets his pants and passes out in an office meeting, the partners instruct him to take a six month paid ‘leave of absence’ from which he is clearly intended not to return.

The freedom to manage one’s own alcohol consumption is complemented with a greater accountability for the outcome. Instead of ‘medicalising’ the condition and socialising the costs, the Mad Men insist compassionately but firmly on personal responsibility. If their approach seems anachronistic to us, not to mention contrary to unfair dismissal laws, we should imagine how they would perceive our equanimity in the face of a burgeoning roll of disability support pensioners, even as public health continues paradoxically to improve.

**Grown-up people, grown-up government**

The distinct treatment of adults and children in Mad Men contrasts with the permissive parenting practices of today, which seek to foster independence in children by treating them like immature adults and ac- cording them a generous subset of adult ‘rights’. In the show, children are treated with affection, but still as children, requiring discipline and owing obedience. When Don Draper sees an adult guest in his house slapping his son across the face, he demands: ‘What the hell is going on here? Of course, his interest is in identifying his son’s misdemeanour, potentially for further punishment. The shared responsibility of adults to discipline the young has been eroded in the decades since; today the well-meaning guest would face criminal charges. The explosion in youth crime over the same period is no coincidence.

Another scene which defies our modern attitudes towards parenting involves Don Draper instructing his young daughter on how to make a cocktail for his adult guest. Far from treating her like an adult, Draper reinforces the distinction between adult and child, allowing her to assist in an adult rite in a manner that serves to emphasise her exclusion from it.

Just as the children of Mad Men are real children, the adults are real adults. It is no surprise that the show’s taciturn anti-heroes, Don Draper, has become a sex symb- bol among young women today. His un- apologetically masculine approach to the world contrasts with the boy-heroes of modern Hollywood. Beneath his steely demeanour lurks a profound compassion that expresses itself genuinely and without pretension.

Draper’s character is a personified rebuke to the madculist sentimentalities of our Oprah-fied age. He conveys emotion manfully, without the need for the exhi- bitionist navel-gazing and ego-pampering of the self-help brigade. He is, above all, serious.

The seriousness of the adults in Mad Men is perhaps a function of the world in which they live. The Cold War is at its hor- ror; during the Cuban missile crisis, the characters go about their business under the pall of potential nuclear holocaust. The Civil Rights movement is mobilising against segregation, and the segregationists are fighting back with weapons up to and including murder. Government and poli- tics are serious business.

Compare the decisions of an Eisenhower or a Kennedy with government today. While September 11 briefly roused the West back into moral seriousness, the sentiment quickly evaporated, along with any desire to address the underlying challenges. Government quickly lapsed into farcical airport confiscation of nail files as a substitute for real decisions.

Similarly lacking in substance are the civil rights campaigns of today’s West. In civil libertarian circles, the right to free expression has given way to the right not to be offended. State-mandated ‘tolerance’ takes the form of draconian prohibition of any speech interpreted by the sensitiv- ity commissioners as constraining racial or religious vilification. Instead of fighting for the rights of minorities to be includ- ed, today’s activists fight to pamper neo- segregationist ethnic leaders with taxpayer funds so that they can promote specious narratives of victimhood.

Mad Men does not attack these mod- ern lunacies directly—how could it, as such heights of folly were unimaginable in those days. What it does do is provide the refer- ence, the datum, the yardstick by which we can measure its protagonists, but accepts this as the price of their humanity. It implicitly exhorts us to treat children as adults, and grown-ups as grown-up.

**‘While September 11 briefly roused the West back into moral seriousness, the sentiment quickly evaporated’**

Sadly, Australia has followed suit. A po-faced Prime Minister Gillard, asked to identify the toughest decision she has made in government, nominated the establish- ment of the ‘My School’ web site. Spurious.

Having regulated citizens like errant children, relieving them of the respon- sibilities of adulthood, we should not be surprised that our governments have be- come equally immature. We live, after all, in representative democracies.

That is why we are attracted to Mad Men, like a daughter to her mother’s make- up or a son to his father’s shave. It reminds us of the lost promise of adulthood, of a time when citizens and governments were grown-up.

**Mad Men is a common sense drama.** In its portrayal of a world relatively free of stifling political correctness, hypersensitiv- ity and nanny state regulation is an artful rebuke of these nonsensical post-modern predilections.

Mad Men is a conservative drama. It recognises the imperfection of man and so treats its characters, their foibles and their hypocrisies with understanding and affection, even as the consequences of their sins are visited upon them. It critiques the social mores of its era, but largely does not find them wanting; rather, it finds want- ing its protagonists, but accepts this as the price of their humanity.

Above all, Mad Men is an adult drama. It implicitly exhorts us to treat children as children, and grown-ups as grown-up. In the age of state-mandated infantilisation, this message is both necessary and urgent.
The rise and rise of the Tea Party

The Tea Party movement is reshaping American politics, but its future as a political force relies on the ability of conservative leaders to weld its disparate groups together into a focussed coalition, writes Tom Switzer.

When Barack Obama won the White House and his Democratic Party increased its majorities in both houses of Congress in 2008, the conventional wisdom pointed to a political realignment in the United States. Conservatism, which had shaped much of Washington’s legislative agenda since Ronald Reagan’s victory in 1980, had come to an end. And liberalism, which had become a dirty word in American politics for more than a generation, had made a comeback. The US, we were told, was at the dawn of a Permanent Democratic Majority.

Two years later, however, it is clear that Democratic partisans and liberal activists have misread the anti-Bush mandate of their victory. By governing so far to the left—big spending and debt-ridden ‘stimulus’, multi-billion-dollar bank bailouts, financial regulations, nationalised health care—the President and his allies in Congress have ignited a fierce backlash from the middle America. So much so that most seasoned Capitol Hill have ignited a fierce backlash from the middle America. So much so that most seasoned Capitol Hill politicians are expected to finish the year with up to 36 of the 100 Senate seats currently held by the Democratic Party.

In reality, the Tea Party is more complicated. True, it has received some financial support from well-heeled conservative institutions in the big cities. But it is also among the most independent and vigorous grassroots movements of our time, dedicated to a genuine constitutionalism and commitment to small government. The movement, which takes its name from the 1773 anti-tax revolt in Boston that sparked the American Revolution three years later, champions mainstream conservative themes on spending, taxes, and the reckless expansion of state power. Say what you like about some of its more unorthodox candidates, the point here is that the Tea Party is tapping into the economic anxiety and political estrangement that voters feel across the nation. Its first nationwide wave of protests broke out within weeks of passage of President Obama’s $787 billion stimulus package, which, as it happens, has failed to reduce America’s double-digit jobless rate.

Although its supporters back a large number of Republican Party candidates, it is not part of the GOP. Indeed, Republicans who were seen as accommodating the Obama-Democrats’ record-high tax-and-spend policies have been defeated by Tea Party-backed candidates in this year’s primaries: Kentucky (libertarian eye doctor Rand Paul), Colorado (attorney Ken Buck), Nevada (state politician Sharron Angle), Alaska (decorated veteran and federal magistrate Joe Miller) and Delaware (conservative pundit Christine O’Donnell). Add to this little known Republican Scott Brown’s January victory of the Massachusetts Senate seat held by the late Ted Kennedy for nearly 50 years, and it is clear that the Tea Party movement is the single most powerful force in the US today.

But Tea Partiers pose risks, not least to the American conservative movement generally. How, for instance, do Christine O’Donnell’s past campaigns for the Tea Party, content to feed different types of pork to different electorates that nonetheless should be fertile terrain for the GOP?

None of this means that Republicans should repudiate the Tea Party movement lest they offend the Beltway media class. It just means that Tea Partiers who genuinely want to reduce the size of government, rather than simply dole out ideological red meat on talk-back radio, should recall William F Buckley Jr’s rule: support the most conservative candidate who is electable.

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The mother of all debt bubbles

The fall-out from the credit bubble is only just beginning, argues Maurice O’Shannassy.

How is the redevelopment going’? I asked a colleague, to which he replied, ‘really well’. Almost as an afterthought he added, ‘what’s strange though is that there seems to be a lot of young Irish blokes working on the site.’ Strange indeed. Welcome to the Global Financial Crisis.

Ireland is in deep financial trouble and its young are doing what they have always done in times of difficulty. They are leaving—looking for greener pastures. It seems like only yesterday what they have always done in times of difficulty. They are leaving the banks and realising that Ireland was enjoying a long and protracted boom as it was looking for greener pastures. It seems like only yesterday what they have always done in times of difficulty. They are leaving the country.

This is precisely what happened two years ago. Take the Money Market Funds (MMFs) which, in effect, lend short-term and basically offer their ‘depositors’ money on demand. Money Market Funds (MMFs) which, in effect, lend short-term and basically offer their ‘depositors’ money on demand. The rolled over issue is an important aspect of all this. A huge portion of the debt channelled through intermediaries represents money that is borrowed short and lent long. Some intermediaries may borrow one-week money but that money is effectively lent out, often through a complex chain, for much longer—say five years. Every week they need to re-borrow but if there is a panic they may not be able to, and the loan is unable to be recalled, since in this example it was made for five years.

The focus on the PIGS can mask the fact that there are many other countries which may or may not be ‘officially’ in their category but probably should be, or are headed pretty quickly toward it, and we are not talking minnows. The UK, Japan and the big daddy of them all, the US, are amongst those that face what seem to be insurmountable debt issues.

One person’s liability is another person’s asset. Every single cent of that $US52t represents an asset to someone and they expect to get paid in full. One person’s liability is another person’s asset. Every single cent of that $US52t represents an asset to someone and they expect to get paid in full. The world is swimming in it. Ireland experienced a huge property boom financed by cheap credit from Irish banks, which built up loans that were an incredible three times the size of the national economy. A tinderbox waiting to be ignited. Once rates went up and people found themselves unable to repay their loans, the Irish Government stepped in and converted the liabilities of the banks into government debt. It has become a familiar tale around the world, each country with its own particular nuance but in effect having the same outcome.

In Ireland’s case, the scale of the problem is so large that all it has achieved is to transfer bankruptcy from the banks to the whole nation. It has been estimated that each family of four will be liable for €200,000 of public debt by 2015.

The countries that have become known as the PIGS (Portugal, Ireland, Greece, Spain, although some prefer to put Italy in place of, or as well as, Ireland) have captured the headlines as the premier European basket cases. In Greece, it is not so much private debt as public, and unbelievable widespread corruption (aided and abetted by Wall Street). In this case, it is the European banks lending (hence the bail out) to the government that is at the root of the problem. In other countries, it is a case of both government and private debt that has effectively brought down the system and required ‘rescue’ by government, aka. future taxpayers.

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with striking similarities to the 19th century bank runs’. Where is Mary Poppins when you need her? There was of course much more to the GFC than described here but at its heart, both in the US and elsewhere, was the massive build up in credit over the past forty odd years with significant amounts of it borrowed short-term and lent long-term. Let’s now get to the supposed remedies. Around the world, much has been made of the evil ‘banksters’ (particularly those on Wall Street) as they have affectionately come to be known. The story goes that while picking up obscure paycheques themselves, they have pumped this credit into the veins of unsuspecting individuals all whilst knowing they could never go cold turkey and pay it back. Furthermore, the out-of-control capitalist system has failed us and we need to regulate the more obnoxious aspects of the system to ensure this doesn’t happen again.

