The Babylonian Code of Hammurabi was not merely a list of laws and their applicable punishments; it also dictated a wide variety of labour market regulations and price controls. ‘If a man hire a field-labourer, he shall give him eight gur of corn per annum’. Herdsmen were less valued, only receiving six gur of corn per annum. To hire a 60-ton boat for a day, a ‘sixth part of a shekel of silver’. These measures so weakened the Babylonian economy that they helped bring down the empire.

Forty Centuries of Wage and Price Controls by Robert Schuettinger and Eamon Butler was published in 1979 by the Heritage Foundation, in part to illustrate the folly of the policies that were being enacted in the political and economic turmoil of the Nixon–Carter years.

Perhaps this is too harsh on Hammurabi. After all, he does look a touch like Father Christmas. And it is hard to blame the ancient world for not possessing the wisdom of Adam Smith, although Nixon and Carter should have. Hammurabi instituted his political economy in an era when there were no political economists—governing the first civilization was governing in a world bereft of theoretical and ideological justifications for policy.

By comparison, the twenty-first century is rich with both political theories, and historical examples to hang them by. There are a raft of scholarly justifications for any policy preference, no matter how clearly devoid of logic. For a good illustration of this, Mike Nahan’s investigation of public service spending under the Carr Government (p7) shows the folly of governments adopting radical academic theories. (This IPA Review revives the ‘Around the States’ series, which will look at the issues facing the States, five years after the introduction of the GST.)

Even thousands of years after it was clear that the economic controls detailed in the Code of Hammurabi were self-destructive, governments practise the same flawed policies around the world. In this issue of the IPA Review, Erik Gartzke looks at the often-repeated claims of ‘democratic peace’, and finds them wanting (p12). He concludes that, instead, economic freedom is correlated much more closely with peace. This makes sense. Economic freedom, with its immeasurable benefits for the work and leisure of citizens, eases political pressure on governments—pressure which so often manifests itself as internal or external violence.

Looking at Africa in this context is instructive. In the pre-colonial era, free trade and free enterprise flourished—price and wage controls had no place in the continent-wide trade routes that characterised inter-tribal relations. Socialism and government regulation don’t exist in the African tradition. But nonetheless the continent has been cursed for more than a century with archaic price and wage controls. ‘Trade not aid’ is a slogan often bandied about, but it is clear that economic freedom—policies enacted in the countries themselves—is the only solution to the African ‘problem’.

The path to economic freedom is rocky. Thankfully, as Nicholas McGowen details in this issue, there is an optimistic case for Africa.

This December issue is full of provocative articles. Looking at the recent revival of Bill of Rights advocacy, Rohan D’Souza asks whether more laws make more freedom. David Tribe takes a long view of biotechnology in agriculture—taking the great transition slowly just isn’t an option, let alone trying to reverse it, as much government policy seems to desire.

Alan Moran reminds us why football is an international game, and the AFL is stuck in Australia. Federalism continues to be a focus, as Gerard Boyce examines the distorted and dangerous workplace safety regimes around the country. And Daniel Mandel uncovers what Trafalgar means to the Anglosphere today.

I hope you enjoy the issue, and your holidays.
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REVIEW

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Most of the comments made to me by students in the course of my three years of teaching a first-year undergraduate politics subject at the University of Melbourne were unremarkable. Only once was I shocked by something said by a student—after a while, one takes for granted that students from the city’s better private schools instinctively believe that communism is fine in theory and that the only problem with it is that it has never anywhere been properly implemented. And after some practice, you learn to ignore the remarks about how the Cold War was an invention to suit the purposes of Joe McCarthy, how the CIA was responsible for the dismissal of Gough Whitlam, and how all the problems of the Middle East would vanish if only Israel ceased to exist.

The subject I taught, Introduction to Political Ideas, was one of the few courses available in the Arts Faculty that wasn’t about postmodernism, globalization or terrorism. Students were required to read original, unabridged texts of some of the most important works of political theory: Machiavelli’s The Prince, Locke’s Second Treatise, Rousseau’s Social Contract, Mill’s On Liberty, Marx’s Communist Manifesto, and Orwell’s 1984. The subject could equally have been called Introduction to the Great Political Thinkers, but to have done so would have offended the policy of Australia’s tertiary institutions, which is to ascribe every political thought to being a product of class, race or gender. To acknowledge the role of ‘great’ individuals in either philosophy or history is positively forbidden.

The one occasion when I was truly astonished by what a student said occurred last year after a lecture I had given on Rousseau.

During the lecture I had discussed the ideal State that Rousseau constructed in the Social Contract—a State which required the banishment of anyone who did not offer total obedience to the government. Rousseau also suggested that those who offended against the civil religion should be put to death as ‘non-citizens’. I then described Rousseau as a ‘fascist’ and as a ‘totalitarian’, and said that ideas like If it wasn’t for Rousseau, would this man be alive and well today?

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these had motivated some of history’s most evil dictators to commit their heinous crimes.

At the conclusion of the lecture I was approached by a female student who said to me, very politely, that she thought I was being ‘too hard’ on Rousseau, and that I was not displaying the academic objectivity required of a lecturer. My first reaction was to consider asking her whether, when her lecturers in international relations described George W. Bush as a ‘moron’, she similarly reproached them for their lack of ‘academic objectivity’. But I refrained. Instead I replied that I couldn’t think of any description of Rousseau other than ‘fascist’ and that I would welcome her correcting me if I was wrong. I also mentioned that I was hardly alone in my attitude to Rousseau.

At the beginning of my next lecture, I began by recounting to the class what I had been told about my opinion of Rousseau. I said that I appreciated such feedback, and that naturally students were free to make up their own minds about Rousseau. But I then posed a question. If I had been teaching a subject on the Third Reich and I had labelled Hitler a ‘fascist’, would I have provoked the same reaction? Would any student have said I was being ‘too hard’ on Hitler? I doubt it.

A number of times since that exchange, I have pondered exactly what it was that had bothered the student. Did she feel a particular fondness for fascists? I doubt it. Was it that she believed that the term ‘fascist’ should only be used in relation to Hitler, Mussolini and Franco, and that totalitarians of the Left, and their theorists such as Rousseau and Robespierre, Lenin and Stalin should have some other special term reserved for them? Possibly—but probably not.

A more likely explanation lies in a misplaced moral relativism that declines to apply any meaningful description to events and thoughts. This is not to say that the student had any longing to follow Rousseau, and guillotine individuals who didn’t subscribe to a State religion, for almost certainly she didn’t have such a wish. What she possibly did have was a desire to see ‘both sides’ of Rousseau, which was combined with a reluctance to characterize any thought or deed as either ‘good’ or ‘bad’. (However, interestingly, when a student in a tutorial, not incidentally the one who took umbrage at my comments about Rousseau, raised the issue of whether adulterers should be stoned to death, every single person in the tutorial categorically agreed that such treatment of adulterers was a ‘bad’ thing.)

The absence of a willingness to make judgements about behaviour produces travesties of language such as the BBC describing the terrorists that murdered 52 people in July in London this year as ‘misguided criminals’.

The Melbourne Age (November 8, 2005) recently carried an opinion piece by Dr Amjijd Muhammad that revealed the desire to be so even-handed and neutral as to verge on the ridiculous. Dr Muhammad was defending controversial Muslim cleric, Sheikh Mohammed Omran, and the comment by Omran that ‘the 9/11 bombings were not perpetrated by al-Qaeda operatives’. Dr Muhammad wrote that such an opinion was ‘controversial’. Definitely. And it is absolutely wrong. One might describe other comments of Sheikh Omran as also controversial—such as his belief that Osama bin Laden ‘is a good man in some ways, and not in other ways’. (Perhaps the student who complained to me about my views on the Social Contract would have been happier if I had simply referred to Rousseau’s urging of State-sanctioned murder as being ‘a controversial idea.’)

Dr Muhammad accused ‘certain sections of the media and the Government’ of distorting Sheikh Omran’s comments and ‘cherry-picking’ quotes as part of a strategy to inculcate fear into the community’. Exactly what part of Sheikh Omran’s statement about Osama bin Laden being a good man the media or the Government is distorting or cherry-picking, Dr Muhammad didn’t say. Similarly, he didn’t say how the context changes the meaning of Sheikh Omran’s remark that al-Qaeda terrorists were not responsible for 9/11.

Of course Sheikh Omran should be free to express such views, just as university lecturers should be free to discuss the consequences of the Social Contract. But to have a discussion about such matters pretending that they can be considered in a completely value-free way is to abrogate any responsibility for the maintenance of basic liberal-democratic values.
Farmers and rural communities are being stifled by a never-ending upwards spiral of regulations. Restrictions on farming practice, from native vegetation laws to limitations on pest and animal management to bans on GMOs, are limiting the capacity of Australia’s farmers to compete globally against heavily protected competitors and emerging agricultural powerhouses who operate without such restrictions.

Moreover, the effect of these laws is felt not merely in terms of income forgone for rural producers. Compliance costs are now so high that farming families no longer have the time to participate in community groups in the way they once did. This, in turn, not only reduces the services available to rural communities and traditionally provided by them—such as emergency services, informal mental health support and additional educational facilities—but it also places greater demands on government.

The leading conclusion of a recent study by ABARE is that Australia’s farms ‘are showing signs of becoming increasingly subject to regulatory control’ and that this is likely to be having a negative impact on farm viability. The study especially highlighted environmental regulations as the cause of particularly poor outcomes. In Victoria, the Competition and Efficiency Commission has recently highlighted the same issue, noting in relation to regional businesses that ‘a number of its key industries are subject to wide-ranging regulation, while needing to be globally competitive’.

Similarly, the Productivity Commission has produced a long list of reports highly critical of both the level and nature of regulation affecting rural and regional industries and communities.

So why aren’t governments listening to their own regulatory agencies? No doubt, governments would say that they are, and would point to various initiatives to reduce red tape—the recently announced Australian Government’s regulation taskforce, or the establishment in Victoria of the Competition and Efficiency Commission, for example.

Yet, other similar taskforces have, at best, marginally slowed the growth in regulation or attempted to improve the measurement of its effects. Both are worthy outcomes but they have not resulted in a lower regulatory burden.

Over the past 20 years, the deregulation of the Australian economy and the removal of many cross-subsidies have had significant impacts on rural Australia. Reforms such as the removal of tariffs and the floating of the dollar brought strong gains for primary producers. However, there has also been a net reduction in hospitals, schools, local councils, banks, supermarkets and rural services.

At the same time, almost all rural statutory marketing boards have been abolished—and with them, minimum farm gate pricing in dairy, eggs and other commodities.

The burdens placed upon agriculture are formidable. A typical farmer needs licences or certification for chemical handling, gun ownership, heavy vehicle operation, moving farm machinery on roads, baiting foxes and rabbits, rabbit warren ripping, fire break and stubble burning, and dam and bore construction.

There are regulations specific to the dairying, cropping and livestock industries, such as cage sizes for chickens, the banning of GMO crops, and restrictions on live export of sheep and cattle. To add to this are the native vegetation regulations, which require new plantings of trees, sometimes in the ratio of 40 to every one old tree removed.

As Gary Banks, the chairman of the Productivity Commission, pointed out: ‘much of this regulation effectively forces farmers to bear the costs of providing public benefits for which the public itself should pay’.

Rural communities suffer a triple whammy: lower, or more variable, prices for what they produce, fewer local services available, and a marked increase in regulation. The inexorable growth in regulation has important effects beyond business viability, vital...
The increase in regulation potentially has two additional effects on rural community life. First, farming families may have less time to participate in voluntary community groups—they are too busy doing the training, filling out the forms, trying to find out if they are complying, or worrying that they are not complying with the paperwork mountain. Second, there also appear to be growing regulatory barriers to participation in voluntary community groups.

The Country Fire Authority (CFA) is a volunteer service in most rural communities, a fact lost on many city dwellers who don’t realise that if there’s a fire, there are no paid fire-fighters to come and put it out. In the past, most farming men were members of their local brigade, as were their wives. Usually, the men fought the fires and the women operated the base stations, prepared and delivered food and drink and acted as treasurer or secretary to the brigade.

Two regulatory changes have had a profound impact on this model. First, all fire-fighters need to obtain minimum skills certification by attending a six-week course and passing a test which does not recognise prior fire-fighting knowledge and skills.

Second, food-handling rules have eliminated the role of Country Women’s Associations and Red Cross Groups in preparing food for the fire-fighters. The women can no longer take food out to the fire because they haven’t done the minimum skills training.

All of these changes were done in the name of safety—proposed and introduced with good intentions. But their practical result was to reduce significantly the numbers of active fire-fighters. Some were offended that their skills were not recognised; others, who had not had any formal education since they left school, were frightened of failing an ‘exam’. Similarly, much of the women’s administrative support was lost because many women didn’t want to do the training as they did not fight fires.

The CFA has, in recent years, substantially increased paid administrative and fire-fighting positions, partly to offset the lack of volunteers, yet remaining volunteers believe that their role is being devalued, especially with the growing use of private fire-fighting faculties. This, in turn, puts further pressure on rural brigades.

Small rural communities face a continuing battle to keep remaining government services open. For example, kindergarten places are not fully government funded, so when a rural family has a child in kindergarten, it often spends what little free time it has on fund-raising, just to help keep the doors open.

The same happens with school fund-raising. There is constant pressure on farming families to raise funds for the local primary school, particularly if the town has a high proportion of poor families who cannot afford any levies that might be charged. Traditionally, women have taken a leading role in educational fund-raising in country towns through cake stalls, luncheons and other functions.