This is an understandable reaction and indeed one that you might naturally ask. To the suspicions and accusations.

The Federal Reserve was established in 1913. It and the banks, is about as far from a ‘free market’ as one could imagine.

So how does credit get created?

Welcome to the ‘Alice in Wonderland’ world of money and credit creation. Suffice to say that if the general population understands what is happening here, they will be shocked. We would have done well to listen to the economist Garet Garrett pointed out. The taxpayer is in a game of two up...it will be always impossible to keep a bank collapsing by law. The Law that specifies the maximum risk a bank may legally take with other people’s money turns out to be a law of minimum security...a reckless banker will find a way to do what his greed desires...even in a legal way.

We clearly did not heed the real lessons of that era, and lived to regret it, albeit with different machinations.

It is not that the vast majority of people who work in the banks or the central banks or even the government are unentertained or have bad motives, as some would like us to believe. They are simply trying to do the impossible; because we don’t have a free market in money and credit. That means that huge calculation mistakes are inevitable. Part of this is the moral hazard created by the central bank’s willingness to act as lender of last resort and, as we have seen, the government’s willingness to save the banks at little or no cost to those involved. This only encourages excessive risk-taking, as Garet Garrett pointed out. The taxpayer is in a game of two up with the banks where the rules are ‘Heads I win (the banks), tails you lose (guess who).’

It would be nice if in writing this we could be looking back at the disaster and subsequent recovery so we know what not to do next time. Unfortunately, Elvis may have left the building but the elephant hasn’t left the room. The credit bubble is still fully blown. All we have done to date is effectively replace some of the private debt with government debt. The fallout from the bubble isn’t over. It is just beginning!
In defence of the three year term

by Michael Brennan

In all of the recent lather over parliamentary reforms and new paradigms, it is curious that more has not been said about one of Australia’s hoariest Constitutional reform proposals—the four year term for the House of Representatives.

This issue has apparent bipartisan approval as well as strong support in business, media and academic quarters. It is hard to imagine a proposal which combines such strong rhetorical support with such a weak substantive case.

It is a case involving, a cocktail of blind faith, unquestioning assumption and a remarkably persistent fallacy: that government would be better performed if it was less responsive to the people it is meant to serve.

The idea of four year terms was discussed in the 1890s in the course of deliberations over Federation, and was revisited in the 1927 Royal Commission into the Constitution, which went as far as recommending a move to four year parliaments. It has been the subject of an abortive attempt at Constitutional change in 1984 and an unsuccessful referendum in 1988 – but has proven resilient in the face of these setbacks. The Joint Standing Committee on Electoral Matters recommended a move to four year terms in 1998 and 2001. It is a key element in the Australian Labor Party’s federal platform, and also has the in-principle support of the Coalition, so long as it does not involve fixed terms.

Since the 2010 election, a number of political figures have taken up the issue. Former Queensland Premier Peter Beattie stated that ‘To help achieve a long-term vision we need four year parliamentary terms supported by both sides of politics, the Greens and the independents. Three year terms only encourage short-term thinking.’

Former Liberal adviser Alister Drysdale, writing in the Business Spectator, predicted that four year terms would encourage tighter budgets, simpler taxes, a carbon price and a very fast train. With three year terms, by contrast, ‘the chances of the big decision, the bold move, or the 20-year vision are zero.’

Former Victorian Premier Steve Bracks noted that ‘there is an average two years and several months for every federal election in Australia, which is a pretty ridiculous situation that doesn’t give people the time or opportunity to govern properly.’

This is a small but representative sample of the arguments in favour of longer terms. The argument almost always centres on the notion that three year terms undermine genuine long-term policy (the 20-year vision) and compromise the ability of governments to undertake hard but necessary reforms in the national interest.

Whether government (or anyone for that matter) should focus primarily on a 20 year time horizon is highly debatable. We often forget that far-sightedness is an optical malady just as much as myopia is.

Michael Brennan is a Melbourne-based economist.
The case must surely rest on shorter term, more prosaic goals, but even here the empirical evidence is lacking. Australia, almost alone among developed countries, has achieved over two decades of substantial economic reform—reducing trade protection, significant privatisations, competition policy, a flexible currency and quite radical tax reform—all with the alleged encumbrance of three year parliamentary terms at the federal level. Yet according to Steve Bracks' account, none of the governments responsible for these far-reaching and beneficial changes had the ‘time or opportunity to govern properly’.

Premier Bracks, of course, had the luxury of four year terms in Victoria, but it is questionable whether this had the predicted effect of unleashing a wave of reform. Advocates of four year terms would presumably have it that our state governments (minus Queensland) have governed systematically better than our federal governments over the past two decades or so since the widespread introduction of four year terms at the state level.

The lack of empirical evidence is most lacking in the area often claimed to be the centerpiece of the case for four year terms, namely fiscal policy. A Queensland Constitutional Review Commission noted that: ‘It has been said that under a three year term, the first budget is devoted to paying off the promises made at the previous election and the third budget in anticipating the promises to be made at the forthcoming election. Consequently, only one budget out of three, the second, is likely to address important, long term policies without the contamination of short term political considerations.’

Despite this, and despite Australia being one of only a handful of countries with three year terms, we also have a recent history of running among the tightest fiscal policies in the developed world. By 2008, we were one of the only OECD economies to have completely eliminated general government sector net debt—all achieved with a three year term.

Of course, one could claim that Australia would have a still stronger fiscal position with a four year term—that is, that Australia’s fiscal policy is loosened by virtue of the political pressure of regular elections. Yet interestingly, there is some evidence that support for balanced budgets is actually stronger among the community at large than it is among the political, business and academic class.

In 2008, Roy Morgan Research conducted a poll of participants in the Future Summit—a group of high-profile community leaders—and compared the results with the opinions recorded from a sample of members of the Australian community. One of the biggest observed gaps came in relation to the priority given to ‘maintaining a balanced budget and no increase in public debt’. Only four per cent of Future Summit participants thought this was the top government priority, compared with 30 per cent of regular Australians. This is not to judge whether the regular Australians were right and the elites wrong, but to note that, if anything, political pressure is likely to militate in favour of balanced budgets and debt reduction. This is corroborated by the fact that it happens to be Australia’s actual experience.

The underlying assumption in the case for four year terms is that greater responsiveness to community opinion is a barrier to good government; that good policy will generally be unpopular (at least at first) and popular policy will generally be bad. Of course there is such a thing as good but unpopular policy, but the fundamental question is whether this is the general tendency in Australia’s political system.

Is it true, on average, that our best governments have been unpopular and our worst ones popular? I am not aware of any formal polling on this issue, but I very much doubt that many Australians would hold such a position. It is far more likely that most voters believe that good governments tend to be more popular than bad ones. Similarly, in general a popular government is popular because it governs well.

Again, the advocates of the four year term need to furnish their claims with some empirical support. It is hard to find instances of actual federal election results which would have been reversed a year later, had the government had the benefit of an extra year to sell its reforms. It is unlikely that Paul Keating would have won an election in March 1997 or John Howard in late 2008.

Conversely, in states with four year terms, how many election results would have been reversed had they been held a year earlier? Steve Bracks may or may not have been a reformist premier, but it is an objective fact that his popularity (in published opinion polls) was so consistent that he would have handily won re-election at any time during his nearly eight years in power. He did not need a four year term in order to stay in office.

It is highly probable that the most salient effect of four year terms at the state level has not been to encourage better government, but to keep bad governments in place longer.

It is logical enough that many politicians favour longer terms. They have an interest in less frequent elections. Among other advocates, it is hard to escape the conclusion that they harbour a basic dislike for democratic accountability and find elections a distasteful business. By contrast, many ordinary Australians complain that election time is the only time when their politicians are seen on the hustings. G K Chesterton once noted that the act of political canvassing had an element of almost Christian humility—elevating the views of those who would normally not be heard.

It is no coincidence that the argument for four year terms is so often put forward by those who have disproportionate access to politicians and decision makers between elections. The Future Summit, for example, advocated a five year term! Is this because our business, academic and policy elites think that good policies need time in order to become popular, or is it in fact because they support policies which they know will never be popular? Four year terms provide that slight bit of increased cover to massage promises and introduce measures which will be forgotten by the next election.

The three year term has served Australia’s federal politics well, and the Australian people have an admirable record of getting it right. By any objective international standard, we have been, on the whole, pretty well governed by successive federal governments for the past thirty years. Over that period, we have produced politicians prepared to take the people into their confidence and advocate several challenging longer term reforms. The people, in turn, have shown a preparedness to give these politicians a fair hearing.

To assume some basic cognitive weaknesses in the Australian electorate is empirically wrong, not to mention a dangerous starting point for Constitutional change.
Death by Newspoll

The federal coalition needs to hold its nerve and not fall into the trap of viewing politics through the prism of Newspoll, says Glenn Milne.

Every second Monday night during sitting periods of federal parliament, the building, that at its peak operation pulls more power than the city of Goulburn, is jolted with an extra burst of political electricity. It’s Newspoll time.

It is hard to underestimate the impact of this regular fortnightly event on politics. While the effect on voters is questionable—and we’ll deal with that a little later—the hit on the political class and political players is undeniable.

To begin with a cliché, because they are often true: in politics perception is reality. Newspoll is perceived to be powerful. Therefore it is. I know because I have acted as a conduit for that power.

In my previous incarnation as Political Editor for *The Australian* it was my duty every two weeks to report the findings of Newspoll. The dynamics of the task were fascinating. The data would come in from the then CEO of the poll, Sol Lebowic, mid-Monday afternoon for reporting on Tuesday morning.

Late Monday afternoon or early evening I would routinely get calls from the press secretary in the office of the then Opposition Leader John Howard, asking for the headline numbers: party primary, two party preferred and preferred leader. On occasions Howard would call himself, Usually on the pretext of another issue. The numbers were meant to be secret, commercial in confidence until publication. Sometimes I passed them on. The aim was brutal: to buy political capital.

In later years, Malcolm Turnbull, never one to use intermediaries when he could get on the phone himself, used to call the Editor-in-Chief of *The Australian*, Chris Mitchell, to ask directly for the content of the poll. Mitchell never returned the calls. I guess Turnbull didn’t have political capital.

Whenever Turnbull faced a bad opinion poll Tuesday morning, he would, when he could, avoid media appearances, acutely aware that all he would face would be questions about the poll. A bad Newspoll day was a day lost in the media cycle;’ says one of Turnbull’s former staffers.

You get the picture. As much as our political leaders past and present—Howard included—consistently aver that they take no notice of polls, they follow Newspoll like hounds on a scent. Howard’s sensitivity is explicable; he was the opposition leader who on his first stint in the job was arguably sunk by a bad Newspoll.

There are occasions when the Newspoll story is harder to pick, but nonetheless true. Back to late June 1998. The parties’ primary votes were: Coalition 34; ALP 45; Democrats 2; Greens 8; One Nation 5.

Howard’s satisfaction was at 61, dissatisfaction was 31—a net satisfaction of minus 30. Beazley, his opponent, was on 52, dissatisfaction was 45—a net satisfaction of minus 7. On that Monday Howard’s satisfaction rating had reached the ‘panic button’ level of 31. His dissatisfaction was through the roof. His net satisfaction—satisfaction minus dissatisfaction and the measure the political professionals take note of—was minus 6.

Kim Beazley was preferred over Howard by 35 points to 39. But after the arrival of the MV Tampa with its boat load of asylum seekers, Beazley’s subsequent hopelessly inadequate response, and Howard’s steely determination in the face of asylum seekers, Beazley’s subsequent hopeless response, and Howard’s steely determination to sell the tax was proving heavy going. On the weekend of May 4–6 Newspoll found the following: Primary votes were: Liberals 29; Nationals 6; ALP 45; Democrats 8; Greens 4; One Nation 5.

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By October 1, 1998, Newspoll was telling a different tale. Primary votes were: Coalition 40; ALP 44; Dems 5; Greens 2; One Nation 7. Howard's satisfaction had risen to 44. His dissatisfaction was at 48, giving him a net satisfaction of minus 4.

Beazley's comparable figures were 52 satisfied, 35 dissatisfied, a net satisfaction of plus 17.

Beazley lost the election. So Newspoll was wrong, right? Wrong. What happened in the 1998 election was that Beazley did win a greater number of votes than Howard. But he got most of them in safe Labor seats. What ensued was a debate over legitimacy and mandate. Djia vu.

So the numbers rarely lie. Newspoll has a record as the most reliable poll in Australia. But what counts most is how those figures are reported.

In my role as Newspoll interlocutor to the rest of the country I never encountered any editorial pressure to present the figures in any particular way. Sol Leavish’s written guide was that only. It was at my discretion whether I accepted his interpretation of the results or not.

The pressures, nevertheless, were heavy but subtle. You were aware that the poll was expensive. Therefore you had better make good use of it. A headline that said ‘Newspoll Results: Not Very Much’ would not cut it with any editor. There was therefore an unspoken demand to dramatise the numbers within reason.

You were aware that as the national flag ship of the country Newspoll was inextricably bound up with the prestige branding of The Australian. To make Newspoll count was to make The Australian count. That was an added pressure to maximise the impact of the poll.

And, yes there was ego involved as well. As the Political Editor of The Australian your importance as a player in Canberra was magnified by your role in interpreting Newspoll. Any one of my successors that tells you differently is kidding themselves. It is impossible to deny that the slow drip of Newspoll can act as a tunnelfor leaders, most notably in the cases of Beazley who succumbed to Kevin Rudd and Brendan Nelson who was deposed by Malcolm Turnbull.

“The question is what figures are reported”

Newspoll has a record as the most reliable poll in Australia. But what counts most is how those figures are reported.

Both Turnbull and Rudd in turn fell to the Newspoll scourge. Opposition leaders are always more vulnerable than Prime Ministers because they lack the surrounding battlements of incumbency and they have nothing to do other than talk. Rudd was an exception. While his Newspoll numbers were not relatively bad, it was the party’s disastrous private polling in key marginals that was his fatal undoing.

It was said of Rudd, who was friendless inside the Labor caucus, that ‘his faction was Newspoll.’ On the assumption in Newspoll he was jet lagged or not capable. Once he began to slide, his demise was hastened, then guaranteed by the internal surveys.

Rudd was the exception, of course.

The main killing field of Newspoll is mostly opposition leaders for the reasons previously identified. Add to that the fact that opposition party rooms have little to do but occupy themselves with polls, good and bad. In that context watch what happens with Tony Abbott and his gaffe on not visiting Australian troops because he didn’t want to see jet lagged when he arrived in Birmingham to attend the Tony Party conference. Which is not what he said, of course, but for polling purposes that’s what he appeared to say.

Nevertheless Abbott’s internal and external critics will take advantage of any dip as a result of him stupidly managing to make Julia Gillard look prime ministerial on her first overseas trip when she was struggling to do so anyway.

It points to the fact that sometimes polls should simply be ignored. In the end no-one is going to vote—or not vote—for Abbott at the next election on the basis of whether he was jet lagged or not when he arrived at Birmingham. On the basis of his published remarks, clearly he was anyway.

And he never intended, obviously, any sleight against Australia’s serving soldiers in Afghanistan, where the Coalition’s actual policy at the time was to increase our troop commitment.

The vicissitudes of Abbott’s first overseas foray as opposition leader also tells you something about Newspoll. Sometimes it simply doesn’t matter. Abbott, like any Opposition Leader, will run into an inevitable mid-term slump. Current political editor for The Australian, Dennis Shanahan will interpret Newspoll mercilessly and accordingly. But political history suggests that the Labor Party would be advised to avoid the same trap. The last election says Abbott is a contender. And he will be again.

As for policy, the Queensland Parliamentary Library Abstract is blunt; when it comes to any poll they are implicitly anti-policy in their bias.

Polls, the abstract says, are about calling horse races; who’s winning, who will win? When policy questions are asked they inevitably come off a low base. ‘Do you think?’ the questions go, that ‘aid to Haiti is important?’ What does the answer to this question mean? Not much. Unless you first ask: ‘How much do you know about the aid program to Haiti?’ And that is never asked.

Seen this way, Newspoll and all other polls like it are of limited use in driving policy agendas.

Political watcher and commentator Andrew Catsaras explains:

“The problem with the polling lies not with the poll numbers, but with the over-analysing that occurs throughout the political world - by the media and political parties.

Most often, changes in numbers from fortnight to fortnight (with Newspoll) or month to month (with Nielsen), are merely sampling variations, but because the political world, participants and observers alike, is obsessed with using polling as a real time measure of the state of the political parties’ every movement, big or small, must mean something. Consumed by the 24-hour news cycle, the political world assumes the real world is equally consumed and therefore poll movements must reflect the voters’ response to the last fortnight’s political events.

This then takes on a life of its own. The short term poll results decide the short term thinking of the politicians and their decisions tend to be based on achieving short term polling results - the famed ‘bounce’.

In analysing polls, it is most desirable to track the poll results over time to determine if there are any real trends emerging and also to cluster the results of the different polls together because it enables us to filter out all the ‘noise’ and hear what is really being said by the electorate.

If the polls were used as they should be used, to inform the political world rather than drive the political world, everyone - the electorate, the media and the politicians would all benefit.

His examination of sampling variation, which affects all polls, is instructive.

Sampling variation is the unavoidable variation in results that occurs from poll to poll because we are polling a sample of the population and not the whole electorate. It is the most common explanation for changes in polling numbers yet is the most misrepresented.

Consider the following example: Think for a moment you have a bag of 100 balls, 50 black and 50 white. This you know for a fact. You randomly select 10 balls from the bag. For your sample to accurately reflect the 50:50 split between the white balls and the black balls you should have pulled out 5 white balls and 5 black balls but you wouldn’t at all be surprised if you pulled out only 3 white balls and 7 black balls.

You would put it down to a chance variation in the sample: you wouldn’t immediately conclude that the bag did originally have 50 white balls and 50 black balls, the make-up of balls in the bag had changed since the last poll.

Equally, if after replacing the first sample your next sample pulled out 7 white balls and only 3 black, again you wouldn’t be surprised and would put it down to a chance variation. You wouldn’t believe that the make-up of the balls in the bag had changed since the last poll and you wouldn’t be surprised and would put it down to a chance variation. You would think that the bags you had in the bag had the same composition and you would be surprised if you pulled out only 7 white balls.

In other words, you would not conclude that the make-up of the balls in the bag was ‘volatile’.

Newspoll has a record as the most reliable poll in Australia. But what counts most is how those figures are reported.
Leadership can be a lonely business when things are going wrong | © Newspix

Catsaras also points to the phenomenon of ‘noise’ as something all polls, including Newspoll, are incapable of discerning and then calculating for. There are four types of noise that need to be filtered out, Catsaras says:

- Statistical noise (the unavoidable variation in results that occurs from poll to poll due to the fact that a poll is only a sample of an entire population and not a census);
- Rounding noise (the rounding of the raw results by the pollsters);
- News cycle noise, also known as the ‘issue du jour de la media’ (which can be policy issues but is often a variety of scandals, gaffes, affairs and -gates); and
- Expectations noise (the noise created by the anticipation of a polling impact following the events of the political week in Canberra).

All events which don’t make Newspoll wrong, but which do bring into question what exactly it is measuring at any point in time:

What some see as the overt influence of Newspoll during the last election was alluded to by the ABC’s Insid-er host Bartie Cassidy when recently interviewing Prime Minister Julia Gillard.

Cassidy: ‘News Limited, what did you make of the News Limited coverage through the campaign and perhaps more to the point since the campaign in the 17 days that the country was in virtual turmoil? ... Bob Brown has said so. He said that News Limited stepped out of its role of the fourth estate.’

To which Gillard replied: ‘Look I don’t believe in editorialising on the front page. I do believe people have got an obligation to report the facts. I think that there are times when media personalities actually think that they are involved in the political process rather than commenting on the political process.’

That followed a reference by Gil-lard to The Australian’s Dennis Shana-han and his interpretation of Newspoll during the election campaign at her Na-tional Press Club address. Point made.

The question though remains: what broader influence does Newspoll have on voters, as distinct from political players, the media and the political class? Enough to be important seems to be the academic consensus on polling.

For the amount of time the media and politicians spend examining the entrails of products like Newspoll, the parallel, current, Australian literature on them is surprisingly thin. But Ian McAllister, Professor of Political Science at the Australian National University has concluded that polls do create a ‘bandwagon effect’ overseas. ‘The effect should be larger here because of compul-sory voting,’ he says.

In a draft chapter to be included in a forthcoming book McAllister says:

There are many rival sources of information at election time, and these have proliferated in recent decades. In most na-tions, the media have become active reporters and participants in election coverage. The shift from a complete lack of broad-casting coverage of campaigns in Britain prior to 1959 to the first ever party leaders’ TV de-bates in 2010 illustrates this de-velopment.

In many nations, the media have also assumed a more active role in evaluating candidates and parties in the election, and not just reporting the news.

This is particularly so in the case of Newspoll which becomes both participant and chronicler.

In a 1990 study, co-authored with Donley T Studlar, McAllister concluded:

Over the last decade there has been much academic commen-tary on partisan de-alignment and electoral volatility in Britain (Sarlvik and Crewe 1983; Crewe 1985; Norris 1987). With the loosening of the bonds between parties and the electorate, more people are potentially available for influence by campaign ef-fects, such as opinion polls, than ever before.

Our results indicate that part of that potential is being realized.

There is a consistent pattern of apparent bandwagon effects for the leading party through vot-ers’ perceptions of the size of the party lead.

But the picture is also a complex one and in at least some instanc-es there are also small projection effects. In other words it is pos-sible that many voters who dis-played a bandwagon effect may well have voted for the party anyway, since they were project-ing their partisanship onto the size of the poll lead.

Faced with persistent poll re-sults that demonstrate a lead in populularity for one party, some of the electorate tends to shift in that direction. But unlike Noelle-Neumann (1984) we did not find it to be a large phenome-non.

An abstract from the Queensland Parliament Library dated 1995 contra-dicts this finding:

The alternative view is that vot-ers defect to the party which is behind in the polls (the un-derdog effect), perhaps because they fear the party in the lead may otherwise receive too large a majority.