Now, to put on a luncheon, at least one person must be a licensed food handler and bakers of goodies for cake stalls have to list the ingredients in order of magnitude on the label, in the same way that multinationals like Nestlé do with their products in the supermarket. While labelling a cake may appear minor, the woman doing it probably now works part-time off-farm for additional income, does the books for the farm, including the GST, Workcover, and superannuation paperwork, and may work in the fields, particularly at harvest time, driving the header or moving field bins.

The cake label could well be the proverbial ‘straw that breaks the camel’s back’ in causing her not to go to the effort of baking.

The picture is not all bleak. Farmers have responded magnificently to these challenges, with productivity growth in agriculture averaging 2.3 per cent over the past 30 years, compared with 1 per cent growth across Australian industry generally. This productivity growth has been achieved in the face of a 9 per cent decline in the area of land under agricultural production in the past 20 years.

Farmers have continued to innovate to produce higher yields from less land, and in a more sustainable way. For example, in the past decade, cotton growers have substantially reduced their use of chemicals, and rice growers of water.

Of the three macro-level changes affecting farms—a continued massive distortion to global agricultural prices, removal of cross-subsidies and local services, and increased regulation—Australian governments have a primary responsibility only for regulation. What is needed now is recognition that this huge burden stifles rural economic growth and impedes rural communities from looking after themselves.

Getting rid of regulation is hard; there is always someone who will say that a particular law is necessary. Of the regulations mentioned in this article, some will be easier to remove than others. As a first step, community-minded policy makers need to recognise explicitly that their regulations can have unintended consequences, and may in fact constitute the latest and most deadly attack on rural communities.

**Why aren’t governments listening to their own regulatory agencies?**
New South Wales: Decline of the premier state

Mike Nahan

New South Wales—the Premier State—is in decline. Its economy is weak, having recorded the lowest rate of economic growth amongst the States in 2004–05. People are leaving, with the State experiencing a net loss of 30,000 people per year. Business confidence is low, the lowest of any State, and getting worse. Unemployment is above the national average and rising. The housing market is in a slump. The trains do not work, the roads are clogged and people live in fear of environmental Armageddon.

Although NSW has not sunk to the depths of the Victorian economy circa 1990, it is going in a similar direction for similar reasons.

The long reign of the philosopher premier, Bob Carr, has proven to be a period of sustained policy failure hidden by a booming national economy and a fawning media. Now that the tide has turned, the wreck is being steadily exposed.

Control over public servant numbers and wages, including teachers and nurses, is the key to managing public finances at the State level. Wages and employee entitlements account for 60 per cent of sustained policy failure hidden by a booming national economy and a fawning media. Now that the tide has turned, the wreck is being steadily exposed.

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mentally. Carr has done the same.

Over the four years to 2004–05, employee entitlements in the budget sector grew by an average annual rate of 8.8 per cent, followed by a massive 10.5 per cent growth in 2004–05.

This growth rate is more than twice the government’s forecast and nearly three times the rate of inflation plus population growth. And further large increases have been built into the system.

One of the driving forces behind the blow-out in wages has been the injection, by the Government, of ‘wage equity’ into the NSW Industrial Relations Commission’s (IRC) wage-fixation principles.

Wage equity is a long-cherished goal of feminists and unions. The argument is that there has been long-standing, systemic discrimination against women and that this has led to discrimination against female-dominated occupations as a whole. The policy response is to enforce parity in wages between comparable female- and male-dominated occupations.

The argument is flawed. While women do, on average, receive lower wages than men, the difference disappears when the wages data are adjusted for factors such as part-time work, length of service or experience, and overtime. This should be no surprise—sex-based discrimination has been outlawed and rigorously enforced, and equal pay for equal work has been the norm for decades.

The argument also assumes that female-dominated occupations have not received improvements in wages and conditions on a par with male-dominated industries in recent years. Again, this is not supported by the data.

It further assumes that occupations which face fundamentally different market conditions and work requirements—teaching and underground coal mining, for example—should have equality in wages.

The flaws in the whole idea have seen it rejected by jurisdictions both here and abroad.

The Carr Government, however, caved in. In 1996, it passed a new Industrial Relations Law which, among other things, changed the equal pay provision to ‘equivalent remuneration for men and women doing work of equal or comparable value’. The Government then set up the Pay Equity Taskforce to investigate the ‘under-valuation of women’s skills and ways of dealing with pay equity in NSW’. On the Taskforce’s recommendation, it then directed the IRC to undertake an Inquiry into Pay Equity. This Inquiry culminated in the adoption of the Equal Remuneration and other Conditions Principle, which provides the rationale for pursuing pay-equity claims in the IRC.

This process did little more than uncritically rehash flawed arguments.
The bureaucracy, even the Treasury, went along with the deal, even though it would unambiguously harm the State’s finances. The largest female-dominated occupations—and the ones targeted by the unions—are either employed or funded by government.

Following the path paved by the NSW Government, the NSW IRC awarded librarians (female and male) a wage increase of 16 per cent in 2002 on the basis that their work is undervalued because the jobs were historically done by women and that these workers are professionals on a par with legal and scientific officers, engineers and psychologists.

Nurses, teachers and public service clerks followed with pay-equity claims of their own. The Teachers Union and the Nurses Union claimed one-off salary increases plus allowances of, respectively, 25 per cent and 15 per cent, based on pay-equity claims.

The fact is that most nurses and teachers are already on equal pay with their chosen benchmark. Over 90 per cent of teachers employed in the public school system in NSW are on the top pay scale and receive a wage package of salary, extra holidays and super of in excess of $90,000—which is already on par with an underground coal miner.

The union’s claim, however, compares entry-level wages between teachers and miners and, through a sleight-of-hand, seeks to have this applied to all teachers, even though the entry-level pay differential quickly disappears as teachers move up the pay scale. Despite its blatant flaws, the unions’ pay-equity claims received a good hearing in the IRC and this induced the Government to increase its offer in exchange for postponing the pay-equity claims.

In 2004, nurses received a 16 per cent wage increase over four years and teachers received a 4.5 increase for each of three years, plus better conditions. These were, respectively, 33 per cent and 50 per cent above the Government offer.

What is worse, under the deal, the increase in wages goes only to the 90+ per cent of teachers on the top pay scale that already have pay equity. Teachers on the lower scale do not really miss out, as the existing agreement provides for an automatic 4.89 per cent increase per year simply by progressing up the ranks.

The above-budget wage increases for teachers and nurses alone have permanently increased the level of government expenditure by $500 million per year.

But it does not stop with the nurses and teachers. Their deal has flowed on to other areas of the public service. Even the Senior Executive Service, whose members are overwhelmingly male and who are responsible for achieving the government’s supposed 3 per cent wage target, have received a 4 per cent wage increase from the IRC so as to keep parity with the nurses and teachers. Is it any wonder that they agreed to the nurses’ and teachers’ wage equity claims, knowing eventually that it would flow onto them?

These wage increases were accompanied by commitments to large increases in staffing numbers—with public servant numbers increasing by 13 per cent in the four years to 2004–05. They come on top of large built-in wage increases achieved through promotion and seniority-based pay increases.

Importantly, they have not been accompanied by efficiency trade-offs. Individual agreements which provide the capacity to achieve value for money and better target wage increases are, with the exception of the top ranks of the SES, effectively banned in the NSW Public Service. Outsourcing has slowed since 1996. While there have been many departmental reorganisations which have tended to shifted resources from head office to the coal face, the effects on costs have been limited.

The loose wages policy in the public sector has now spread to the non-government sector and the private sector. Unions NSW has lodged claims with the IRC for a 4 per cent increases in minimum award rates, based in part on the wage increases achieved in the public sector. Private hospitals, schools and day care centres have all been forced to match the public sector’s wages and conditions.

Mr Carr has claimed that this was not of his doing, that it was forced on him by the NSW IRC. In fact, his government engineered the process, put up only token resistance, and then tried to hide its impact.

Each year he promised to stop the rot and to ensure that all new wage agreements fell within a 3 per cent growth limit. Each year he failed—as of course he must of known he would.

The wages bill in the NSW budget sector at the end of 2004–05 was $2.2 billion, or 35 per cent above the forecast of four years ago.

As Mr Cain did in the 1980s, during this decade the Carr Government has been able to mask the blow-out in wages with large above-budget revenue flows—thanks in large part to the GST and high effective tax rates. However, with the economy slowing, revenue growth has slowed to a modest but adequate 3 per cent in 2004–05, exposing the unsustainable growth in wages and conditions.

As the economy continues to slow, the budget deficit will grow further; the Government’s debt-elimination strategy will need to be abandoned, capital expense will be cut and taxes raised.

The writing is on the wall and the public has read it. The big question is: does the new Premier, Mr Iemma, have it in him to take back control of the public purse from his colleagues at Trades Hall?

IPA

AROUND THE STATES

DECEMBER 2005

REVIEW
Last year, for the first time in at least half a century, Tasmania recorded the highest rate of economic growth amongst the States. While Tassie is no antipodal Ireland, its growth rate—4.0 per cent in 2004–05—was not only the highest in the country, but double the State’s average performance over the last decade and almost double the rate recorded in the economic powerhouse, Western Australia.

ABS data on State growth for the smaller States are notoriously volatile, however the relative success of the Tasmanian economy is supported by a range of data—including high rates of growth in interstate emigration (including overseas migrants), job formation, housing prices and capital formation.

What is driving the Apple Isle’s new-found growth? Is it sustainable? The Tasmanian economy is benefiting particularly well from reform of the airline industry. When first mooted, the protectionists loudly proclaimed that the demise of the two-airline policy would disenfranchise the State. When Ansett was allowed to fall over from its own ineptitude, the claim again was that Tasmania would be ignored.

Instead, the cheap airlines that arose from these decisions have brought huge benefits to the state. In 2004, airline visitor arrivals (tourist and business) grew by 21 per cent. This, in turn, generated growth in visitor numbers of 11 per cent and in visitor expenditure of 15 per cent.

There has been a downside to this growth. In a textbook example of a government backing losers, over the last three years, the Tasmanian Government purchased three new ferries: two to ply the Melbourne route, the other a new Sydney route. It made the purchases after deregulation of the airline sector and after the introduction of cut-price airlines on the Tasmania route.

Not surprisingly, the ferry service is burning money and losing patronage. In 2004–05, the service recorded a loss of nearly $80 million and suffered an 11 per cent decline in passenger numbers. The losses appear to be getting worse. To put this loss into context, it is equivalent to the amount spent this year by State and Federal Governments on the repair, maintenance and construction of roads in Tasmania.

The Tasmanian economy has also benefited greatly from reform of home lending. The property market in Tasmania had long been depressed relative to the mainland, a difference which grew dramatically during the late 1990s as housing prices rose rapidly in the mainland but remained stagnant in Tassie. In 1999, the median house price in Hobart was just $110,000—less than a third of the comparable price in Sydney.

In 2001, things began to change. Small-scale investors from the mainland, armed with lines of credit based on the swollen value of their family homes, began investing heavily in the Tasmanian housing market. Families with little collateral began to migrate to Tasmania in search of affordable housing. Mainlanders also began to invest heavily in a vacation market made more accessible by cheap flights. As a result, the Tasmanian housing market boomed over the three years until 2004, with dwelling investment growing by 200 per cent and median house prices in Hobart more than doubling.

Although the housing market, particularly in investment properties, has cooled, Tasmania continues to have the cheapest housing in the country. Depending on job opportunities and growth generated elsewhere, there is scope for further expansion in the Tasmanian housing market.

The Tasmanian Government is also back in spending mode and has given the economy a huge stimulus. Over the last 15 years, successive Tasmanian Governments have quietly gone about getting the public sector finances in order. Expenditure has been held tightly in check, public service numbers trimmed, the budget pushed into surplus, taxes reduced to below the all-State average, and State liabilities cut. At the same time, the Tasmanian Government has reaped windfall gains from the housing boom and consumption boom. State tax receipts, led by property taxes, have grown...
All States are busily padding public servant wages and numbers, but Tasmania's effort is simply huge.

rapidly—by 10 per cent in 2004–05 alone. On top of this, over the last five years, GST grants from the Commonwealth have grown at a rate of 9 per cent per year—a rate three times the combined rate of inflation and population growth.

The Lennon Government responded to this windfall with a huge fiscal stimulus led by spending on public servants and capital works. Over the two years to 2004–05, the spending on public sector wages increased by 20 per cent. Another 12.5 per cent increase is planned for 2005–06.

All States are busily padding public servant wages and numbers, but Tasmania’s effort is simply huge and illustrates the power that public sector unions have over even a conservative and generally responsible Labor Government. Given that the public sector accounts for around 35 per cent of the State’s wages income, the 32.5 per cent increase in public servants’ income over three years is stimulatory in the extreme.

The Lennon Government has also increased the government’s capital works budget by about $100 million per year for the next four years, representing a 70 per cent increase in capital outlays.

On top of the budgetary spending, the government has unwritten a number of large private-sector projects, including the $700 million Basslink project and $100 million gas reticulation project, both of which are currently under construction.

While Lennon’s fiscal splurge has helped push the state’s economy to the top of the growth stakes, it will prove to be another costly flash-in-the-pan if is not supported by large, new, export-oriented private-sector projects. And while the domestic side of the state’s economy has been doing very well, the export side has been in the doldrums.

What Mr Lennon has done is creamed off income from the housing and consumption booms and locked it into large, on-going commitments in the public sector which will generate no additional revenue.

The housing boom is already tapering off. Interstate migration is slowing and consumption spending and GST receipts are starting to slow.