For example, in the federal sphere in Australia, [Professor Murray] Grant believes an analy-sis of the last six elections points to an underdog effect at work.

Another possible poll effect, less frequently mentioned in litera-ture, is the momentum effect, which occurs where votes move back to a minority party as sup-port for it grows.

The only conclusion about the influ-ence of Newspoll on the basis of the available academic studies is that there isn’t one. Yes, it affects the political players but as much on the basis of per cep-tion as reality. Yes, it can dominate the 24-hour news cycle, and yes if its interpretation is relentless enough it can help bring down leaders.

But do those impacts warrant some sort of legislative curb on all political polling including Newspoll? Given the conclusions about impact are divided the answer has to be ‘no’.

In any case in a globalised world, bans that have been put in place have not worked. Germany recently prohib-itied polling during the closing phases of election campaigns. A poll was con ducted and reported in the UK. It was then reported back in Germany as a ‘foreign’ news story. Legislators were helpless.

There is also the issue of free speech. The question of polling bans has never arisen in the United States precisely be-cause this right is so fiercely protected there. So it should be here.

Without being able to find that Newspoll is a definite destructive force in our democratic process, prohibition cannot be the answer. Indeed the real riposte to such charges may well be to have more opinion polls. Newspoll would not now have such influence if its market dominance were challenged on a regular basis.

On this front the rise of Galaxy Research, interestingly used by other News Limited methods, and the emer-gence of John Scales (IWS Research) as a public opinion pollster are welcome developments. The biggest challenge to Newspoll will be from other pollsters who can establish a better track record over time.

And there is one final observation: the bigger threat to our democracy, were polls such as Newspoll to be legislatively circumscribed, would undoubtedly be from the plethora of internal party polling that is now conducted. The selective leaking of these un-checkable polls to shape public opinion and media reporting to party political ends is potentially much more insidious than any published polls.

The right to know what our fellow citizens are thinking is one that should be protected.
Good government isn’t a one-way bet

The new Gillard government will be a backward step for good governance says Richard Allsop.

We would have thought that in the post 2010 federal election paradigm, poker machines would be such a decisive issue. How did we get here?

For most of the past three decades Australia has been well-governed. Not perfectly, far from it, but from 1983 to 2007 the general thrust of policy recognised that Australia needed to become more international in its outlook—less tariffs, more migrants—and free up its internal economy by knocking off policy shockers like the two-airline policy.

Then, we got the 2010 election campaign.

You know the one where everyone complained about the lack of ‘big picture’ policy. Oh, for the halcyon days of the 1950s when Labor leaders blithely made promises that would increase total government spending by close to 50 per cent, but no-one bothered to add up the figures. Give us a break.

Where are these mythical past campaigns full of detail and principle? Actually, Efigheal! was the exception rather than the rule. Of course, we were never likely to find too many clues about what Labor would be like in a second term during the campaign. In case anyone is unaware of it, Bob Hawke did not stand up at any point prior to the 1983 election (or indeed at any point after it) and announce that, in the next few years, he was going to end the Australian Settlement. He did not even flag first term initiatives such as floating the dollar and letting in foreign banks. No, Hawke campaigned on a platform of consensus and pledged to hold an economic summit (which actually sounds more Oakeshott than Keating).

As the post-2010 election class of politicians returned to Canberra, the mix of views within the major parties was probably neither better nor worse than it has been at most times in the past couple of decades. What has obviously changed is that other parliamentarians outside the major parties will now have a significant role because, as we all now know, the people voted for a hung parliament. ‘Well actually, no, that is not true either. I think it is safe to assume that the vast majority of those who voted for a major party wanted the major party of their choice to govern in its own right.

Nonetheless, the result of 13 million individual, and contradictory, voting decisions, meant that we got a hung parliament. Unfortunately, the six not fully-aligned MHs showed few signs that their decisions on which party they would support to govern were based on an appreciation that the 1983 to 2007 project had produced a better Australia.

It had become clear well prior to the election that the Greens were going to win the seat of Melbourne and it was blindingly obvious, even before it was made explicit, that a Greens member would support a Labor government. Of course, the more power the Greens have, the more Labor will be dragged to the Left on a range of issues. If any good comes of this, it may be that it convinces the Liberal Party to direct preferences to Labor ahead of the Greens, rather than facilitating a leftward shift in the body politic by their dopey ‘Labor is our true enemy’ stance.

Just as the post-election position of the Greens, Adam Bandt, was predictable, so was the position of the West Australian National, Ken Crook. While seemingly a surprise to some, he behaved in a manner consistent with how his state colleagues acted after the 2008 WA state election. Then, there were Tony Windsor and Rob Oakeshott with their exhaustively documented 17 day campaign for a platform of parliamentary reform, regional pork-barrelling and perceived electoral self-interest.

Of course, of all the members of the Federal Parliament, Bob Katter least accepts the thesis that Australia has been well-governed in the past three decades. However, it has to be said that he negotiated more like someone with a ‘Labor is our true enemy’ stance.

If Katter slightly exceeded low expectations, the independent who most disappointed was Andrew Wilkie, who could only find two issues of government-forming importance. Wilkie has strong views on Afghanistan but does not have to share those views to acknowledge that it would certainly have been an issue worthy of a top two. But no, he wanted some pork for his electorate, which was harmless enough I suppose (especially as the friend of the taxpayer even took the cheaper offer).

However, his other condition took the cake. For a member of the federal parliament to base his decision on which major party to support to form a federal government on the basis of which one would give a guarantee to mandate smart card technology in poker machine venues is truly mind-boggling. The fact that gambling policy does and should rightly lie with state governments is but one of the objections to why the formation of a federal government should not be determined on this issue.

By so quickly agreeing to this condition, Julia Gillard confirmed that there will be little difference between her second term government and that headed by her predecessor. Kevin Rudd exhibited a particular weakness for exploring new ways to stop citizens being naughty with his alcopops tax (incidentally now shown to have been completely inefficient), his Preventative Health Taskforce and his referral of the use of poker machines to the Productivity Commission in the expectation of getting back a suite of new ideas for restrictions.

Wilkie’s election, combined with the need to be nice to perennial anti-pokies campaigns, Nick Xenophon, while he retains the balance of power in the Senate until June next year, removed any chance of a Gillard government just ignoring some of the more draconian anti-pokies measures which ended up in the PC report on gambling. Further, Wilkie’s raising of the issue in such a high profile way set off a new round of anti-pokies rhetoric from a range of sources.

One new entrant to the debate was the Anglican Bishop for Bendigo, Andrew Curnow, who was reported to have urged Christians and those interested in ethical investing to sell Woolworths shares because, through their subsidiary ALH, they control 12,000 poker machines. As far as I know, the good Bishop has never urged people to sell their Woolies shares because the company sells cigarettes or booze, but maybe they are next on his hit list once the evil gamblers have been rounded. It appears Bishop Curnow was
preaching to the converted as the Anglican synod at which he spoke urged state governments to reduce their reliance on gambling taxes. As a supporter of cutting taxes, I can only agree, but something tells me they don’t mean to achieve their stated aims by just cutting the rate of tax.

Even Noel Pearson, normally a voice of good sense, weighed in lamenting the fact that state governments had ‘officially sanctioned promotion and growth of gambling, particularly poker machines.’ It is odd to argue that legalising a previously banned practice is promoting it. Surely it is odd to argue that legalising a previously banned practice is promoting it. Surely, trusted to make decisions about their own population as if its members can never be trusted to make decisions about their own lives.

One club member in Sydney interviewed by a news crew lamented that the pre-commitment proposals treat him like a criminal. Treating law-abiding citizens like criminals is something of a political embarrassment.

And bad government might just be what we get from 2010 onwards, if it is to be determined on the basis of attacking the rights of the nation’s citizens to make their own gambling choices. Be careful what you wish for.
Caught short? Let the market decide

Scapegoating ‘short selling’ for the Global Financial Crisis might be lulling us into a false sense of security, writes Ian Pattison.

The second half of 2007 and 2008 was a time of panic, market instability and regulatory opportunism. Control-oriented politicians and regulators undertook an impressive grab for further regulatory power leaving a hangover of greater intrusion into the financial markets than ever before. Justified by the need to prevent a recurrence of the financial meltdown, these interventions tended to be based on anecdotal evidence, bleating by the self interested and born of a deep distrust of the financial system.

Whilst the regulation of US banks and the review of prudential regulation in Australia have attracted detailed attention, the world of short selling has not attracted as much attention. It is a truism that short selling is not a universally understood practice. For many the concept of profiting in a falling market is somehow heretical, so whilst the practitioners may laud themselves as being financial detectives others deride it as being a ‘despicable practice.’ These criticisms tend to ignore the reality that many short positions have a corresponding long position, for example a long/short trader may believe that National Australia Bank would outperform Macquarie Bank. By selling $50,000 worth of Macquarie Bank shares and buying $50,000 worth of National Australia Bank shares a trader can profit even though NAB shares fall, provided they do not fall as much as Macquarie shares.

Short selling has its own risks—it is not a one way bet. Indeed, even in the very depths of financial meltdown and falling markets, short sellers were dealt a severe blow when they were caught in a classic short squeeze by the German company, Volkswagen. In October 2008, shares in the company suddenly rose from €210 to €1,005 as short sellers were coordinating short selling attacks against it. This is despite their share price having increased from €5.00 on 22 January 2008 to €13.15 on 25 June 2008. To Andrew Forrest’s credit he then coordinated a short squeeze by identifying the source of the shares being shorted and having the supply withdrawn; an inspired market-oriented solution to the perceived problem.

The rules changed following the collapse of Lehman Brothers on 14 September 2008. Internationally, regulators stepped in to curb short selling. This has always struck me as ironic: in the face of the share price volatility we are seeing.

Despite the campaign against rumours, allegations that hedge funds were coordinating short selling attacks persisted. Fortescue Metals Group complained bitterly about an alleged short selling campaign against it. This is despite their share price having increased from $5.00 on 22 January 2008 to $13.15 on 25 June 2008. To Andrew Forrest’s credit he then coordinated a short squeeze by identifying the source of the shares being shorted and having the supply withdrawn; an inspired market-oriented solution to the perceived problem.

The tsunami of selling that hit stock markets after 14 September could hardly be due to an army of short sellers seeking to profit—it was an army of long investors desperately seeking the exit or some safe haven for their money (even if it was only under their mattress). Investors unable to hedge their exposures economically managed their risk in the only way possible: they wept for the short sellers.

However, during 2008, ignorance surrounding short selling combined with lurid allegations regarding rumour-trage and the unfair targeting of companies. The sten calls for regulatory intervention reached a fever pitch.

Phil Green, the then CEO of Babcock and Brown, a man not averse to most financial engineering, described the practice as ‘make[ing] it very difficult to really try and run the company in the face of the share price volatility that we are seeing.’

Eddy Groves, then global CEO of ABC Childcare complained of being targeted by rumor-mongers who raised ‘Crazy rumours. Stuff that’s just totally untrue. This is a process driven by companies or groups who are trying to continue to force our price down and continue to short stock.’

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Despite the ban, there was no re-tpite for those who had argued for intervention:

- Between 26 September 2008 and 18 November 2008 Fortescue fell 77%
- Between 26 September 2008 and 12 November 2008 Babcock and Brown fell 84%
- ABC share price did not suffer after the short selling ban, the company had already been suspended in August 2008 and had receivers appointed in November 2008.

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What is Covered Short Selling?

At its core, the practice of short selling is the practice of selling shares that are not owned by the seller. A short seller profits when the share price falls. Where as a long investor will realise their profit by buying shares, a short investor realises their profit when they buy shares. Conceptually, borrowing $100 to buy 2 BHP shares is not so different from borrowing 2 BHP shares to get $100. In the first example you have to repay the $100, in the second you have return 2 BHP shares.

The economic outcome is of course different between the two scenarios: If BHP increases in value to $55 a share you make a profit in the first example, but will need to spend $110 to reacquire the BHP shares and will make a loss.

What is Naked Short Selling?

Naked Short Selling occurs when a seller does not own shares prior to selling them and has not made prior arrangements to deliver the stock that will settle the trade on the market.

What is Covered Short Selling?

Covered Short Selling is when the short seller has borrowed shares prior to executing the sale of the shares on the market. In a sense the seller actually does own the shares at the time of selling.

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Table: What is short selling?

<table>
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<th>Date</th>
<th>ASX 200 Change from previous date</th>
<th>Change from Change from</th>
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On raw analysis, it would appear that the market meltdown accelerated during the period of the shorting ban. However, if nothing else, the ban allowed market analysts and statisticians the opportunity to compare and contrast the trading situation with or without short selling. Prior empirical studies of the practice had been inhibited due to the lack of a proper control group. These studies showed that liquidity was reduced. One study by the Plato Investment Management Group prepared a useful review of the impact of the bans as part of its submission to Treasury regarding the Corporations Amendment (Short Selling) Bill, indicating that the reduction in liquidity whilst short selling was banned was equivalent to half the impact of the NSW bank holiday in one of the Australian states; that is for every day it was as though half of New South Wales was on holiday. Liquidity is a crucial factor in equity markets, particularly at a time when companies are seeking to recapitalize and raise funds.

This was not a surprise to academics and participants in the practice of short selling. Previous studies had indicated that short selling encouraged liquidity; discouraged bubbles arising and reduced volatility in share prices. Market anecdotes suggested that short sellers provided a buffer on the downside for prices, because short sellers buy back into falling stocks and realise their profits.

Jan Patterson is a Director of Chimaera Capital Limited a licensed securities dealers. He originally commenced advising on Securities Lending in 1993 whilst at Arthur Andersen. Since 1996 he has been actively involved in long and short investing on the stock market.

were these new layers of regulation really warranted? The allegations of rumourage appear to have largely consisted of colourful rumours. Project Mint, the task force, ‘conducted an extensive inquiry into numerous instances of rumourage, seeking trading records and email correspondence from many brokers.’

In his testimony to the Senate committee Tony D’Aloisio, ASIC Chairman, highlighted that the deterrent effect of Project Mint were important. However, this trivialises the invasion and interruption to the affected businesses and dismissed the expense incurred by the trading participants in responding to ASIC’s requisitions of trading records and email correspondence.

Project Mint was shelved in March 2010. One successful prosecution was achieved, that of Richard MacPhillamy—an advisor with Linvar Securities who had circulated to his client base the rumour he had heard, that there was a run on the Ministry of Finance Cash Trust and postulated that the Macquarie share price could halve as a result. The price at the time was $36.80 and within 3 months it would be $27.43. He was banned for a period of 18 months. There was no suggestion that short selling was in any way involved.

Ultimately, in shelving Project Mint in March 2010, ASIC conceded that much of what they investigated ‘were statements embellished, but they had their origins in truth.’

The ban on short selling did not provide price stability. Many would argue that it provided the opposite. As the Fortescue and Volkswagen anecdotes illustrate, the market has mechanisms to deal with excessive shorting. Moreover, the score card for the research by short traders is impressive: identifying (long before the commentariat or the regulators) that there were serious problems at ABC Childcare, Allico Finance, Babcock and Brown, Octivar (formerly MFS) not to mention the potential for the American mortgage market and the knock on effects it would have on the world.

There has also been a prosecution under the short selling laws. Giovanni Spagnuolo, a Northcote-based day trader who sold shares he would receive in capital raisings before he was due to receive those shares, and consequently was unable to deliver the shares and options on the due date for settlement. He is hardly the avaricious vulture hedge fund which populist statements embellished, but they had their origins in truth.’

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It is highly questionable that there was ever any serious threat to market stability by short selling. Sales on the stock exchange are required to be settled within three days. In the case of covered short sales this is not an issue. For naked short sales Macquarie will still require to occur and if it does not, the relevant stock brokers are financially penalized for every day that settlements do not occur (separate to any regime that ASIC has put in place). The stock broker will ‘buy-in’ the client in circumstances where they lack confidence that the trade will be settled. There was an existing market based regime to discourage brokers allowing their clients to engage in ill-advised trading.

In August 2010 over $3.3 billion dollars of short selling transactions occurred but the sky didn’t fall nor did the economy collapse. Far from being a practice that was inimical to the functioning of a proper financial system it would seem that it is an integral part of it. You could be forgiven for wondering what all the fuss had been about but then you have to consider the regulatory inroads that were made in the time of panic.

Cracking down

Recent regulatory action against short selling:

- 19 September 2008: ASIC and the ASX announced that short sales would be banned and covered short sales would be required to be reported to the ASX.
- 21 September 2009: Covered short selling is banned – ‘extensive short selling of stocks, particularly financial stocks.’
- 27 October 2008: Continued to allow shorting for those who held convertible bonds allows them to hedge exposure by shorting stocks.
Do think tanks still work?

No

If free market think tanks are doing such a great job, why does the size of government keep getting bigger, asks Neville Kennard.

The world is littered with free market think tanks, yet they seem to have little effect on government thinking and policy making. The recent Global Financial Crisis could have been the trigger for reform along free market lines, but instead we have witnessed a return to interventionism and the discredited monetary policy ideas of economic stimulus advocated by John Maynard Keynes and others.

So why is it—with the hundreds of millions of dollars spent by think tanks, the squiggles of information, billions of words, the outstanding work by hundreds of brilliant people, the irrefutable logic of the reason and the evident research—that governments keep growing and spending and taxing? What is going on?

My belief is that the think tanks are fundamentally statist in their position and points of view. They essentially want to have the same as we now have, but just a bit less of it. They still want the state, but a smaller one. They want bureaucrats and politicians, together with the media and the education institutions to heed their words, when in fact all these institutions are themselves part of the state. Think tanks also cozy up to politicians and so in turn become part of the problem, part of the state.

The funding base of free market think tanks is mostly conservative business people and businesses who themselves are sometimes and to some degree part of the state. In doing so, they often operate in a world of intellectual theory, the application of which is limited by the state. In doing so, they rarely write for the state to be bypassed, ignored, delegitimised or eliminated, then the need for the think tanks would vanish too.

Can think tanks change their spots and start to challenge the legitimacy of the state? Can they orchestrate their own possible demise? Or are think tanks affected by the same impoverished thinking that affects the state itself—the imperative to survive and grow?

My belief is that the think tanks are fundamentally statist in their position and points of view. They essentially want to have the same as we now have, but just a bit less of it. They still want the state, but a smaller one. They want bureaucrats and politicians, together with the media and the education institutions to heed their words, when in fact all these institutions are themselves part of the state. Think tanks also cozy up to politicians and so in turn become part of the problem, part of the state.

The demand for action was pushed by leftist organisations and a national leadership who were more interested in addressing the economic and social costs of assumed human-induced climate change and the various costs of measures seeking to prevent it. In doing so, they demonstrated that the costs of climate change are likely to be modest but that the costs of the measures attempting to prevent climate change will be considerable.

Intellectually the IPA were spot on, yet their research was never going to sway public opinion until it was brought into the ‘retail’ sphere by a number of outspoken politicians.

The end result was a policy with prior bipartisan support being dumped by both major parties, thus saving Australia from an even bigger and more bloated bureaucracy.
On that one issue alone, the millions contributed to think tanks saved us from a policy that would have harvested billions every year from the productive economy and redirected it to the dead hand of government.

Yet, there were many in the public space who advocated that the ETS was a ‘market solution’ with the best hope of success. Perhaps it hasn’t occurred to some that any market created by governments that enables trade in a commodity that you can’t see, touch, taste or smell is the ultimate in government invention and control.

But think tanks have also made a long-standing contribution to shaping the attitude of the general populace toward some important issues.

In recent decades we have seen a continued public desire for a reduction in income tax. Despite the sporadic complaints, (often by those who pay little or no tax), any tax reduction is welcomed by most economists and demanded by most taxpayers.

This too is a change in public perception brought about by the long-standing works of free market think tanks and retail advocacy by politicians. The simple fact that it is increasingly difficult to get elected whilst advocating a new tax is testament to the success of think tanks in helping to shape public opinion.

One exception to this premise was the recent election where the Gillard government was advocating a mining tax. Once again, the economists in Treasury ditched any real world thinking in favour of an economic theory which suggested as long as any money was being made, mining projects would continue, no matter what the tax rate applied to them. Such nonsense can only be countenanced when there is an unlimited supply of capital and there is no opportunity cost applied to its application—a circumstance that only arises in economic textbooks.

And this is the difficulty with Kennard’s call to arms to ditch think tanks in favour of for-profit businesses that will serve the market. It sounds fine in theory but in practice such a process will not succeed in reducing the state.

If free market think tanks didn’t exist to provide the research and support for politicians to argue for limiting the growth of the state, the ability of businesses to serve the market would become increasingly constrained.

The free-marketeers, low tax advocates and limited government devotees would be left to counter the might of the leftist advocates without the resources required to prevail in a constant battle against the Statists.

To opt-out, as Kennard suggests, would ultimately leave the state to run virtually unchecked which would simply pose a much greater longer-term threat to our freedoms.

Kennard is right in that those advocating for freedom can do better. Better outcomes will always be achieved by combining the effectiveness of private business, the intellectual capacity of think tanks and the voice of our political leaders, than will ever be achieved standing alone.

The think tanks and success of private enterprise have played their part in this trinity of liberty. If blame for the inability to translate good ideas into effective policy is to be apportioned, the most compelling reason is that too many of our politicians have failed to live up to their responsibilities.

The same cannot be said of our think tanks.
Cough up

Q: To generate cleaner energy and fight global warming, it might cost Australians more money each year in taxes and costs. How much are you willing to pay each year in higher taxes and utility costs?

<table>
<thead>
<tr>
<th>Amount willing to pay</th>
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<tr>
<td>$300</td>
<td>14%</td>
</tr>
<tr>
<td>$100</td>
<td>12%</td>
</tr>
<tr>
<td>Nothing</td>
<td>35%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: IPA, Galaxy Research

in double figures is ruinously expensive, and the cost impositions have contributed to that nation's massive 20 per cent unemployment rate. Some say that the risks of a considerable hike in the energy price are overstated. This line of reason is that energy cannot be that important, since it is only five per cent of GDP and rather less than this if distribution costs are excluded. But much the same can be said of food, which in rich countries comprises only some 12 per cent of GDP, and most of this is distribution and value-added features. And yet nobody would claim that we would be scarcely less well off if, analogous to the intent with energy, we embarked on policies designed to reduce consumption of food per capita by 80 per cent.