What is more, the day of reckoning is nigh. The Tasmanian Government has been kept solvent for decades with large subsidies from mainland taxpayers. United grants from the Commonwealth are allocated on the basis of fiscal equalisation, under which states with a relatively low capacity to raise funds and a higher level of dependence on government hand-outs receive more funds than the more successful, self-reliant States.

Tasmania has long gained from this national welfare scheme. And with increased volumes of funds flowing through the system as a result of the GST, Tasmania is benefiting to a perverse degree. For every dollar raised by the GST in Tasmania (including from tourists) the state gets back $1.90 in GST grants. The other states have been complaining for years. It is highly likely that when WA and Queensland no longer benefit from the system (which will not be long), the push for reform will begin in earnest. The effect on Tasmania’s finances will be profound.

Knowing this, the Tasmanian Government appears to be once again betting on a pulp mill. On this front, Lennon and his predecessor have done a remarkable job in the face of huge opposition and they should be able to make the project succeed.

The Tasmanian Government has been the only state government willing and able to stick to its Regional Forest Agreement (RFA). All other states have caved into the Greens—closing down their native forestry industry and relegating management to wildfires.

The Lennon Government is the only section of the ALP to support forestry. As a result, the Tasmanian forestry sector remains viable with a future based on the gradual shift from native forests to plantations. It has also provided the confidence and security necessary for future expansion and investment in the proposed pulp mill.

With the well-recognised success of its pro-jobs forestry policy in last federal election, the Howard Government is also committed to the maintenance of the RFA and a pulp mill.

Tasmania is also fortunate to have a large, successful local firm in Gunns Ltd, which is able and willing to make the necessary investments in the pulp mill and to deal with the obstacles and abuse of the Greens. This is a major plus.

If it goes ahead, the pulp mill will have a large impact on the state’s economy. Monash University’s Centre of Policy Studies has estimated that it would create around 8,000 direct and indirect jobs at the peak of its construction phase, and around 1,500 direct and indirect jobs when the mill is operational. It also estimates that it will boost the state’s economy by 2 per cent of GSP. In short, it will create a larger and more sustained impact than the housing boom and the public sector stimulus combined.

Without the mill, however, the state’s future looks like a re-run of the past—struggling to pay off stranded assets in a declining economy with a shrinking population.
By the end of the year, the number of emails sent worldwide is predicted to reach 136 billion per day. An estimated 64 per cent of these, however, are spam—unsolicited emails sent in bulk, usually of a commercial nature.

The question is how to deal with the spam—should it be left to internet entrepreneurs and innovators, or to government regulators?

Spam is popularly derided for a myriad of reasons. Like most technological developments in communication, spam marketing has been pioneered by the porn industry. Most people with email addresses will now be intimately familiar with the benefits that Viagra has on ‘performance’, often graphically illustrated.

Spam is said to have a negative impact on productivity. A survey in the US, the 2004 National Technology Readiness Survey, found that workers spend 2.8 minutes per day deleting spam, at a total cost to US businesses of $21.58 billion annually in lost productivity. While the survey’s results, which relied on self-reporting, implied that workers spent more than 9 seconds deleting each spam message they received, the findings reflected a broad social belief that spam does not merely annoy, it harms.

As well as being detrimental to productivity and offensive, spam has also become a tool of the fraudster—Nigerian royalty are looking for investment partners right now.

Spam is not restricted to email—spambots (automated robots which crawl the Internet looking for places to put spam, in part to raise their Google rankings) are now a common curse of the comments section on blogs, and a burden on website administration.

In response, governments around the world have stepped in to try to curb the evil of spam. The US CAN-SPAM Act 2003 requires email solicitations to provide details such as opt-out information, warnings about adult content, and a valid physical address of the business.

The Australian Spam Act 2003 goes much further—making it illegal to send ‘unsolicited commercial electronic messages’ that have an Australian link, with the usual exemptions for charities, political parties, and the government. The penalty for doing so can be as high as $1.1 million a day.

Despite the well-publicised efforts outlined above, spam continues to grow in quantity. While the Australian Government may be able to punish businesses with Australian links or physical addresses, there is absolutely nothing they can do to punish Russian—or Nigerian—spammers. While the legislation stops at the border, in a networked world, the spam does not.

Given that the problem is worldwide, it was perhaps inevitable that the United Nations would come to consider spam as a matter of utmost importance. Combating spam has become a central plank in the UN’s push to take over regulation of the internet.

None of these legislative remedies works. In fact, spammers don’t tend to obey laws. No legislation, no matter how draconian or restrictive, would be able to stop spam.

As one of the founders of the internet’s architecture, Vince Cerf, says, ‘if all you have is a hammer, everything looks like a nail. If we are not careful, we may fall into that trap by trying to develop overly simple definitions for what is really a very complex question’.

It is much wiser to leave anti-spam measures to the private sector, to place the responsibility for removing spam from mailboxes on the owners of those mailboxes, rather than a Canberra-based spam taskforce. Anti-spam technology is one which the private sector is well equipped to develop. Sensible protection measures on individual machines, as well as responsible handling of spam messages (never respond to spam) reduce vulnerability. Email filters, available at all levels of ISP-user interaction, are able to reduce spam by a variety of methods—searching for commonly used spam words, statistical analysis, authentication, checksum-based filtering, and a whole host of others.

The back and forth between spammers and anti-spam developers has forced spammers to innovate and produce what will likely be remembered as a cultural artefact of the period—replacing ‘viagra’ with ‘|/@g^ra’.

There are clear indications that the anti-spammers are winning. Google’s web-based mail service, Gmail, has a spam filter which is remarkable in its...
capacity to identify dodgy messages accurately. Existing filters are highly effective in screening for malicious attachments—the only real danger that spam poses.

**We haven’t been introduced... :)**
**Want to increase your pleasure?**
**Boost your sexual performance?**
**Ci@@liis SOFT**
**Vii@grr@ SOFT**

**DO-NOT-CALL OR DO NOT ANSWER?**

Governments’ efforts to protect us from spam are indicative of an approach to modern communications which is expensive, symbolic and useless. Rather than allowing communications technologies to develop at the pace at which the market dictates, governments are intervening whenever it sees a threat—even if it is undefined and merely an annoyance.

Does the mere fact that people are annoyed require government action? Is it the government’s role to encourage the productivity of individual workers? These seem to be the rationale behind the Spam Act, and the rationales behind the increasing amount of anti-annoyance legislation.

The Do-Not-Call list is another example. Modelled on the US system, the proposed Australian Do-Not-Call list is an opt-in list for those who do not wish to receive commercial telemarketing on their home phone.

On the grounds that unsolicited commercial phone calls are intrusive, the do-not-call list would fine companies who called people who had registered. Similar exemptions apply here as with spam: charities, political parties and research institutions—as if these groups do not make intrusive calls seeking money!

With no apparent irony, the Consumer’s Telecommunications Network’s executive director, Teresa Corbin, stated in October that telemarketing ‘is a huge issue for consumers. It should be dealt with the way spam has been dealt with—effectively and by the Government’.

Although Corbin draws the parallel for the wrong reason, spam and telemarketing are clearly similar—and have similar, free-market solutions.

Individuals are free to hang up the phone, and even to disconnect it when they do not wish to be disturbed. For those who don’t want to miss important calls, using answering machines to screen calls is not exactly a new development. And the market has come up with numerous other technological solutions—various products are available on the market that can screen telemarketers’ calls specifically, detecting the telltale signs of a call centre autodialer and hanging up the call.

**MALICIOUS CONTENT: SPYWARE AND ZOMBIES**

While telemarketers and (in most cases) spam emails are not malicious, some unsolicited communications material can be. Spyware, roughly understood, is software that installs itself on your computer without your knowledge, desire or approval. Not only can it render the machine unusable if it is allowed to build up, but it can also report private information on it to another party. The challenge of making even a working definition of ‘spyware’ illustrates the haphazard approach any legislative solution to the problem would present.

As the danger of spyware is greater, so is the response from the software community. The anti-spyware market is highly competitive—AdAware and Spybot Search & Destroy, two programs which are considered essential to keep a Windows computer clean, have been joined by a Microsoft anti-spyware system.

Any legislation to tackle spyware would have little effect on the major sources of the problem—the software markets operating out of Russia and Asia which constitute the bulk of nefarious activity. As Andrew Grossman of the Heritage Foundation says, ‘no set of regulations, no matter how finely detailed, would have much of an effect’.

The Australian Communications and Media Authority has recently announced its intention to intervene when computers have been hijacked by spyware or other users and are broadcasting unintentionally over the Internet—a phenomenon known as ‘zombies’. A worthy cause, but again, one in which government’s involvement is unnecessary and ill-advise.

Responsibility for the Internet and the computers connected to it has to remain with those who have a stake in them—that is, users and internet service providers. If, as it seems clear, the government cannot keep up with the pace of innovation in spam, spyware, and telemarketing, then its input is at best unnecessary and, at worst, counter-productive. A government insisting that it is tackling the problem of spyware would rob users of an understanding that they have to protect their machines themselves.

Depending on who you listen to, the first act of spam occurred either in 1978 or in 1994. The first Spam Act was passed in 2003. The decade-long lag between the invention of spam and the legislation to protect against it is a perfect illustration of the futility of government action in protecting people against the horrors of the internet.
With war in the Middle East and the prospect of terrorist attacks at sites ranging from major airports to the local shopping mall, it may be appropriate to remind ourselves that much of the world is experiencing an extended period of peace. Indeed, developed countries have not fought each other since the Second World War. This peace is unusual because powerful nations are historically the most conflict-prone.

Since before the time of Thucydides, states have used wealth to acquire more territory and to dominate the affairs of their neighbours. Understanding the reasons that the powerful countries of today are less prone to dispute than their predecessors is critical to maintaining the peace and to extending its benefits more broadly.

Policies predicated on inaccurate associations between democracy and peace, for example, seem destined to create as many problems as they solve. Classical liberal theory provides two streams of explanation for peace, one focusing on the forms and practices of government, the other on free markets and private property. The former, seen most particularly in the writings of Immanuel Kant, has received extensive attention from students of international politics in the last decade. Kant was wrong when he claimed that republics are less warlike than other forms of government. Instead, researchers have found that democracies are less likely to fight each other, while being no less ready to use force generally. This ‘democratic peace’ has been further proscribed by the discovery that developing democracies are just as war-prone as developing dictatorships.

**Capitalist peace or democratic peace?**

Erik Gartzke

Erik Gartzke is Associate Professor of Political Science at Columbia University, and a member of the Saltzman Institute of War and Peace Studies.

This is an edited version of an essay that appeared in the Economic Freedom Index of the World 2005, available at www.ipa.org.au. The Institute of Public Affairs is the Australian representative for the Index.
Liberal political economy offers no such contradiction. Scholars such as Montesquieu, Adam Smith, Richard Cobden, Norman Angell and Richard Rosecrance have long speculated that free markets have the potential to free states from the looming prospect of recurrent warfare. Capitalism encourages co-operation among states by creating conditions that make war unappealing or unnecessary. Free markets create another venue to competition among countries, often containing minor conflicts below the level of military force. The transformation of commerce made possible by economic freedom also leads to a transformation in international affairs. Conquest becomes expensive and unprofitable. Wealth in modern economies is much harder to ‘steal’ through force than was the case among agricultural and early industrial societies.

This ‘capitalist peace’ has been slow to reach fruition but the tools and evidence are now in place to establish a firmer connection between economic freedom and reductions in conflict. I have used the Index of Economic Freedom developed by Gwartney and Lawson and multivariate statistical analysis to show that free markets appear to encourage peace. I have also evaluated several other factors often thought to influence whether states fight. Economic freedom is one of the rare factors that generally discourages conflict among nations. Democracy is desirable for many reasons but policies that encourage, or even seek to impose, representative government are unlikely to contribute directly to international peace.

Free markets, and not democracy, have a general impact on the propensity of states to resort to military violence. At best, democracy may reduce conflict only among advanced industrialized economies. Developing countries do not benefit from a democratic peace. Especially in regions dominated by autocratic governments, the introduction of democracy can have little immediate impact on international co-operation.

Students of international political economy have long argued that global markets promote global amity. Mill, by a rope that in effect creates one common destiny. Schelling shows how something of mutual value can be used strategically to manipulate a counterpart; states that share economic linkages can in fact use the economic for example, claimed that ‘It is commerce which is rapidly rendering war obsolete, by strengthening and multiplying the personal interests which are in natural opposition to it’. The problem, of course, is that Mill was wrong. Numerous wars and smaller conflicts stand between the present and the pristine optimism of nineteenth-century liberal political economists.

What did they miss? What did they understand correctly? What evidence is there that their basic vision contains insights of lasting validity?

THE CAPITALIST PEACE: AN EVOLVING EXPLANATION

The intellectual liberal tradition of economic peace beginning with Montesquieu, Mill, Adam Smith and others, and progressing through Richard Cobden, Norman Angell and Richard Rosecrance suggests a variety of ways in which capitalism can encourage peace.

Perhaps the most general explanation is that economic interdependence creates something of mutual value to countries, which then leaves states loath to fight for fear of destroying economic benefits that they prize. While this is not implausible, the explanation depends on the supposition that items of mutual value do not themselves spark or facilitate conflict.

Thomas Schelling tells a story of two mountain climbers tied together linkages to play a game of chicken: the more valuable the linkages, the more effective and telling is the game.