It is comforting to think that the whole process is a piece of deceit by Prime Minister Gillard to cement her relationship with the Greens and assure Labor of their continuing support. Under such a scenario we will see endless discussions but no new tax. Doubtless such polling (a summary of which is reproduced above) has been carried out in much further detail by the government leaving the electorate in ignorance about exactly what they are paying.

Because our coal (and gas) is so abundant and cheap, Australia is among the world's most vulnerable economies to measures that increase the cost of carbon-based fuels. As a result of our energy assets and the adoption of a market-based industry structure, we have developed the world's lowest cost power sector. Rejecting this natural advantage would leave us considerably poorer.

Even if all countries were to apply a similar carbon tax, as the Copenhagen treaty envisions, Australia would still lose its competitive edge since this is based on supplies of well-located coal that which would become dearer than nuclear energy.

In addition, households would cease to enjoy electricity costs half of those in the UK, Germany and in many other places around the world. Risks cut more than one way. There is a risk from climate change of a loss in GDP of a few per cent of per capita income in the context of growth of over two thirds during the course of the next half century. But there is also a risk of severe economic consequences from forcing a radical restructuring of the economy and imposing new costs to address climate change.

If we take early action that involves imposing further costs on our energy industries, and optimistic assumptions of a rapid and competitive edge since this is based on supplies of well-located coal which would become dearer than nuclear energy.

penalties

rich to the poor?

Well yes. But experience tells us that such taxation churn comes at a cost of efficiency within the economy. It's no coincidence that the economies with the highest taxation rates are those that are the slowest growing and that the lowest taxing economies - think Hong Kong, Singapore, even India - are the fastest growing. Agitators for a carbon tax also say that there are plenty of new technologies waiting in the wings. It's just that nobody has yet found them in spite of all the treasure devoted to the search from government budgets in Europe and the US! Maybe breakthroughs are imminent but if so, rather than dismantling our existing industry based on low-cost electricity and hiking consumer power bills, let's wait for them - after all, Australia is a miniscule player on the world stage and it is highly unlikely that massive new technological advances will come from here.

Among possible new technologies, renewables, the great chimera of green activists, are a dead end. No modern economy can run on them and, as Spain is finding out, even getting to a market share of green activists, are a dead end. No modern economy can run on them and, as Spain is finding out, even getting to a market share would be set at $40 per tonne of carbon dioxide, (and the existing sub-

The $1000 per capita is important since if a carbon tax were to be set at $40 per tonne of carbon dioxide, (and the existing subsidy for wind is already in excess of this) and if it had the minimal economic effects the Pollyannas claim, it would raise $18 billion, or about $1000 per person employed. Of course, governments claim that ‘polluters’, foreigners or big business will pay, but in the end it is and must always be individual wage earners and taxpayers who foot the bill.

Research like that would have deterred Labor from signalling to the electorate that it would introduce a carbon tax. Though this is comforting it does carry some downside.

Firstly, the mere threat of a carbon tax has brought a paralysis in the electricity generation industry. No major coal-based facility has been commissioned in Australia since 2002. And it is coal-based electricity that gives Australian its advantage (it is also worth noting that the total capacity in Australia, 30 GW, compares with the increased coal capacity in China last year of 200 GW!)

Secondly, governments have introduced considerable de facto taxes on carbon already. In Australia we have a series of government programs involving spending of over $3 billion a year. We also have a plethora of measures, like the ‘five star’ housing regulations that add costs – in that case at least $7000 per new house. Finally we have the existing renewable program that requires 20 per cent of electricity to come from renewable sources by 2020. The cost of this based on present prices for renewables and the cost of back-up (given the inherent unreliability of solar and wind) is at least $2 billion a year.

This means that without anyone ever putting the costs on the table, we are already spending some $10 billion a year, which is around $500 per worker.

Measures like these are introduced piecemeal ways by government leaving the electorate in ignorance about exactly what they are paying.

For example, we have developed the world’s lowest cost power sector. Rejecting this natural advantage would leave us considerably poorer.

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If we take early action that involves imposing further costs on our energy industries, and optimistic assumptions of a rapid and competitive edge since this is based on supplies of well-located coal which would become dearer than nuclear energy.
Vote 1 - voluntary voting
By James Paterson

Research conducted by Newpoll for the Institute of Public Affairs indicates that there is very moderate community support for a change to voluntary voting, but that doesn't mean it shouldn't be seriously considered.

The poll, which was conducted from the 8-10 October 2010 and featured 1200 adults, showed 27 per cent of voters support voluntary voting, whilst 70 per cent prefer the status quo. Support was moderately higher among Coalition voters (30 per cent) and voters aged between 18-24 years (33 per cent).

But it would be wrong to read the results of this survey as the definitive answer in this debate. Whilst it is certainly true that Australia is a democracy where majority rules, Australia is also a liberal democracy that respects individual rights. And the fact that nearly one third of voters would like the option of not voting should not be overlooked.

The reality is that there are good reasons why Australia should consider embracing voluntary voting, and why democratic coercion is not only an oxymoron, but also a potentially negative force in Australian politics.

Supporters of compulsory voting typically argue that compulsory voting encourages civic engagement and that a move to voluntary voting would lead to widespread disengagement from politics, with low turnout at elections, and a community disinterested in its own governance.

There is limited international evidence to support this. It's easy for supporters of compulsion to point to the United States—where voter turnout has rarely exceeded 60 per cent in modern presidential elections—and declare that voluntary voting would automatically lead to a drastic drop in voter participation. But the United States isn’t the only democracy to feature voluntary voting. In fact, of the 33 OECD members, only six countries have compulsory voting laws but rarely enforce them. The other 27 either explicitly support voluntary voting (the overwhelming majority) or nominally have compulsory voting laws but rarely enforce them.

Turnout amongst these OECD countries with voluntary voting is much higher than one might expect, averaging almost 80 per cent. The two member countries most culturally similar to Australia—New Zealand and Canada—average 88 and 76 per cent turnout respectively.

It is important to also remember that compulsory voting does not guarantee 100 per cent turnout. For example, at the most recent federal election in Australia, an estimated 93 per cent of enrolled voters actually turned up on polling day to vote. Of those, more than five per cent either intentionally or accidentally cast an invalid vote. Furthermore, “c astled voters” is a subset of all eligible voters, as many adults fail to register to vote. So in practice, it is likely that Australia’s turnout under compulsory voting is below 90 per cent.

There is little evidence that compulsory voting encourages civic engagement as opposed to simply forcing Australians with the threat of a fine to attend a polling booth on election day, and have their name marked off the electoral roll. Commentators have been quick to declare the result of the last federal election as a ‘box on both your houses’ message from voters, and there have been an endless stream of critics who bemoaned the uninspiring offerings from both major parties. Indeed, the ‘neither party deserves to win’ catch-cry was all the rage among academics and the political commentariat during and after the election. Julia Gillard and the Labor Party have been accused of an over-reliance on focus groups and polling to develop their policies, while Tony Abbott was criticised for his risk-averse campaign.

Both parties also supposedly failed to deliver big-ticket, inspiring policy ideas and allegedly panicked to the lowest common denominator on a range of hot political issues.

Though it may seem counter-intuitive to some, adopting voluntary voting may be the cure for these widely perceived electoral ills. Compulsory voting entrenches a mentality in political parties that they must offend the least number of voters (or special interests) as possible, and it reduces political contests to an effort to appear as the ‘least worst’ option. That’s because elections are decided by the most disenfranchised voters living in marginal seats, who are the most likely demographic to change their vote from the previous election. Almost all political activity is geared towards this small group of voters, who live in a clump of mostly suburban and outer-suburban marginal seats in Victoria, New South Wales and Queensland. These voters wield disproportionately significant political influence, because it is their votes that actually change governments.

Voluntary voting would force both major parties to appeal to the most engaged, interested voters. Each political party would have to appeal to many middle ground voters, as they do now, but also voters in their own political base. Voters previously neglected in safe seats would be re-empowered by the threat of ‘staying home’ and not turning out to vote for their formerly safely-encrusted member of parliament. Parties would have to offer bold policies and reforms to energise their political base, rather than just adopt a small-target mentality that has been the dominant political orthodoxy for decades.

It also empowers a class of voters who are typically taken for granted by political parties—their base. Politicians often believe they have no obligation to heed the concerns of their most loyal supporters, because they can’t vote for anyone else—these voters are as deserving of a political voice as any other, but the current system, particularly with compulsory preferential voting, acts to disenfranchise them. And so a left-wing supporter of the ALP who is angry about its policies can cast a protest vote for the Greens, but ALP hard-heads know that in 142 out of 150 seats (where the top two candidates are ALP and Liberal) that vote will ultimately return to the Labor Party.

There’s also reason to believe that compulsory voting entrenches larger and more spendthrift governments. Because political parties vigorously contest the most disengaged voters, they resort to tactics they believe will be most persuasive—typically appeals to the hip-pocket in the form of pork-barrel spending that might not otherwise pass the national interest test. Nothing could send a clearer message to major parties that they are expected to clean up their act than scores of voters opting for ‘none of the above’. It’s about time Australia seriously considered voluntary voting.

James Paterson is a former President of the Victorian Young Liberals.

IPA Review | November 2010
Turning up the heat on climate change alarmists

In February this year, Penny Wong, the then climate change minister, said: ‘Globally, 14 of the 15 warmest years on record occurred between 1995 and 2009’ and she argued that the Bureau of Meteorology had concluded that 2009 was the second hottest year in Australia on record and ended our卜ter decade. In Australia, each decade since the 1940s has been warmer than the last.’

It is claims such as these that provide the justification for Australia putting a ‘price on carbon’ to reduce our emissions of carbon dioxide. However, as Professor Bob Carter explains, what Penny Wong said might be true, but it has never mentioned by Bob Carter. Carbon dioxide, water vapour, methane, nitrous oxides, and ozone are called ‘greenhouse’ gases because they absorb heat and warm the atmosphere. Without greenhouse gases the temperature of the earth’s atmosphere would be about minus 15°C. The proportionate impact of each of the greenhouse gases on atmospheric warming is approximately as follows: 78 per cent from water vapour, 20 per cent from carbon dioxide, and 2 per cent from the other gases. Of the carbon dioxide in the atmosphere, up to 5 per cent is the result of burning fossil fuels. What this translates into is that 0.45 per cent of the greenhouse warming in a particular year is the result of human activity. Or expressed in another way, 99.55 per cent of the greenhouse effect has nothing to do with carbon dioxide emissions caused by humans. It’s widely acknowledged that partly as a result of human activity atmospheric carbon dioxide levels have increased, but as Carter points out the impact of this increase is disputed. For one thing our understanding of important processes like the exchange of carbon dioxide between the atmosphere and the oceans remains limited. But the context is clear, for:

even if human emissions were to be reduced to zero, the difference would be lost among other uncertainties in the global carbon budget. What is presently missing from the public debate, then- and it is not provided by computer model outputs, such as an appreciation of both the small scale (in context) of human emissions, and the range of uncertainty in the carbon budget.