If a state is reluctant to endanger the benefits of prosperous economic ties, it does not follow that peace will ensue. Other countries must be tempted to view a reluctance to fight as a vulnerability. To ensure peace, all possible participants must be unwilling to play the game of chicken or, indeed, to use military force.

Students of international relations traditionally looked to motive and opportunity (capability) to explain war. However, as murder-mystery novels and the game of Clue® make clear, these conditions are seldom sufficient. Individuals, groups, and countries often disagree, but usually entities with different interests find that they can negotiate bargains that avoid more costly or flamboyant behaviour.

Economic freedom is important to peace for at least two reasons. First, free markets act as a sounding board for political activity. Actions that frighten markets discourage investment, drive down economic conditions domestically, and thus are likely to be avoided by local leaders. The use of force abroad is often associated with a decline in domestic investment and with outflows of capital.

To the degree that leaders are willing to make foreign policy statements that scare capital markets, and to the extent that free monetary policies are
in place that make it difficult for the government to interfere with capital flows, the international community may be able to infer a leader's true resolve. Knowing what an opponent is willing to do makes it possible to bargain more effectively, so that resorting to violence to obtain what one side needs is less often necessary. Autonomous global markets create a venue through which leaders can establish credibility without needing to escalate to military force.

Second, economies based on intellectual and financial capital are less dependent upon, and less interested in, occupying foreign territory. Historically, wealth was a function of arable acres. Big countries with lots of land were rich countries. Within these societies, wealth was achieved by siding up to the sovereign; being a friend of the king meant land, which meant power. Indeed, maintaining one's economic position was equivalent to being involved in politics.

Modern societies do not work this way. Wealth is not primarily derived from agriculture. Instead, money is made or maintained through innovative ideas and entrepreneurial spirit. Commodity prices and labour costs in developed economies have consistently trended in opposite directions. Armies of occupation are expensive and the proceeds of resource theft made possible by conquest are increasingly marginal.

**THE FUTURE OF CAPITALIST PEACE**

With the foregoing in mind, it is possible to speculate about the evolution of international relations. Some implications are promising and some are not. Countries with free and prosperous economies have a good chance of maintaining and even deepening the peace that has characterized the latter half of the twentieth century. The shift toward post-industrial production has already occurred in these countries, bringing with it a reduction in the utility for war. Free-market capitalism also seems entrenched. However, maintaining the existing commercial and financial systems across relatively open borders is an ongoing concern. Protectionism can return, as it has in the past. The United States, in particular, needs to continue its leadership role in promoting global capitalism. Changes in the nature of production that discourage prosperous countries from wars of conquest may be reversed or degraded by subsequent technological, social, military, or environmental change.

At present, developed countries field effective fighting forces but find the labour-intensive activity of policing and administering conquered

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**Figure 1: Effect of Economic Freedom on Militarised Interstate Disputes**

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**Figure 2: Effect of Democracy on Militarised Interstate Disputes**

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Developing countries can more effectively benefit from conquest, but these countries are often unable to maintain or deploy military forces capable of winning wars. Saddam Hussein wanted Kuwait but could not keep it. The United States and its coalition allies could take Kuwait but did not want it, at least not as real estate. If resource theft again becomes expedient, as was generally the case in the past, then we will again see wealthy nations conquer and take.

**Policies predicated on inaccurate associations between democracy and peace seem destined to create as many problems as they solve.**

Yet, even with rising oil prices, it pays to remember that crude oil remains much cheaper by volume than the bottled water guzzled by thirsty armies of occupation. The Pentagon estimated recently that the life-cycle cost of a soldier exceeds US$4 million. In any event, lowering the cost of occupation is only half the profit equation. Information economies will remain poor targets for territorial aggrandizement and expansion of the global information economy promotes peace.

The situation is less rosy for developing countries. While the major economic powers may have lost interest in conquest, there remains occasional enthusiasm for using force to redirect the policies or politics of developing countries. Wars will continue as long as states differ in their views about the conduct of international affairs. War among developing nations will remain unaffected by the capitalist peace as long as the economies of many developing countries remain fettered by governmental control.

Similarly, economic development is required to shift emphasis from land, labour and other traditional inputs to production and toward intellectual and financial capital, inputs that are less easily acquired through force. A problem will arise as increasing wealth and domestic political stability provides developing countries with the resources to project power beyond their nominal borders. Much of Africa and South America is partitioned according to the whims of long-dead European diplomats and existing borders do not reflect historic or current ethnic, linguistic or cultural boundaries. Economic development may literally provide the ammunition for rising conflict in the developing world. To avoid development creating a tinderbox of the southern hemisphere, it is necessary that increasing prosperity coincide with a relative decline in the value for territory and with growing dependence on global capital. The advantage of late-industrializing countries is that they may skip the most dangerous stages of industrialization.

For instance, the ‘outsourcing’ of services, telemarketing and software industries, while vexing to many in the developed world, helps to create economies in the developing world that are less inclined toward war. The Indo-Pakistani conflict has regularly erupted in warfare, but leaders in both countries have recently come to accept that their more open economies suffer greatly from active hostilities. The growing dependence on international capital and the declining value of disputed territory relative to technological innovation means that the impetus to make peace has increased and the value of war has declined. On Cyprus, three decades of tense peace are gradually being replaced by the recognition that access to the knowledge economies of Europe is much more critical to prosperity than possession of orchards and pastures.

Given finite resources, the attentions of developed nations are best directed at reinforcing and propagating the free-market principles and practices that lead to peace over much of the northern hemisphere. The United States, in particular, has used its status as hegemon to champion capitalism and to encourage economic development.

In short, to achieve the goals of peace and freedom, the developed countries of the world must sponsor the extension of capitalist institutions and practices.

**CONCLUSION**

Adam Smith had the great insight two centuries ago that self-interest, unfettered by bureaucratic guidance or constraints, serves the common good better than state control. Market forces act as an ‘invisible hand’, freeing the productive potential of human populations. Today, there is increasing evidence that an invisible hand also acts on the foreign policies of nations. Global markets offer an alternative to the revelatory mechanism of warfare, while prosperity makes some forms of aggression unprofitable.

The search for world peace has long been consumed with the need for selflessness, though altruism appears to have achieved little pacific impact in practice. Instead, it is a by-product of self-interest that has been found to yield yet another virtuous social effect. The flowering of economic freedom, what some have derisively labelled ‘greed’, has begun to dampen the fires of war that to many seemed perennial and inherent, a product of civilization itself.
The media’s myopic gaze at American military action internationally masks the true state of emerging peace around the globe.

The second most powerful man in the United Nations bureaucracy, Frenchman Jean-Marie Guehenno, recently wrote that the number of people killed in battle around the globe is at an almost hundred-year low.

“There is less war than there used to be,” or so Guehenno – Kofi Annan’s chief peacekeeper in command of some 84,000 blue helmets in 18 peacekeeping missions worldwide, would have us believe.

The claim from the United Nations is potentially controversial at a time when we appear almost engulfed by conflict around the globe. It is a claim nonetheless that cannot be so easily dismissed, and for which there is mounting evidence.

Although new conflicts do continue to start - the UN points to just 25 places that are now at war around the globe, down markedly from the peak of 50 in the early 1990s. In simple terms, for every new conflict that starts, as in Nepal, two olds ones are ending.

In many countries peace is now establishing a firm foothold. A devastating and more than decade-old civil war in Burundi, which had claimed the lives of 200,000 civilians, has this year ended with the ascendancy of a Hutu president and installation of an elected government. Elsewhere on African soil, Liberians are rebuilding their shattered society. More than 100,000 Liberian fighters have been demobilized and their deadly weapons destroyed. In Sierra Leone and in East Timor international peacekeepers are packing their bags and going home.

In his report to world leaders during September’s Global Summit in New York, Annan articulated the need for collective action in what he described as ‘a world of interconnected threats and challenges’. The United Nations argues that one part of the reason why conflicts are ending is economic development, which has lifted much of East and South East Asia out of the conflict trap. The other part of the answer is that nations collectively are getting better at dealing with conflict in places where there has been no growth.

Increasingly, the world’s political leaders are coming to comprehend the vital link between development and security—the lynchpin of sustainable peace—and the dramatic consequences that can manifest as a result of the chronic poverty produced by under-development.

Of those conflicts that remain, common threads exist in each which enables policy makers to identify a patchwork of potentially troubling states. Frequently referred to as failed, or ‘failing states’, they are predominately characterised by civil wars, fought in the poorest nations, and often where the state’s institutions – the apparatus of government – have collapsed or are severely weakened to the point of irrelevance.

Internationalists are coming to accept that rarely can these wars be ended by outsiders alone. Rather, states acting together now have at their disposal a range of tools with which they can help deprive oxygen from a conflict and pave a path toward sustainable, long term peace. There is no
Development and economic growth are the core drivers in cementing newfound peace

quick fix, and often the attempts are multi-dimensional, which means they are complicated and require sustained international support for decades and not merely years. Warlords can be pressured, sanctions imposed, mediation provided, ceasefires encouraged, treaties entered, transitional institutions established, peacekeepers dispatched, humanitarian aid disbursed and additional incentives offered. It is the proverbial stick and carrot, though not necessarily in that order.

With peace taking as much as ten years to take root, states like Afghanistan and Congo which teeter between war and peace are not yet out of the woods. But even in these places there is real hope.

In Afghanistan a future generation of children are back in school—and that includes girls—while the adoption of a new constitution preceded by a nationwide democratic election marked the turning point from autocratic rule to majority governance. In the Congo, the vast nation is preparing for the first elections in 40 years while rebel militia are on the run following robust patrolling by peacekeepers in the country's troubled east.

Elsewhere the situation is rather more precarious, though all the more worthy therefore for continued international perseverance.

In the strife-torn Caribbean state of Haiti the re-establishment of democratic structures and stabilisation of local security remains fragile, often reaching the point of breakdown. Across the Indian Ocean, Africa's Cote d'Ivoire remains at a critical standoff between warring factions poised ready to split the nation in two, while efforts to end the killing in Sudan remains bogged-down in a geopolitical quagmire despite the obvious humanitarian imperatives.

As peacekeepers know all too well, the risk of a state falling back into the conflict trap remains disturbingly high. The concern is supported – indeed echoed – by research undertaken by the World Bank. According to the institution, half of all countries emerging from civil unrest fall back into a conflict cycle within five years.

But even in these states there is some good news. They previously stood little chance of attracting the international economic and developmental support they required, particularly if they were oil and resource poor. However, since the mutation of domestic terrorism with international ambition, the rules of the game have now changed.

Prior to the collapse of the Berlin Wall, these failed states were seen by the West, and others, solely through the prism of Cold War geopolitics. In today's war of terror they have become potentially dangerous, indeed deadly, entities in their own right. The pin-hole stare of the world's intelligence agencies—and their political masters—is now regularly fixed on these failing and failed states.

The World Bank has identified some 30 such states considered 'low income countries under stress'. Tony Blair's international watchdog—the Department for International Development—has named publicly 46 'fragile' states of concern; while their Atlantic cousins place the number of failed states close to 20.

Annan himself has warned that "ignoring failed States creates problems that sometimes come back to bite us".

But when is a state considered to be failing or failed? At what point, if any, does one or a number of states – under the guise of friend or foe – act militarily and intervene in the so-called greater-good?

Often distinguishing between a turbulent period in a country's organic political cycle – which might include mass-demonstrations, minority governance, or a temporary inability to deliver public services – from outright failure, is, history directs us, fraught with errors of subjective and medio-

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Often distinguishing between a turbulent period in a country's organic political cycle – which might include mass-demonstrations, minority governance, or a temporary inability to deliver public services – from outright failure, is, history directs us, fraught with errors of subjective and medio-

credibility of intelligence. Indeed, at what point does intervention become the trigger for collapse? When is invasio the fracture of an independent state and not its savior of sovereignty?

Just as legal precedent tells us that 'no decision' is a decision, so too we need to understand better that, internationally speaking, no action is an action. In the course of history this inaction has, with scary repetition, provided a platform for the exhibition of man's horrifying inhumanity to man.

Precedents and history aside, important inroads are now been made in the pursuit of peace, armed not with guns, but rather with the knowledge that development and economic growth are the core drivers in cementing newfound peace.

The establishment by United Nations Member States at this year's World Summit – including Australia - to create a Peacebuilding Commission and Trust Fund – for which $50 million has already been pledged - will go part of the way in addressing the broader question of how the international community can best assist failing states to bridge the poverty to development divide. Advancement in this area should also progress cognizant of the need to ensure that where gains are forged they are done so in the broadest possible way. An uneven spread of development growth – because of corruption, nepotism and mismanagement - can hamper the chances of breaking the conflict trap in the same way as an absence does so.

As Guehenno so adroitly put it when referring to Burundi's newfound peace - 'Perhaps for the first time in history, the reach of collective peacekeeping is no longer exceeding its grasp'.

IPA
The Northern Territory is hot, and there are few places where people can safely swim—because of the salties. It’s hard to believe there were once fewer than 5,000 saltwater crocodiles in the Northern Territory. The population was decimated in the late 1940s and the 1950s by hunters. A ban was placed on hunting and the exportation of skins in the early 1970s. Crocodile numbers have bounced back and are now estimated at 70,000.

Ecologist Dr Grahame Webb was involved with the programme to rebuild crocodile numbers. To do so, the following three principles were promoted:

- Public education;
- A programme to contain problem crocodiles, including trying to keep them out of Darwin harbour; and
- Ensuring crocodiles had a commercial value—so that landholders would see them as an economic asset rather than a pest.

The programme could be successful given that numbers are high and about 20,000 eggs and 600 crocodiles are harvested from the wild each year under a permit system. Eggs sell for about $40 each, while crocodiles sell for about $500.

Many locals, however, resent the crocodiles. They wish, instead, that they could swim at the beach again.

Talk to a local and they complain, but talk to a tourist, especially one from Europe, and they consider it all very exciting. That a German was eaten alive at Kakadu two years ago, and an American model in the Kimberley a few years before that, only adds to the intrigue and keeps the Northern Territory on the young backpackers’ list of dangerously exciting outback destinations.

The Northern Territory Government would like to make more money from tourism and specifically from its out-of-control crocodile population.

There are big game hunters in Europe and the United States who would pay $10,000 to shoot a single crocodile. But these rich tourists are only interested in spending the money if they can take the souvenir—the crocodile head and skin—back with them. The Northern Territory Government asked the Federal Government for approval to export 25 skins from safari-hunted crocodiles each year.

Federal Environment Minister Ian Campbell has rejected the request. He has said that:

We want people to come to the Northern Territory to look at our magnificent wild environment and it sends a perverse signal out to people of the world to say, come here and blow up our wildlife, let’s go shoot it up and take the skins back to trophy cabinets in California.

Clearly the Minister doesn’t like the idea of safari hunting. I must admit it has no appeal for me either. But the reality is that many animal lovers—yes, animal lovers—are also keen safari hunters.

In their book, Going Native: Living in the Australian environment, Michael Archer, Dean of the Faculty of Science at the University of New South Wales, and journalist Bob Beale write that:

If the natural world is to have a future, we need to understand that the love of animals based on use and dependence has always led to a commitment to conserve.

Indigenous peoples who remain hunter-gatherers have a love and respect for animals, plants and ecosystems that most of us simply do not understand because they, unlike us, are still an indivisible part of the environments upon which they depend.

As a modern city-based environmentalist, the Minister is probably also offended by the idea that safari hunters enjoy killing animals. I guess a case could be made that the 600 crocodiles culled each year be shot by vegans—they would be sure to take a solemn approach to the job.

Jennifer Marohasy is Director, Environment Unit at the Institute of Public Affairs.
What’s happening to agriculture?
The benefits of technological transitions

David Tribe

I call the points where a rapidly developing technology takes off and starts to displace its predecessor ‘technological transitions’. These are perilous times, but they are the times when great industries are founded. Rarely do leaders of the last technology play a significant role in the next; they’ve usually become encumbered with a bureaucratic superstructure focused on managing a mature market but incapable of acting on the small scale with the rapid pace that’s needed to develop its successor—the new market that’s inexorably displacing them.

John Walker, Founder of Autodesk Inc.

Drought, low commodity prices, dumping by overseas competitors, unfavourable terms of trade, barriers against entry into overseas markets, outbreaks of crop-destroying plant disease, to mention a few. There are plenty of problems for Australian primary producers to worry about, and it’s easy to understand why some threats might be pushed to the background by more urgent distractions. Against this background, technological change can easily become just one more of these background issues. But this would be a serious strategic mistake, because massive global investment in biotechnology is triggering several major technological transitions in agriculture. Even though these are slow revolutions, they are still highly disruptive.

As with the telegram, the typewriter, the floppy disk, the land line telephone, and the snail-mail letter, all technologies have finite life spans and are vulnerable to displacement from the market by disruptive new techniques and innovations. If technological innovation is not embraced, it only moves faster somewhere else.
SUGAR
World markets for sugar and starch commodities are now virtually certain to see a fundamentally different—and much cheaper—form of sugar enter markets in 2006. This impending technological disruption consists of cheap sugar from polymer cellulose and it merits close analysis by Australian rural industries.

Cellulosic polymer materials (also called biomass) are the principal carbohydrate component of straw and wood, and are abundantly available—for example, as wheat straw, corn stover, sugar cane bagasse, wood chips, paper pulp—at low cost. A recently demonstrated commercial capability for cheap conversion of cellulosic materials into sugars essentially doubles the world supply of sugar from cereal crops and also enables woodchips and pasture grasses to be converted into more valuable sugar feedstock streams. Thus, an economically disruptive technological transition is now occurring which, in the medium-term, is highly relevant to world sugar, starch and ethanol commodity markets, and one that can be used almost immediately to reduce ethanol biofuel costs.

For some 30 years or so now, it has been technically feasible but economically prohibitive to convert cellulose into sugar commodities. Thanks to astounding progress over the last three decades in molecular genetics and microbial biotechnology, this cost barrier has been broken.

The breakthrough in commercially feasible conversion of cellulosic materials into sugars was signalled by the April 2005 announcements made by a consortium which includes the Danish biotechnology company Novozymes, the US biotechnology company Genencor, and the US National Renewable Energy Laboratories (NREL). These announcements heralded a 30-fold reduction in enzyme catalyst cost in a biomass-to-ethanol project. ‘The project goal has been achieved: the cost of enzymes for biomass-based fuel ethanol production has been reduced to USD 0.10-0.18 per gallon in laboratory trials, a 30-fold reduction since 2001. Enzymes are no longer the main economic barrier in the commercialisation of biomass [cellulose to ethanol conversion] technology’, said an April 2005 Danish stock exchange announcement.

The Spanish energy company Abengoa has subsequently announced that a 70-tonne-a-day ethanol fuel demonstration plant will be commissioned late in 2006 at the BcyL Cereal ethanol factory at Babilafuente, Spain, which will use the technology to convert wheat straw into fuel ethanol. Steam explosion technology is an important straw pre-treatment stage in this process.

There is potential for further catalyst cost reductions in the process which could bring the cost down to the US$0.02 per gallon level or even lower. NREL has indicated that such progress is achievable by the continued application of well-tested biotechnology research strategies. Novozymes and Genencor are very well placed to exploit their long-acknowledged leadership in this area by extensive improvement of this technology. (Genencor is actually an extremely successful industrial offshoot of the first ever genetic engineering company, Genetech.)

Innovation in biomass conversion is being applied in Brazil to achieve further improvements to efficiency in the production of Brazilian ethanol biofuel by the Dedini Rapid Hydrolysis process. In 1975, the average yield of Brazilian ethanol was only 2,000 litres per hectare of cane crop; by 1998, technological innovation had pushed this to 5,500 litres per hectare. With the new biomass conversion technologies, the sector now has the potential to achieve yields of 10,000 litres per hectare or better. The improved methods can also be used to increase ethanol output from mashed corn, as can be done in the US biofuel industry.

Already, Brazilian fuel ethanol has become a substantial part of international trade, and currently competes commercially on US fuel markets, even with the penalty of a 51 per cent US excise tax. This dominant global trade position in ethanol liquid-fuel capitalises on 30 years of previous technological improvement, including earlier introduction of higher yielding cane varieties and numerous integrated changes to ethanol factories. The recent wave of ethanol fuel ventures in Australia cannot afford to ignore the reality of markets dominated by very cheap Brazilian ethanol and the prospects of even lower priced Brazilian and US ethanol in the near future.

Cereal straw and sugar cane bagasse are not the only cellulosic starting materials which can be converted to sugar using enzyme catalysts: wood and many other non-food crops can also be used, and forest industries in Canada and Scandinavia have particular interests in this area.

Massive global investment in biotechnology is triggering several major technological transitions in agriculture.

Dr Tribe teaches biotechnology at the University of Melbourne, and is especially interested in seeing Australian farmers benefit from innovation. His blog is at http://gmopundit.blogspot.com

FOOD AND ENVIRONMENT
The growth generated by market demand for this now price-competitive technology is likely to be augmented further in those countries that place a premium on its high potential for reduction of net atmospheric carbon dioxide emissions. All biomass-based fuel ethanol starts out, of course, as carbon dioxide sequestered from the atmosphere. Fuels from petroleum and natural gas do not have this environmentally beneficial first step built in, because their carbon has not seen the atmosphere for millions of years. In this way, biofuel is neutral with respect to atmospheric carbon dioxide levels, a crucial distinction between it and fossil fuels.

**THE AUSTRALIAN COTTON INDUSTRY**

Australia is a technological leader in the cotton industry, and Australian cotton productivity is three times the world average. Australian cotton has ridden the leading edge of a technological transition sweeping through the global cotton-growing industry to the advantage of cotton growers and their local communities. Current low world prices for cotton (and continued strong demand by China for cotton imports) have been augmented by a wave of technological change—including a genetic revolution—that has diffused through major cotton-producing countries such as the USA, Australia, China and, most recently, India.

Modern plant breeding is playing a decisive role in this economically disruptive but beneficial-to-the-consumer transition. The continuing global progress with this revolution, which started in Australia and the US in 1996, is illustrated by recent comments made by Zhang Rui, a member of a research team in the Chinese Academy of Agricultural Sciences. In September this year, he announced that China has approved commercialization of a new hybrid variety of insect-resistant Bt cotton—which contains a protein that kills bollworms—that should yield 26 per cent more cotton. The last two seasons have also witnessed truly dramatic improvements in the Indian cotton industry productivity. Widespread use of genetically modified cotton seeds has helped assure India of a bumper 2005 cotton harvest, with national output estimated at 25 million bales, up seven per cent from 2004.

Cotton’s technological transition has significantly changed the supply side of the global cotton industry. Increased supply from widespread higher crop yields has added to recent stagnation in global cotton prices and enhanced prospects that low prices will continue in the near-term. Australia cotton growers have minimized the damage of low prices to their industry because they were innovation leaders and have been early in capturing benefits with well-managed and well-coordinated investment in cost-reducing and quality enhancing technologies over several decades. Unfortunately, cotton producers in countries that lag behind in technological innovation, such as in West Africa, are suffering severely from current low cotton prices, underlining the consequences of delayed innovation and the importance of reciprocal trade in cheap textiles to capture benefits.

**OILSEED**

Globally, the major transition occurring in the oilseed industry is the recent emergence of several ‘health-enhancing’ low-trans-fatty acid oilseed commodities—encouraged by new labelling regulations for trans-fatty acid content in the US and increased awareness of the health implications of trans-fatty acids in foods.
Australia is having mixed success in riding this wave of innovation. One encouraging success is the Victorian-based seed company, Nutrihealth. Nutrihealth has developed novel canola oilseed varieties it calls Monola. These are new speciality oilseed varieties with fatty acid profiles described in nutritional terms as ‘High Oleic acid Low Linolenic’. While retaining the important nutritional attributes of canola oil, they have potential for a wider range of food applications, including oils with low trans-fatty acid content.

But export markets offer additional challenges beyond those provided by domestic markets for a speciality oil such as Monola in Australia. It is difficult to argue that Australia is well placed on these major export markets, particularly given the major technology transitions and heavy research investment taking place internationally, most notably in soybeans, the dominant part of the sector.

The huge soybean sector is undergoing substantial acreage growth in South America and is very attractive to commercial seed companies because of its large size. This combination of size, technology and research investment gives overseas soy growers tools to compete strongly in markets currently held by Australia’s major oilseed crop, canola. For instance, several new soybean varieties will reach the market in the US in 2006 that provide health-beneficial fatty acid profiles that minimize the levels of trans-fatty acids in processed oils, and more are sure to come.

Technological innovation in most major crops in Australia has recently suffered a serious setback, by a wave of State Government legislation prohibiting any general farm cultivation of new crop varieties that are created using modern genetic manipulation (GM crops). This has prevented any further Australian commercial investment in modern crop genetics for the foreseeable future, other than in cotton, opium poppies and cut flowers. The Governments implementing the bans seem unconcerned that the Australian canola industry has conceded a 20 per cent cost advantage to Canadian growers for the next ten years or more, and seem to have no understanding of the time lags in the seed-breeding research pipeline. The cost to Australian agriculture communities of this legislation has been estimated by ABARE at $3 billion, but the long-term, flow-on economic damage from lost opportunities and diversion of commercial investment entail much more than just science and the costing of economic returns and agronomic benefits. They represent destruction of basic economic freedoms and threats to the medium-term financial viability of several rural industries. Resolution of this damage might come from a frank assessment of the misjudgements of industry, farming groups, and politicians that caused them, as well as an action plan to change stakeholder strategies.

If it is indeed true that they were driven by political calculations about urban votes rather than government attention to the interests of the rural sector, stronger activism by farming organizations, such as the National Farmers Federation and other networks such as the recently established Producers Forum (which is a loose national network of concerned growers), are a very welcome sign.

Australia exists today partly because of the pragmatic liberal attitudes to science and technology that held sway in Britain three centuries ago.

WHERE TO FROM HERE

The technological changes in global agriculture are complex. Wisdom, bipartisanship and clarity of vision are sorely needed to navigate them. So far, there is only modest evidence of Australia’s policy gatekeepers successfully tapping into these assets, except, to the country’s great benefit, in the cotton industry.

One interesting area to start building a platform of sound policy might be the biofuel industry, since the apparently sustainable and carbon dioxide friendly nature of this technology seems to have softened the usual anti-technology stance of major environmentalist lobby groups. Ethanol biofuel doesn’t make economic or environmental sense without the tools and discoveries of modern biotechnology. Without this, Australia would be better off importing its fuel ethanol from South America.

Setbacks to farm profitability and investment caused by GM crop bans show that technological leadership entails much more than just science and the costing of economic returns and agronomic benefits. They represent destruction of basic economic freedoms and threats to the medium-term financial viability of several rural industries. Resolution of this damage might come from a frank assessment of the misjudgements of industry, farming groups, and politicians that caused them, as well as an action plan to change stakeholder strategies.