Uncertainty, and the limits of our knowledge of climate change is a constant theme of Carter’s book. What we do know is that the climate is constantly changing, and that the United Nations Intergovernmental Panel on Climate Change has been unable to demonstrate anything that has so far happened to the earth’s temperature is not part of normal climatic variation.

Carter’s position on climate change can be summarised as follows:

There is unanimous agreement that human activities can affect climate at local scale; summed across the globe, these local effects may have a measurable effect on global climate; for the period of the instrumental record (say the last 100 years), however, climate change has proceeded at rates that lie within previous natural rates and magnitudes, and any anthropogenic effect cannot be distinguished from the noise and natural variation in the system.

There are few people in the world better able to marshal the evidence on climate change than Professor Bob Carter. He’s an Emeritus Fellow of the Institute of Public Affairs and one of the world’s leading climate change sceptics. His qualifications include a degree in geology from Otago University, and a PhD in palaeoecology from Cambridge University, and he’s taught at Otago University, the University of Adelaide, and James Cook University. Famously, Carter was a witness, against the scientific might of the UK’s Meteorological Office, in the London High Court case which identified nine major errors in Al Gore’s film An Inconvenient Truth.

Climate: The Counter Consensus is one of the very best expositions of both the science and the politics of climate change yet written. It can serve as an outstanding introduction to the issue of climate change, and as an accurate and up-to-date summary of the latest research. It includes a discussion of Climategate and the Copenhagen Conference. The range of scholarship that Professor Carter has mastered is astonishing. The language is clear and simple, but never over-simplified.

At the end of the book, Carter asks the question ‘how did it come to this?’ How did we get to the sort of...
Man made climate change has become one of the most dangerous arguments aimed at distorting human efforts and public policies in the whole world.

There’s much about the science of climate change in Carter’s book that challenging and thought-provoking. But perhaps what gives the work a unique importance is that Carter is willing to also examine the socio-political pathology that now surrounds Australian public policy on climate change. And he’s willing to be more than a critic—he’s willing to chart a way forward through what he terms ‘Plan B: a fresh approach’.

Recall that the public argument over climate policy in Australia has already weakened the position of one Australian prime minister (Howard), toppled two successive leaders of the opposition (Nelson and Turnbull), helped to topple another prime minister (Rudd) and elevated another opposition leader to his current position (Abbott). Maybe a fresh approach might just be useful.

Carter’s Plan B, also espoused by Nigel Lawson in the UK, is a classic no-regrets policy that is both cost-effective and politically feasible. It is that we acknowledge the very real dangers of natural climate change, and plan so as to minimize the impacts of future climate-related disasters by better preparation, and by adapting to such events—which include floods, storms, droughts and bushfires, as well as longer term climate trends—as and when they occur. As Carter concludes: It is … time to move away from stale ‘he-says-she-says’ arguments about whether human carbon dioxide emissions are causing dangerous warming, and on to designing effective policies of hazard management for all climate change, based on adaptation responses that are tailored for individual countries or regions. The key issue on which all scientists agree is that natural climate change is real, and every year brings new examples that exemplify the substantial human and environmental damage that it can cause. By their very nature, strategies that can cope with the dangers and vagaries of natural climate change will readily cope with human caused change too should it ever become manifest.

The situation whereby in 2006 the former president of the Royal Society, Robert May told a meeting of BBC journalists and executives ‘that the science supporting global warming alarm was so certain that it was the BBC’s public duty to cease providing airtime to alternative viewpoints’. How did we get to the position whereby one of Australia’s two major political parties is demanding a substantial reduction in the nation’s standard-of-living which would make practically zero contribution to the situation whereby in 2006 the former president of the Royal Society, Robert May told a meeting of BBC journalists and executives ‘that the science supporting global warming alarm was so certain that it was the BBC’s public duty to cease providing airtime to alternative viewpoints’. How did we get to the position whereby policymakers around the world are being a ‘spin doctor’ must be among the world’s least trust-ed professions. No one likes ‘spin’. It lacks authenticity and is used to evade the truth and avoid disasters.

But if you are interested in practicing the dark arts of ‘spin’, you shouldn’t avoid Stay on Message. To be fair, Stay on Message is not a ‘spin’ bible. Instead it is rare guide on the skills and techniques on how to commu-nicate effectively.

How individuals use these skills is up to them.

Paul Ritchie’s Stay on Message, if properly absorbed, provides a digestible guide for everyone who needs to learn the art of effective communication—both new and seasoned.

The book mixes stories of Ritchie’s long experience in politics and public debate with the tools and skills he de-veloped to survive these roles. A core message of the book is that there can be a large difference between what people communicate and how it is received. And the capacity to ensure these aligns is central to effective com-munication.

Ritchie identifies his point early by outlining the difference between mes-sages carried by a ‘spin doctor’ and a public relations professional.

Despite both seemingly being the same profession, perceptions of who is communicating (spin doctor vs PR pro-fessional) radically impact how messages are received based on perceptions and connotations associated with those profes-sional titles.

Ritchie then continues by articulating the rules of a good message and how to deliver them effectively. He stresses the importance of authenticit-y of those delivering it, to the necessity of understanding the audience to which it is communicated.

Much of Ritchie’s book is not new. Many of the tools and skills he pro-motes can be developed intuitively by communications professionals through practice.

The contribution he has made is to break them down into bite-size lessons that can inform those seeking to get their message across.

No doubt anyone who thinks they can read Ritchie’s book and become a professional communicator are wrong.

Like all skills, practice improves an individual’s capacity, and from the exam-ples he uses Ritchie himself exemplifies this point as someone who understands, but occasionally fails in his attempts to communicate successfully.

Perhaps the most entertaining story was the time his own shortcomings resulted in a letter nearly being distributed during the 1993 federal election, from the then leader of the opposition, John Hewson, to marginal electorates. The letter ended with a statement from him that ‘if you elect me next Saturday, I will restore the recession and end hope for our country. This is my pledge to you.’

Thankfully, for Ritchie’s own sake, the letter was never distributed to the intended swing voters.

Laden with examples, Ritchie suc-cessfully provides context and evidence to back up his arguments.

He correlates his points with real-world examples from Winston Churchill’s speeches to stir a nation’s attention to the ‘Nazi menace’, and Barack Obama’s harnessing of his endorsement speech for then Democrat presidential candidate, John Kerry, to suit his and Kerry’s ends.

Even seasoned media professionals will take away gems from Ritchie’s insights.

He usefully provides checklists at the end of every chapter which provide a digest and, consistent with his own advice, ensure ‘the message’ is repeated at length.

Probably Ritchie’s most important contribution is his discussion on the use of social media. There is still relatively little written about the use of social media as a communication tool as companies and politicians continue to bumble through with boring tweets and stiff YouTube videos.

While Ritchie seeks to shine a torch light on the technology, the reality is that, apart from its dynamism and the necessity to be aware of the millions of new potential journalists with a mobile phone connected to the network, the only certainty is that it will keep changing.

Tim Wilson is Director of the IP and Free Trade Unit at the Institute of Public Affairs.

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This book should be considered a perfect foil for the pessimism of the Left, and an ideal primer for the economically illiterate. It would be an inspiring Christmas present for anyone floundering with notions of economic progress, or for those worried by peak oil or climate change. It would be just the counter for silly books like *Affluenza* by Clive Hamilton and for middle-class Greens voters in inner city electorates. However, don't expect the book to turn up in any of the plethora of literary festivals and 'Dangerous Ideas' talkfests.

How many people do you know who become indignant when you suggest to them that we are better off than at any other time in human history, or dare to suggest that our cities are brilliant, exciting places, or that the West is a better place to live than any of those vibrant, picturesque 'Peregrine Adventures' countries? *The Rational Optimist* gives us a thousand reasons why this is so.

Starting with the question of why wealth and material wellbeing has increased exponentially in recent times, Matt Ridley, author of other best sellers, *The Red Queen: Sex and the Evolution of Human Nature* and *Nature via Nurture: Genes, Experience, & What Makes Us Human*, explains how the four most basic human needs—food, clothing, fuel and shelter—have become so much cheaper and more abundant in the last two centuries, for everyone.

He starts simply with an example of a coastal tribe that trades fish with an inland tribe that makes fishing nets. The inland tribe gains in improved nutrition and the coastal tribe gains in productivity. They can either trade more fish or work less on fishing. Everyone is much better off. Everyone gets more from less. But the most intriguing and thoroughly satisfying example to illustrate this central principle of 'more from less' is that of the cost and availability of artificial light. Light—to read a book, say—in England in 1300AD was 20,000 times more costly than it is today. To measure it in hours of work needed to pay for that light is striking. Today, for an hour of standard electric reading light, you need to work for half a second on an average wage. In 1800, you would have to have worked for six hours, using a tallow candle. That, according to Matt Ridley, is a 43,000 fold improvement. For those intrigued by this problem, he also calculates the time needed in Babylon in 1750BC to earn that hour of reading from a sesame-oil lamp.

It is the profundity of examples like this about a thing we take for granted that demonstrates that most of us have no idea of just...
how good things have become for us and most of the world’s poor, even in our own life time. Botswana, a typical African country, is landlocked, drought-prone, and had only 8 miles of paved road at independence in 1966. It then had only 22 black university graduates and 200 school finishers. Devastated by AIDS; a one-party state, and by cattle disease, it was the fourth poorest country in the world. According to Ridley, this country had every one of Africa’s curses. But what happened? Botswanans today earn more than the average Finn did in 1951.

Examples of staggering improvement abound. Infant mortality is lower today in Nepal than it was in Italy in 1951. The average Mexican lives longer now than in Nepal than it was in Italy in 1951. The world has expanded. It is, by any standard, an astonishing human achievement.

Under different headings, the book looks at the mechanisms for this universal human improvement. Ridley canvases the effect of virtue and trust developed through trade and commerce. He rehearses the familiar arguments that market societies require fairness in interaction and trade. As a result, time and again, traditional honour-based feudal societies give way to commercial, prudence-based economies, and the effect is civilising rather than censoring. He explains the impact of exchange and specialisation through what he calls ‘the collective brain’, and the explosion of ideas, inventions, new technologies and discoveries—the ‘invention of invention’. Improvements in farming and food production will allow humanity to feed 9 billion in the near future. But, central to all progress has been the revolutionary discovery of mechanical energy—carbon—from 1700 onwards. The story of energy is simple.

Once upon a time all work was done by people for themselves using their own muscles. To put it graphically, Ridley tells us the average person consumes about 600 calories a second of mechanical energy.

This means that it would take 150 slaves, working eight-hour shifts each, to peddle you to your current lifestyle have to live in slavery for the rest going so fast be, anyway. The Quarterly to have a decent standard of living, and as indeed they did in Bronze Age empires.

Nevertheless, an important corollary to Ridley’s very convincing optimism is his keen understanding and salutary historical reminder of the inevitability of pessimism. He well understands the familiar ‘sustainability’ song: ‘Growth Can’t Continue at its Present Pace.’ He blandly agrees: ‘If it can’t then it won’t.’ However, he adds, this green-left mind block about limits misses the whole point. Humans adapt.