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Australia exists today partly because of the pragmatic liberal attitudes to science and technology that held sway in Britain three centuries ago and the prosperity that flowed from the British enthusiasm for innovation. Nowadays, it often seems that enthusiasm for technology is confined to the internet and the latest generation of mobile phones. It might be wise to restore this traditional enthusiasm and extend it to the modern technological revolutions being embraced by our trade competitors.
Should businesses just say no?

Tim Wilson

Recent media reports have shown that businesses, particularly those co-operating with the Chinese Government, have been working together in the maintenance of political oppression. In June this year, internetnews.com reported that Microsoft agreed to ban the words ‘freedom’ and ‘democracy’ on its Chinese internet portal system, MSN China, following requests from China’s censors. Other terms that are deemed political hot potatoes by Beijing include ‘Taiwan Independence’, ‘human rights’ and ‘Dalai Lama’. Microsoft defended its actions by claiming that it has a responsibility to ‘abide by the laws, regulations and norms of each country in which it operates’. MSN China is partly owned by the Chinese government-funded agency, Shanghai Alliance Investment.

MSN China are not alone. A similar report in the Far Eastern Economic Review shows that Yahoo Holdings, registered in Hong Kong, recently provided the Chinese police with cached traffic site data on sites that journalists are not allowed to cover. The data was provided in a case against a Chinese citizen, Shi Tao, as the author of a posting on a Website, who has subsequently been sentenced to 10 years’ imprisonment. Yahoo Holdings provided a similar defence to MSN China—it was obeying the ‘customs’ of the country it was operating in. This is despite the fact that Yahoo Holdings was registered in Hong Kong and therefore not required to provide the data.

With the growth of the internet in China and with a culture based on reward arising from relationships, rather than from merit or market forces, it takes an enormous leap of faith to believe that Yahoo is not trying to cosy up to the Chinese Government for business reasons. Business has a responsibility to increase its profits but, by acquiescing to governments in this way, they are diminishing their capacity to oppose a system that rejects free markets and democracy.

Business has a responsibility to respect the laws of the country they operate in; but businesses also have a choice about the countries in which they operate.

Private enterprise is a bastion of a free society and a deterrent to the excessive use of government authority. Business has many interests, most importantly to be profitable, but business interest is almost never served by the promotion of the power of government. To protect its long-term profitability it is not in the interests of businesses to be corrupted by government and assist in the increase of governmental authority. Notwithstanding their principal responsibility to increase profits, business should legitimately recognise that some relationships are not worth entering into. Exchanges that promote the very oppressive forces that undermine the market system upon which business depends should be among them. While profits should remain the focus of business, that does not mean that they should knowingly sell the rope that will be used to hang them.

Tim Wilson is a consultant to the Australian APEC Study Centre at Monash University.
Popular clubs suffer under salary cap

Alan Moran

To clear the decks for his elevation to the ACCC, in 2003 former AFL Commissioner Graeme Samuel wrote an article entitled ‘Footy wouldn’t be fun without a level playing field’. In it he argued that equalization of salary caps was not anti-competitive since the code itself is the competitive entity, not the individual clubs. The code is in competition with rival codes and other sports, hence it is legitimate and healthy to have price controls on the clubs. He equated AFL clubs to a franchise like McDonalds competing against other eating establishments.

Interesting concept. But it is doubtful whether the airlines would get away with collusion to control input prices on the basis that they were actually a franchise in deadly earnest competition with the car, shipping, railways and the horse and buggy. And if cinema owners joined together to agree on a maximum price for film rentals on the basis that they'd like to keep a critical mass in the face of television, video and live entertainment competition, the ACCC would have been calling for jail sentences.

I have argued in the past that the salary cap deprives the best performers of income and prevents the clubs from seeking to win and maintain fans’ support by assembling the most attractive package that the fans’ turnstile behaviour merited. I questioned the consistency of the Samuel’s positions on the competition policy-shielded AFL with his then Chairmanship of the competition watchdog, the NCC.

The ACCC Chairman has since made the case for AFL labour regulation on the grounds that abolishing salary caps would lead to increased prices. To do so, he argued, would bring about the demise of two of the Melbourne clubs.

Neither of these outcomes should be part of a competition regulator’s analysis.

It may be true that lifting the salary cap might raise costs and therefore charges, but that is no different from an outcome in the fees paid to rock musicians, opera singers, merchant bankers or television personalities.

The claim that, without salary caps, the popularity and viability of team sports would be undermined is equally unfounded.

Without a salary cap, soccer has become the world game. In spite of many Australians sharing Sam Newman’s views that it is boring, its spectator appeal dominates the market for world team sport. And the lack of a cap has not resulted in the disappearance of teams willing to compete. Of course, like those sports with a cap, teams go under from time to time, but as with failing businesses in the restaurant industry, there is no shortage of replacements.

Lack of a salary cap in soccer means that the richer teams tend to dominate. But they do not invariably win championships. In England, the Premier League might see a half dozen teams normally winning the top honours, but in the last ten years Blackburn Rovers has won the League, been relegated, and come back up again. Wigan, currently second, was an amateur non-League club a decade or so ago, while it was only 30 years ago that the mighty Manchester United was relegated. The same picture is seen in Germany, where recently the previously diminutive Bayer Leverkusen almost stole the title, and in Italy’s Serie A, where tiny Chievo finished fifth.

The point about allowing players to earn fancy salaries is that it performs a real service. Such unfettered arrangements allow markets, rather than a centralized bureaucracy, to determine how much the finest and most skilled athletes should be paid. In the AFL, in particular, playing careers are extremely short—less than ten years for most players. It is unjust and inefficient to prevent the best people earning the rewards that those enjoying their skills are willing to pay.

Moreover, as footy fans tend to be wedded to their team for life, it is unfair that their ‘agents’, the club’s management, should be prevented from buying-in talent that their patronage could make affordable. Indeed, this inability doubtless contributed to the poor performance, in recent years, of some of the clubs with the strongest supporter bases. As a result, it would also have brought about an aggregate decline in attendances due to the disappointment of those same supporters with their clubs.

Australians rightly regard sport as among their most important leisure activities and the monopolistic practices of sporting code administrations should be an early candidate for ACCC review. Of course, with his conflict of (previous) interest, Mr Samuel would need to consider excusing himself from participating!
Life has become much safer over the last 100 years due to advances in medical technology, sanitation and food production. These have resulted in an increased life expectancy accompanied by a decrease in growth of the global population. However, people continue to worry about potential risks and hazards posed by ‘man-made’ disasters and ‘un-natural’ diseases that are perceived to threaten our health and lifestyles and which are beyond our direct control. But what are the real risks and what actions are being taken to prevent an outbreak of a global influenza pandemic?

DISEASES THAT JUMP SPECIES

‘Zoonosis’ is any infectious disease that may be transmitted from animals, both wild and domestic, to humans. Many of the serious epidemic diseases that have affected humans in historic times are ones that are spread from animals to humans. The plague, salmonella, tuberculosis, and influenza all fall into this category. In fact, for many ‘human’ diseases, the human is actually an accidental victim and a dead-end host, while the disease mainly spends its time replicating in non-human reservoirs perfecting its counter-defence against the host organism’s innate immune system.

Zoonotic diseases that spread on the wing, by birds or bats, before they jump species and infect a human are particularly hard to contain and eradicate. Unrestricted by physical borders, these diseases have the potential of spreading globally. The detection of diseased wild birds carrying the highly pathogenic avian influenza strain H5N1 or the ‘bird flu’ in Asia and, lately, in Eastern Europe is a good example of a disease spread by birds and one that could be poised to jump the species barrier.

Medical technology that has protected us from many of the scourges of Man from earlier centuries is facing an uphill battle because of the ever-changing nature of influenza viruses. This always leaves the vaccine developer on the back foot, second-guessing the molecular make-up of the virus strain that will jump the species barrier and cause the future human pandemic.

Powerful antiviral drugs, such as Relenza and Tamiflu, the first line of defence against a ‘flu pandemic, are the culmination of 20 or more years of molecular studies of the virus’s life cycles by public and private research institutions in Australia and overseas. These basic curiosity-driven studies of the virus’s intricate interaction with the host cells has led to new medical applications for blocking the replication of the influenza type A virus by targeting proteins on the virus’s surface. The Australian government has already stockpiled 3.95 million courses of antiviral drugs, including Tamiflu.

But an estimated 20 million doses would be required for health and emergency workers, and the seriously ill alone, during a short-term outbreak. The antiviral drugs only offer relief of the ‘flu symptoms and is no long lasting cure against the ‘flu.

PUBLIC AND ANIMAL HEALTH POLICY

There are indications that these drugs are already losing their potency because the virus is building up resistance against the drug by mutating and changing its outward appearance and the surface proteins that the drugs are targeting.

The development of a vaccine will, at most, give a partial immunity to any human strain of the bird ‘flu that will be the cause of a pandemic. Vaccines are best for controlling slow, stable epidemics such as smallpox, but are not as good for something as rapidly mutating as the influenza virus.

The best immediate solution seems to be to treat cases of human bird ‘flu aggressively and to cull-do-
mestic birds that show signs of the disease, while keeping up the monitoring of sick migratory birds.

International co-ordination and open communication links that can give advanced warnings of an outbreak are vital. The World Health Organisation has epidemiologists in place in South East Asia tracking the spread of disease among human populations and who are looking, in particular, for incidences of possible human-to-human transfer of the virus. The South East Asian countries are trying to educate the rural population about the necessity of keeping poultry, pigs, ducks and other farm animals separated from humans, to look out for any sign of disease and to report it.

In response to the recent findings of diseased wild birds carrying the H5N1 strain in Russia, Romania, and Croatia, the British Government is to consider following the example set by authorities in Holland and Germany—they have made their poultry farmers lock their free-range chickens safely away. Likewise, part of the British Government’s contingency plan for an outbreak of bird ‘flu is that it can order free-range poultry farmers to bring millions of birds inside to prevent an outbreak of bird ‘flu in poultry in the UK.

British national farmer groups are supporting these measures, but the free-range and organic poultry producers believe that there is no need now, or in the near future, to lock up roaming hens. According to the Soil Association, the largest organic marketing body in the UK, to do so would be to destroy the rapidly growing free-range and organic sector, a sector which grew out of fears of the ‘mad cow disease’ epidemic.

TECHNOLOGICAL FIXES TO THE BIRD FLU
All the suggested actions—the treatment of symptoms in humans using antiviral drugs, the increased surveillance and monitoring of migratory birds, the locking up of poultry and the culling of diseased birds—are at best only a holding strategy.

How do we get on the front foot in combating the influenza virus?
We need to break the chain of infection and re-infection between wild aquatic birds and poultry which is assisting the spread of the virus.
We could genetically engineer the domestic chicken to be immune to all major strains of influenza A that are affecting birds.
If chicken populations were to be replaced with transgenic birds that were resistant to ‘flu, it would remove a reservoir of the virus and make it much harder for it to spread to humans and trigger a pandemic.

UK researchers in Cambridge and the Roslin Institute in Edinburgh, where Dolly the sheep was created, have already shown that chicken cells can be protected against ‘flu by inserting small pieces of genetic material.

Chickens provide a link between the wild bird population, where avian influenza thrives, and humans, where new pandemic strains can emerge. Removing that bridge would dramatically reduce the risk posed by avian viruses.

The research team is following a couple of parallel approaches. One involves inserting a working copy of a gene that makes an antiviral protein called Mx, which is defective in many chicken breeds, and should improve their ability to fight off influenza strains.

The second approach is to harness a technique called RNA interference, in which small fragments of RNA are used to disrupt the replication of the ‘flu virus. This is done in advance of the virus attacking the cell and thus in advance of any viral proteins being expressed that can be used to develop a vaccine.

By engineering chicken cells to make small RNA molecules that confuse the ‘flu virus, scientists hope to confer resistance to a wide variety of strains.

However, the replacement of whole poultry flocks with GM birds will have to await a battle to win over public opinion and secure regulatory clearance. If these obstacles are overcome and farmers are willing to adopt GM chickens, the entire world stock could be replaced fairly quickly. Once regulatory approval were granted, it is estimated that it would only take between four and five years to breed enough chickens to replace the entire world population. Unfortunately, this might yet be too late for the present bird ‘flu outbreak.

The other more indirect route is to dig deeper into the human influenza genes and to study the evolution of the new highly variable influenza genome.

There is a large-scale sequencing effort that will provide a comprehensive analysis of the evolution of influenza viruses and of the sudden antigenic shifts that precede the outbreak of a world-wide pandemic.

The sequencing of 200 isolates of influenza virus has revealed multiple novel mutational events, including point mutations, deletions and segment exchange. In one instance, an epidemiologically significant reassortment for which the existing vaccine had limited effectiveness has been detected.

The Influenza Genome Sequencing Project is being expanded to include avian influenza strains such as H5N1. It is through these kind of studies that we will obtain an early indication of when the virus has reassorted itself to become the next pandemic.

Knowledge about the ‘flu is the drug that will beat the next pandemic when it arrives.
Labour in the agricultural sector

Ken Phillips

In the debate over the labour market and the appropriate industrial relations regime for a self-reliant society, the role of labour in agriculture has been given relatively little emphasis.

But few industries are so reliant on an efficient labour force. In the agricultural sector, the direct linkage between labour laws and their business performance is well recognised.

During the early 1990s the National Farmers Federation, representatives of a wide range of farming industry groups, was at the forefront of the battle for industrial relations reform. Its fighting fund has financed some of the most important legal battles to protect the freedom to contract.