That is the whole point of human progress, the whole message of cultural evolution, the whole import of dynamic change––the whole thrust of this book.’ Thomas Macaulay in 1830 was talking about those who believed that society had reached a ‘turning point’. Ridley points out that defining moments, tipping points, thresholds and points of no return have been encountered, it seems, by pessimists in every generation since. In spite of the extraordinary progress in every domain, there are always intellectuals obsessed with imminent decline, degenera-

Thomas Macaulay in 1830 was talking about those who believed that society had reached a ‘turning point’. Ridley points out that defining moments, tipping points, thresholds and points of no return have been encountered, it seems, by pessimists in every generation since. In spite of the extraordinary progress in every domain, there are always intellectuals obsessed with imminent decline, degeneration and disaster. Bestsellers of time, included Max Nordia’s Degeneration, Charles Wagner’s The Simple Life, Robert Tressell’s The Ragged Trousered Philanthro-

An 18th century depiction of the end of the world by William Hogarth | iStockphoto

spiritual energy of the Virgin Mary with the material energy of a huge dynamo seen at an exhibition. Adams thought this ‘foresaw the “ultimate, colossal, cosmic collapse” of civilization’. Ridley points out how we are overwhelmed by the pessimistic. At an airport lounge he finds books by Noam Chomsky, Barbara Ehrenreich, Al Franken, Al Gore, John Gray, Naomi Klein, George Monbiot and Michael Moore…Even good news is presented as bad.

It is unnecessary here to detail the list of mad predictions that have been uttered in the recent past: from the Club of Rome, Paul Ehrlich’s repetitive nonsense, Rachel Carson’s irresponsible and damaging Silent Spring, right down to Australia’s own Tim Flannery on his predictions of imminent demise of almost all of Australian capital cities’ water supplies! Overwhelmingly, on reading this book, one asks oneself, why are we all so gullible? John Stuart Mill pinned it down in a speech on ‘perfectibility’ when he said:

I have observed that not the man who hopes when others despair, but the man who despairs when others hope, is admired by a large class of persons as a sage. It would not be hard to claim two things. Firstly, it is absolutely true when we think of Tim Flannery becoming Australian of Year – under the Howard government. Secondly, it goes a long way towards explaining why people eagerly absorb doomsday messages from the media about melting ice caps, extinction of species, runaway global warming, peak oil or whatever. However, Ridley gives us a combative epigraph by Macaulay in one of his chapters, which effectively sums up the book:

On what principle is it, that when we see nothing but improvement behind us, we are to expect nothing but deterioration before us? We should confront every alarmist with this retort every time he or she is encountered.

“...it would take 150 slaves, working eight-hour shifts each, to peddle you to your current lifestyle”
Bourgeois burdens

R

arely is Jonathan Franzen’s name mentioned in the absence of fawning praise. Since the critical and commercial hit of 2001’s *The Corrections*, taste-makers have hailed him as ‘the voice of a generation’, a novelist who ‘uniquely reflects the way we live now’, and, without the barest hint of restraint, a ‘genius of Tolstoyan proportions’.

In an era where the novel is a pariah of the literary landscape, meanwhile, *The Corrections* continued to notch up awards and acclaimation. By the end of 2003, his work had wormed its way into popular culture, and Franzen had become one of the biggest names in the American literary scene. But rather than bask in his celebrity, Franzen went to ground. Readers desperate for a new novel had to content themselves with a few titbits of criticism, a collection of personal essays, and a reflective piece on the joys of bird watching.

Nine years later, he has re-emerged with *Freedom*, a gargantuan work of realist fiction which, like *The Corrections*, promises to tell the story of modern America as reflected through a dysfunctional modern family.

With *Freedom*, Franzen further pitches himself as the biographer of America’s middle class by chronicling the intimate relationships of the Berglunds, an impossibly polite, unfailingly moral Midwestern family—or so it would seem. When the novel opens, their ideal suburban domesticity has fallen spectacularly to pieces—committed environmentalist Walter has inexplicably taken a job with a destructive coal mining firm in West Virginia, perfect homemaker Patty has spiralled into alcohol dependence, and golden child Joey has abandoned his dream of limitless freedom in the wake of 9/11 to tuned American society. He writes that ‘the personality susceptible to the dream of limitless freedom is a personality also prone, should the dream ever sour, to misanthropy and rage’, as if this is reason enough to avoid pursuing such an ideal. It is a defeatist mantra not uncommon to the liberal middle class about whom Franzen writes, and who are most fervent in their praise for Franzen’s work. He has succeeded in reflecting their world view, but it is an insular view, a self-obsessed view, and it constrains a novel which becomes increasingly unsatisfying as it progresses.

With *Freedom*, Franzen has indeed captured a voice, but it is the voice of a privileged subset of society, rather than a generation. Although a storyteller of considerable talent, Franzen’s reluctance to step outside of his personal perspective inhibits his ability to make an enduring statement about the realities of modern American life. Ultimately, it is what prevents *Freedom* from being a truly great work of art.

Post-script: Perhaps the greatest irony surrounding the release of *Freedom* is that, despite their previous acrimony, both Oprah and Franzen have assented to the novel being selected for the latest instalment of Oprah’s Book Club. It seems capitalism really does heal all wounds.
Leon Trotsky is not only an extraordinary historical figure but a continuing political phenomenon. His ideas continue to be read and advanced by political activists and students of intellectual history. He is considered the political embodiment of Karl Marx—as the only person, along with Lenin, who succeeded in implementing a revolution.

The story of his ascendency is in many ways inspirational. Emerging from an unassuming, although by no means poor family, he managed to place himself at the confluence of historical currents to be swept to power in the 1917 Revolution.

Not only did Trotsky provide the intellectual impetus for revolution through his prolific writing and public speaking, he played an active role in the fighting that saw the overthrow of the provisional government.

Respected and at times revered by both the political and military classes, Trotsky was the natural leader of the Bolshevik Party and, by extension, the newly established Soviet Union. It was only his modesty (or affectation of modesty) that saw Lenin take effective control.

Robert Service’s biography captures these events extremely well. He conveys Trotsky’s superb talent for statecraft, his decisive though intriguing character and his boundless determination. But it is perfectly clear that Service does not share Trotsky’s political beliefs, nor is he in the least bit impressed by what Trotsky ultimately managed to achieve. By the end of the book, we have a story of a man whose intense political and moral hypocrisy, violent approach to the acquisition of power and, in Service’s view, unforgivable personal failings, make him the perfect anti-hero.

For those who still cling not only to the ideals of Marxism but the belief that a Marxist government can be democratic, the distinction between Stalin and Trotsky is vital.

Socialists look to the wronged leaders of the revolution such as Trotsky and Bukharin as the keepers of the flame. They are the upholders of the principles of revolution that Stalin betrayed, outgunned and outfoxed by a powerful dictatorship.

According to what is left of his contemporary supporters, there would have been no heavy-handed policies to force the collectivisation of farms, and no brutal interrogations and show trials. There would have been a multi-party system, with greater political cooperation and consensus. All notions of Russian nationhood and their damaging consequences would have been overridden by an allegiance to global nationhood.

For those inclined towards Trotsky’s political views, Service’s book provides nothing of particular comfort. He finds no reason to overturn the established historical view of Trotskyism. According to Service, there is nothing at all to indicate that life for the average worker, farmer or indeed capitalist sympathiser would have been any less brutal, restrictive and miserable had the Bolshevik Party acceded to Trotsky’s aspirations.

He says that: ‘Trotsky recognised no other variant of socialism except Bolshevism. He despised and detested the Socialist-Revolutionaries and Mensheviks as enemies of human progress. He did not object to the show-trial of the Socialist-Revolutionaries in 1922. He did not call for Mensheviks to be released from the Solovki prison island. He was untouched by the brutal suppression of the Georgians in 1924.’

Trotsky’s brutality and cold-hearted utilitarian conception of war is well-known. As the People’s Commissar for Military Affairs, he and Stalin organised the defence of Petrograd against the White Army during the Civil War. Stalin rounded up a group of middle class citizens and used them to form a human barricade. Trotsky made no objection. He himself would order the execution of soldiers almost indiscriminately.

Service says, ‘At times it seemed that Trotsky and Stalin were competing for the status of the most brutal commissar.’

Trotsky was open about the need and desire for some form of dictatorship,
despite never revealing an inclination to become dictator. Lenin, as leader of the Revolution, was highly respected and later, after a failed assassination attempt, almost deified. Yet after he was struck down with illness and a series of strokes, there was a feeling among Bolsheviks that the Soviet Union was on the inexorable path towards all-powerful dictatorship.

As Service relates, part of Stalin’s political genius was to convince members of the Politburo and Central Committee that it was Trotsky who deigned to be this all-powerful leader. As students of the French Revolution, they were paranoid that Trotsky would become the next Napoleon Bonaparte—the one who, once given power, would disfigure the Revolution and turn it to his own purposes.

Service makes it clear that Trotsky’s assassination by an agent of the Kremlin in Mexico was the result of a desire for power that Trotsky shared with Stalin.

Art and culture hold an important place in Marxist philosophy. Western writers at the time, such as Orson Welles and Bertrand Russell, were highly impressed by the young revolutionary. Once they visited the Soviet Union and saw for themselves the state of the masses, this admiration was quickly extinguished. Trotsky’s brusque manner was also off-putting.

Trotsky’s aim was for the proletariat to gain the keys to the world of art and culture that were previously only available to the wealthy. At the same time, he believed that art should always serve the revolution, and that any work of art that did not uphold the principles of revolution was of no value. In Literature and Revolution, published in 1923, Trotsky wrote, ‘The independence of art—for the revolution! The revolution—for the complete liberation of art’

Of course, as Service points out, Trotsky and other Marxist thinkers avoided explaining how the revolution would deal with art that espoused politically inconvenient ideas.

Trotsky’s own musings on the cultural empowerment of the masses under communism were the most bizarre.

Man will become incomparably stronger, more intelligent, more subtle. His body will be more harmonious, his movements more rhythmical, his voice more musical; the forms of daily existence will acquire a dynamic theatricality. The average human type will rise to the level of Aristotle, Goethe and Marx. It is above this ridge that new summits will rise.

The newly liberated workers of the Soviet Union, far from gaining the time to read philosophy, struggled daily against disease and starvation.

Trotsky, having helped to establish the most centralised government in the world over such a vast geographical expanse, complained often of a ‘sclerotic bureaucracy’. When people called for greater decentralisation, he denounced them as ‘kulaks’ and capitalist sympathisers. He clung to the grain monopoly, despite widespread starvation and logistical choke holds that saw hundreds of tonnes of grain rot in trains and depots. The fault, Trotsky maintained, was with the speculators and merchants who were hoarding resources.

Service’s biography discusses many aspects of Trotsky’s life, which depict him as a complex and highly flawed individual. His life, despite everything else, is fascinating. His love affairs, his complicated familial relationships, his life in exile, and his Judaism, which was the source of constant embarrassment for him, are all covered superbly.

Service has produced a magnificent work. His criticisms of Trotsky are not surprising given that his research base was at the Hoover Institute. Nevertheless, this is widely considered to be the most authoritative account of Trotsky’s life.