In September, the NFF released its Labour Shortage Action Plan for the farming sector.

Its analysis is simple. Labour shortages are already constraining the ability of the agricultural sector to supply domestic and international markets. Labour shortages are causing industry underperformance. The problem is likely to expand.

Instead of alleging that government is responsible and should provide a complete fix, most of the solutions lie with farmers themselves.

Skills: There is a broad but false perception that farming work is low-skilled, manual and low-paid. The fact is that farming has become high tech. There are pressing needs for people with high-level science, technology and advanced mechanical skills. Farms have become incredibly automated. For example, large dairy herds are now milked using advanced technology with almost no human intervention. Remuneration rates for the associated technology work are high.

Even fruit and other picking work should be considered skilled. Farmers are realizing that if they don’t think of this work as skilled and train people properly, they won’t get the people or productivity they need to succeed.

Career paths: Most people think farming doesn’t offer career opportunities. Successful farms are, however, big operations that take professional approaches to their business. Untapped career paths exist within these large businesses. Competition for top people is strong, offering career movement into different and varying work environments.

Self-Employment: Farming has always had high levels of self-employment. Opportunities are rapidly expanding, particularly in high-tech self-employment. The proposed Independent Contractors Act will act as an important development to secure self-employment opportunities.

Work Safety: It is well-known that farms have an unsafe reputation. Unfortunately, more farmers kill and injure themselves and their staff than in any other industry. Until this fact changes, people will understandably not want to work in agriculture. The NFF plans to initiate and sustain a farm safe campaign to ‘saturate the environment’.

Vocational training: The flexibility of the New Apprenticeship scheme has been highly successful. Giving continued priority to tertiary and vocational training is essential.

Where there is the necessity of activity by government, it is merely to strengthen the capacity for farmers to manage their workforce—an objective which the reform of the labour market will greatly assist.

The main responsibility for resolving farm labour problems lies with farmers.
Workplace Safety
Sweeping up OH&S mess

Gerard Boyce

From a legal standpoint, breaches of workplace occupational health and safety (OH&S) laws are now on par with more conventional crimes against person or property. Indeed, with a majority of workplace accidents now involving the commission of a criminal offence, simply doing business has become akin to a quasi-criminal enterprise.

This disturbing approach to the regulation of OH&S by state and territory Labor Governments is an area of policy that is becoming not only largely incompatible with federalism, but also with the rule of law, individual freedom and the unique character of public government.

Nowhere are the problems better highlighted than in the recent introduction of differing offences for reckless or negligent conduct in the workplace resulting in death or serious injury in Victoria, New South Wales, Western Australia and the Australian Capital Territory. Despite the fact that these offences bear little real resemblance to the offence of criminal manslaughter by an individual, they are commonly referred to as ‘industrial manslaughter’ offences.

Union Pollution of OH&S

Unlike broader labour market regulation, state Labor Governments have historically been able to quarantine OH&S laws from the infections that flow from leftist class war ideology. But while commendable, this has been more the result of previous union approaches to OH&S, and the nature of the old industrial relations landscape, than a consequence of real leadership within the ALP.

Before the late 1970s, union involvement in OH&S was, at best, sporadic and half-hearted—confined to strikes and arbitral proceedings over safety issues, as well as seeking rents and special allowances such as accident make-up pay and dirt money. It was not until 1979, some four years after wage indexation started to bite, that the Australian Council of Trade Unions actually came up with an OH&S policy. But it was not until a declining membership base in the late 1980s, and questions surrounding ongoing union relevancy after the wages accord, that union leaders first properly recognised the enduring source of power, money and status that could come from unions institutionalising themselves as the collectivist moral voice and representative on all OH&S issues.

The unions monopolistic representation rights and other privileges under IR legislation have given them an undeserved private government status in Australian society. However, though unions may lack the sovereignty and control that defines public government, union privileges in the area of OH&S today are now so significant that their powers are much more expansive than the term ‘private government’ suggests.

Although not all of these OH&S privileges derive themselves solely from OH&S legislation or hold uniformly across all states and territories, they include: the ability to require that employees be paid for strikes related to ‘genuine’ safety concerns; the right to enter business premises without notice to investigate ‘suspected’ safety breaches; the right to be consulted over workplace safety, even where the union has no members; the right to prosecute employers for breaches of OH&S legislation; the right to obtain a ‘bounty’ in the form of half of any monetary penalty awarded in a union-led OH&S prosecution; and the right to be reimbursed by business for the legal costs incurred by the union in conducting an OH&S prosecution.

Over the past three years, proper debate about industrial manslaughter legislation across Australia has been polluted by the ability of some unions to leverage their standard class war mantra of ‘blame’ and ‘exploitation’ with state and territory Labor Governments. This has not only clouded the real regulatory and legal issues involved in this important area of public policy, but led to inconsistent and deficient legislative outcomes.

Inconsistent and Bad Law

Laws in most civilised countries differ according to whether an offence is criminal or civil, due mainly to the seriousness of the moral stigmas and sanctions attached to a finding of criminality. Criminal procedures carry added protections for an accused person, entitling those charged with more serious offences (such as manslaughter) to added protections during the trial procedure and broader rights of appeal.

Manslaughter is a crime; no-one can argue with that. Those individuals in our society who act in a grossly negligent manner, where there is a high risk of death or serious injury, and actually cause death are rightfully pros-
executed according to our established criminal laws. Notwithstanding these well understood and accepted principles, in an effort to deliver moral wins to some of their union constituencies, the aforementioned state and territory Labor Governments have manipulated the criminal offence of ‘manslaughter’—inventing a new statutory offence of ‘industrial manslaughter’ unknown to basic criminal law standards.

Industrial manslaughter laws across Australia are now an inconsistent mess. All are different as to the maximum monetary penalty for individuals and corporations; length of maximum jail term for individuals; the general ‘conduct test’ required for an offence to be committed; the nature of the ‘injury required’ for the statutory offence to become activated from a prosecution perspective; available defences; and basic rights of appeal. Figure 1 perhaps best illustrates these differences.

NSW—THE STAND OUT
Of all the various pieces of legislation relating to industrial manslaughter, it is New South Wales’ legislation that stands out as the most inconsistent and disagreeable.

In New South Wales, offences are prosecuted before the New South Wales Industrial Relations Commission (sitting as a court), while in all the other States, prosecutions are conducted before a magistrate.

Individuals prosecuted for industrial manslaughter have no right to a trial by jury, as they do in Victoria.

Unions can initiate prosecutions against companies and individuals with the written consent of the relevant New South Wales Minister.

No right of appeal exists beyond the Full Bench of the New South Wales Industrial Relations Commission, in cases where only a monetary penalty is awarded against an individual and/or a corporation.

It appears that, in New South Wales, the rule of law, with its attend-

ant notions of justice, equity and good conscience, has been discarded at the unions’ behest.

THE NEED FOR NATIONAL CONSISTENCY
While it is clearly apparent from the foregoing that there is a strong case for uniform national laws in the area of industrial manslaughter (and OH&S more generally), it is unlikely that we will be able to rely upon current state and territory Labor Governments to act at all, let alone in the public interest, in this regard. Plainly, given that current arrangements suit the union movement, they also suit ALP politics.

The fact that industrial manslaughter laws across Australia now contain such significant differences, both between jurisdictions and as compared to the standard offence of criminal manslaughter, is a recipe for injustice. Further, it is a degradation of community sentiment at large which says that similar offences should carry similar trial procedures and penalties—a particularly important notion when individual reputations and freedoms are at stake.

Just as the Federal Government is about to take a necessary leadership role in labour market regulation across Australia, in legal terms it can do the same in the area of industrial manslaughter without undue difficulty. Further, as the various state and territory OH&S legislation—and union privileges derived from them—continues to expand and inconsistently mutate, it appears that Federal Government intervention is inevitable—not only in the national interest, but also in the interest of individual rights.

CONCLUSION
The current approach to OH&S—conventionally seen as solely a state responsibility—is quickly being eroded by a hotchpotch of legislative outcomes enacted by state and territory Labor Governments.

OH&S has now grown into yet another area of ALP policy that simply highlights how the interdependence between the union movement and the ALP produces outcomes in the union’s, rather than the public, interest.

Industrial manslaughter offences are just one area of OH&S regulation that emphasises how bad things have become and what needs to be done. The start and end point for any industrial manslaughter regime that genuinely seeks to reduce work injuries and deaths is the proper application of the criminal law and a consistent national approach. Manslaughter, be it at work or in the community, is a criminal matter and has no place in OH&S.
O ctober 21 marked the bicen-tenary of the battle fought off Cape Trafalgar near the Spanish port of Cadiz between the Royal Navy’s 27 ships-of-the-line (today we would call them battleships, or combat vessels) commanded by Vice-Admiral Horatio, Viscount Nelson and the combined Franco-Spanish fleet of 33 ships-of-the-line commanded by Admiral Pierre Villeneuve.

Seventeen French and Spanish ships captured and an eighteenth blown up, for the loss of not a single English ship, marking the greatest naval victory in the annals, was itself the product of high drama. It came at the end of a two-year invasion threat to England posed by a Napoleonic France busy subduing the European continent, with England soon to be facing the peril bereft of allies.

That scenario, familiar to those who lived through or read about the Second World War, marks Prime Minister William Pitt as Winston Churchill’s great predecessor. Indeed, there is something very twentieth century about this famous battle. Like the Second World War, it was preceded by an unsatisfactory scrap of paper (Amiens in 1801, Munich in 1938) and ruinous military economies that solved nothing and weakened England before its supreme test. Similarly, the events leading up to it involved the massing of a French flotilla along the English Channel for an invasion, called off by Napoleon only once it became clear that he would be unable to command the Channel and land his soldiers. In 1940, Hitler was to call off his own invasion, Operation Sea Lion, when the Luftwaffe failed to the same end to obtain mastery over the skies. William Pitt, like Winston Churchill 135 years later, had the Herculean labour of keeping England secure, playing for time and working assiduously to open new fronts against the Continental dictator, even as allies succumbed to his onslaught.

Part, then, of what distinguishes the naval victory of Trafalgar from its many contemporaries—the so-called Glorious First of June (1794), St Vincent (1797), Camperdown (1797), even Nelson’s own earlier victories at the Nile (1798) and Copenhagen (1801)—is the high stakes that the Napoleonic war had assumed by 1805. Truth to tell, the invasion threat to England had passed by the time the two fleets caught sight of each other on the morning of 21 October 1805, but Nelson’s victory put paid to any future threat of invasion. The battle had a devastating finality—as Nelson intended.

With Nelson, the age of fleets massing in parallel columns and exchanging broadsides gave way to riskier yet more rewarding tactics. Despite an almost dead calm, he ordered a frontal attack of his sailing ships in two columns to break the Franco-Spanish line. The aim was to bring overwhelming strength to bear on Villeneuve’s centre and rear where superior English gunnery would prove decisive before his vanguard could come to his aid. A bold plan that worked handsomely, but it involved heavy losses to Nelson’s leading ships, not least his flagship, the Victory, which was unable to return fire until breaking the line and coming up alongside an opponent.

Fate brought the Victory alongside the Redoutable, the best trained vessel in the French fleet, commanded by a fearless captain, Jean Etienne Lucas, who nearly succeeded at one point in boarding the Victory. The Gallic reputation for foul play in the British

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psyche may well owe something to the French practice of placing musketeers in the masts, firing down on the British decks below—hardly a tactic that could win a battle, but one which resulted in Nelson being struck down at the moment of his greatest triumph, though he lived long enough to hear confirmation of it from the mouth of his flag captain, Thomas Hardy.

A humble sailor wrote home after the battle that the news of his death caused ‘chaps that fought like the devil [to] sit down and cry like a wench’.

In short, high historical moment, tactical brilliance, overwhelming victory and deep human interest imbue Nelson and Trafalgar with unmatched pathos. But there is also more to Trafalgar than its epic quality. The battle holds historical significance beyond the curious twentieth-century parallels already mentioned.

If there has been a constant theme to Britain’s place in Europe, it has been to stand apart as its keeper. Alone amongst its major powers, it has never sought to conquer or subdue it. Resolving that no-one else should do so led it over the centuries to ally itself with any and all European powers willing to frustrate such designs. In the main, it worked, even when—as in two world wars—its success came at tragic cost. The contemporary British debate over joining Europe in political-economic union or standing apart is a network of countries of British origin, namely America, Australia and Canada which together with its former colonies make up the Anglosphere. The Anglosphere is a network of countries of British origin, more or less graphically unified, the Anglosphere established in the twentieth century to eradicate sovereignty and traditions sufficiently established in the twentieth century to have already been the subject of a serious book (James C. Bennett’s The Anglo Sphere Challenge) speculating on its future prospects.

In a world of politically centralising, bureaucratic tendencies, a vigorously sovereign, free market, democratic Anglosphere might yet prove a corrective. If so, it will be owed in large measure to British maritime supremacy established for a century at Trafalgar, which permitted the expansion of British influence and institutions via trade and empire. And if not, the fact will remain that British naval power has been on the whole a powerful, benign force that helped shape the better contours of our world.

The fleet of Lord Exmouth, one of Nelson’s ‘band of brothers’, bombarded Algiers in 1816, putting an end to the centuries-long traffic in Christian slaves by Barbary pirates. Within a generation of Trafalgar, in 1829, Britain had abolished the sutee (ritual immolation of widows on husbands’ funeral pyres) in India by a firm act of what today would be called—and perhaps therefore damned as—imperialism. The African slave trade and the wider problem of piracy were also epidemics that the Royal Navy helped to eradicate. Britain’s mastery of the seas also stood the United States in good stead during the American Civil War, when it thereby prevented the intervention and meddling of other powers that might well have detrimentally affected the Union’s fortunes.

And so the heritage of Nelson and Trafalgar looms large, but perhaps dimly, over our culture, to be glimpsed today in a profusion of publications. New Nelson biographies have poured from the presses, including the first volume of a projected two by John Sugden, while other new works on Trafalgar have jockeyed for attention with reissues of classics by Sir Julian Corbett and Dudley Pope. Films and television serials are churned out of C.S. Forester’s Hornblower books and Patrick O’Brian’s more recent Aubrey–Maturin volumes—both set in the age of Nelson.

England expects that every man will do his duty—Nelson’s penultimate signal to the fleet before the battle—was once known to every Englishman and still draws a responsive nod in educated quarters of modern Australia. Even Australian geography bears the record—the Sydney suburb of Bronte is not named for the sister authors of Jane Eyre and Wuthering Heights, but for Nelson, whom the King of Naples made Duke of Bronte in Sicily after the battle of the Nile. And the Melbourne suburb of Collingwood is named for his second-in-command at Trafalgar.

In Nelson’s England, the year-long celebrations have been many and varied but also at times curiously anaemic.

While France has attempted refurbishing by law its history in textbooks so that its ‘school programs recognise in particular the positive character of the French overseas presence, notably in North Africa’, Britain seems preoccupied with an opposite vice. With the Trafalgar celebrations, the Franco-Spanish defeat, which was its only object, has been assiduously played down in deference to the sensitivities of these sturdy allies whose troops are to be found nowhere at Britain’s side in Iraq. Instead, a re-enactment in May was produced of ‘an early 19th century sea battle’ between a ‘blue fleet’ and a ‘red fleet’, leaving one to wonder what historical distinction inspired the effort—and in that can be detected today’s ambivalence over what Trafalgar signified—and should signify—for Britain and the world.
The high price of constitutional entrenchment

Rohan D’Souza

The debate about whether Australia should implement a Bill of Rights is very much alive, invigorated by concerns about the government’s response to terrorism. In October, New Matilda (an online magazine and policy portal) and Malcolm Fraser launched a draft Bill of Rights at Sydney’s Town Hall. This met with support from Labor’s legal affairs spokesperson Nicola Roxon, who told journalists that ‘[w]e must work to protect the freedoms we have taken for granted in our western democracy’.

This talk is nothing new—the merits of ‘constitutionalising’ rights have been debated since before Federation. Today, Australia is the only Western nation without some kind of charter of rights. Last year, one Australian jurisdiction started swimming with the tide: the Australian Capital Territory’s Human Rights Act came into force on 1 July 2004. It protects a number of civil and political rights, including the right to freedom of movement, life, liberty, privacy, equality before the law and freedom of expression.

But contrary to supporters of Bill of Rights amendments, there are already significant current protections that operate to safeguard human rights. Constitutionalising those rights would undermine these existing safeguards and damage our democratic and liberal political system and culture.

CURRENT HUMAN RIGHTS PROTECTIONS

According to James Allan, if Australia were to adopt a bill of rights, ‘it would certainly be intended to be on a confirmatory basis, to confirm and preserve the rights and freedoms already believed to exist’. This is because Australia is not plagued by endemic human rights abuses—‘the preponderance of Australians is well off and knows it’. Extensive human rights protections are already present, if not always explicit.

The first and most effective bulwark against the abuse of human rights is a strong democracy. This point was made by Daryl Williams (then Federal Attorney-General), who stated that ‘democratic institutions are the bedrock of human rights protection in Australia’. Australia has an enviable system of representative and responsible government, which is a powerful protection against human rights abuses. Furthermore, the independence of the judiciary (already entrenched in the Constitution) helps to preserve the rule of law.

As well laying the foundations for democratic government, the Austral-
stitional, common law and statutory protection of human rights is a culture that respects liberty and equality. Ultimately, it is this culture that protects Australian citizens against human rights abuses. A Bill of Rights would be a hollow gesture, which, at best, would entrench the status quo. There are only a handful of countries without a charter of rights, and yet there are many nations that perpetrate gross human rights abuses. The efficacy of a statement of rights is dependent on a climate conducive to enforcement. Ironically, a Bill of Rights would be most enforceable in a nation (like Australia), where it would also be least necessary.

COURT IN THE MIDDLE—THE ROLE OF THE JUDICIARY

It is difficult to imagine a charter of rights that does not rely on the courts, at least to some extent. Obviously, the judiciary’s role will vary, depending on what sort of bill of rights is implemented. For example, in the United States, if the Supreme Court finds that governmental action or legislation contravenes the Bill of Rights, that action or legislation is invalid. By contrast, other jurisdictions allow laws to remain in force, irrespective of the judiciary’s finding as to whether those laws are consistent with the relevant bill of rights.

Under the Human Rights Act 2004 (ACT), the Supreme Court can declare that Territory laws are incompatible with rights protected under the Act. Such a declaration, however, does not affect the validity, operation or enforcement of the law, or the rights or obligations of any person. Instead, the matter is referred to the Attorney-General, who must prepare a written response for presentation to the Legislative Assembly. This is in itself a bizarre and seemingly inefficient process.

Regardless of the judiciary’s exact role, their involvement in interpreting and applying a Bill of Rights is highly problematic. By necessity, the provisions used to protect human rights are broad. For example, the First Amendment of the United States Bill of Rights provides that ‘Congress shall make no law … abridging the freedom of speech’, and the Human Rights Act 2004 (ACT) states that ‘[e]veryone has the right to hold opinions without interference’. In the abstract, it is difficult to know exactly what such provisions protect, or how far they extend. It falls to the courts to give such lofty statements meaning, and to apply them to people, circumstances and events.

Judges are also saddled with the task of resolving conflicts between two or more rights. For example, one person’s ‘freedom of expression’ may collide with another person’s right to ‘enjoy his or her culture’. The most difficult and significant questions about human rights are thus deferred to the courts.

Once a Bill of Rights has been implemented, it is judges who stand at the coal-face, not Parliament. The judiciary is unelected and unrepresentative. Therefore, their significant role in articulating human rights is undemocratic. Furthermore, the involvement of judges in this sort of task creates problems for the judicial system itself, because judges are dragged (often reluctantly) into highly politicized disputes.

THE PRICE OF CONSTITUTIONAL ENTRENCHMENT

There is a danger that once particular freedoms and values are entrenched in the Australian Constitution, they will be set in stone. Successful referenda are few and far between—since 1901 there have been 42 proposals for constitutional change, but only eight have gained the requisite ‘double majority’. It is appropriate that changes to our system of government are rare. However, it is much less desirable that human rights are constitutionally entrenched, because Australia’s understanding of rights is constantly evolving. We cannot imagine the kinds of liberties that will need protection in the coming century and beyond. For this reason, it is much more sensible to place our trust in the mechanisms that already protect human rights, but are flexible enough to reflect change over time. If Australia were to institute a Bill of Rights, it would eventually stagnate, and could inhibit the freedoms of future generations.

Furthermore, a Bill of Rights could have a chilling effect on the rights of Australians today. Several commentators have observed that ‘to define a right is to limit it’. The process of articulating and entrenching rights is selective—rights are restricted through the language that is used and the protections that are omitted. Once implemented, a Bill of Rights could be seen as the high water-mark of rights protection—it could become a standard that is usually met, but never exceeded.

Many people are bewitched by the idea of an Australian Bill of Rights, which is promoted as a neat solution to a raft of complex problems. The reality is that there are no easy answers to difficult questions. Australians currently enjoy substantial human rights protections, which are secured by statute, common law, the Constitution, our democratic system, and, most importantly, a culture that respects liberty and equality. The implementation of a Bill of Rights is unnecessary. It would force the judiciary into a role that should be played by elected politicians. Furthermore, the process of defining human rights could limit the scope of those rights, both now and in the future. Human rights are hard work. If we are serious about protecting them, we should continue to swim against the tide.
The idea that scientific consensus should be the final arbiter about scientific truth and that such consensus should be the guide to government policy are ideas that have had great currency of late. Prominent proponents of man-made climate change and of the Kyoto Protocol have long claimed that there is a clear scientific consensus that climate change is man-made and that, therefore, Australia should sign up to the Kyoto pact.

But history is full of examples of existing scientific consensus and orthodoxy eventually being overturned. The history of how existing scientific paradigms and consensus are overturned is perhaps best explained by Thomas Kuhn in his book The Structure of Scientific Revolutions.

A contemporary example of the danger of scientific consensus is that of Robin Warren and Barry Marshall, who recently jointly won the Nobel Prize in medicine. Marshall and Warren made the groundbreaking discovery that gastritis and peptic ulcer disease is very often the result of an infection in the stomach caused by a form of bacteria known as Helicobacter pylori.

Scientific consensus at the time Warren and Marshall started their research argued that stomach ulcers were caused by stress and lifestyle which led to excessive acid production in the stomach. The remedy was the creation of some very effective drugs that interfered with this acid production. The cessation of treatment by these drugs, however, would often see the return of these ulcers, meaning that many sufferers would have to remain on these drugs for the rest of their lives. These drugs became quite a profitable money-earner for the pharmaceutical companies that produced them.

The discovery by Marshall and Warren that ulcers were primarily caused by bacteria and could be effectively and permanently treated by a short course of antibiotics was treated dismissively for a long period of time. But further research proved that antibiotics were all that were required to prevent the ulcers from coming back in the vast majority of cases.

This discovery threatened the profits of the large pharmaceutical companies relying on traditional treatment of ulcers. Pharmaceutical companies would have no interest in promoting a cheaper and more permanent solution to this problem and thus robbing themselves of a major source of profits. The discovery also threatened the existing dogma being taught in medical schools.

Thankfully, ongoing research saw the original conclusions of Marshall and Warren validated, and their Nobel Prize is a vindication of their efforts to promote scientific advancement in the face of concerted opposition from those who stood to lose from their discovery.

Those who don’t think that modern day science can be derailed because of vested interests or other reasons should look at the example of Marshall and Warren.

In discussions about climate change and the Kyoto protocol, it is important to understand that vested interests are often present. At the international level, policy-makers in the European Union, in particular, have played up their environment credentials to domestic constituencies by signing Kyoto. At the same time, the Europeans would reduce the downside impact of signing Kyoto if other nations (such as Australia and the United States) could also be persuaded to become signatories. With this in mind, it is not too cynical to suggest that the European Union strongly promotes research and policies that provide support for the position it has taken on Kyoto.

In Australia, at the domestic level, significant government resources have been invested in the current climate change paradigm. The abandonment of this paradigm would result in losses for large numbers of influential people, with careers and reputations being damaged. Thousands of bureaucrats, scientists and consultants who now have their livelihoods bound up in the maintenance of current orthodoxy stand to lose badly. Any evidence that challenges the ‘consensus’ will be met with fierce resistance from some quarters.

Analogising from Marshall and Warren does nothing to disprove the climate change consensus. But it does illustrate some of the possible motivations and incentives that can underlie those who make these claims. There may be consensus on an issue, but it does not follow that the consensus is correct. If evidence displaces a consensus, then that consensus is useless and should change. Those who engage in advocacy using petitions and polls would do well to remember this.
Sometimes governments can achieve things that would not be done by the private sector. Take space travel, for example.

I’m not saying that the private sector would never have broached the high frontier. But government involvement certainly changes the timing, not to mention the purpose and the economics.

When NASA seriously started to shoot for space, it was all about national prestige, or perhaps more appropriately, embarrassment. The launch of Sputnik by the Soviet Union in 1957 was a technological challenge to the United States’ view of itself—not to mention its prompting of fears of domination from a Communist-controlled space.

Of course, the US was more technologically advanced and, after a few missteps, it rapidly matched, then exceeded the Soviets in space capabilities. The latter, it was revealed after the fall of the Iron Curtain, would never have been able to manage a manned lunar landing.

But even for a space fan such as myself, the Mercury, Gemini and Apollo programmes were misguided, both as to purpose and in timing. The purpose I have discussed. The timing was early. Far too early. They did, though, have the slight redeeming merit of actually achieving their goal: putting the first man on the moon.

After the Apollo programme, that all changed. The ‘airplane into space’ concept was intended to replace the expensive, expendable rocket programme. As realised in the Space Shuttle, it has been a fiasco. There are two reasons for this.

First, it is just as expensive to launch the Shuttle as it is a normal rocket. Second, it caused huge delays to private exploitation of space.

The reason for that is what so often happens with failed government programmes: subsidies. Each Shuttle launch costs at least half a billion US dollars, without even counting the cost of the two destroyed Shuttles. One estimate even puts the cost of each Space Shuttle launch, if depreciation of the Shuttle and its development costs are taken into account, at over $US2 billion. The US taxpayer picks up a big proportion of that, so how are private companies to compete?

Thus, for 47 years, space launches had been confined to government operators. The expense of the Shuttle prompted other nations to compete in the commercial market using old-fashioned rockets. In 2000, it cost over $US10,000 per kilogram to get something to Low Earth Orbit (LEO) on the Space Shuttle. For the Ukrainian Zenit 2 launcher, it was just over $US3,000. For the higher geosynchronous orbit, Shuttle costs were more than $US50,000 per kilogram, compared with $US9,000 for the Zenit 2.

These prices could have been drastically lowered by the private sector.

PRIVATE OPPORTUNITIES
In 2004, a small US custom aircraft builder run by Burt...
Rutan did something no-one outside of a government had done before: it built a working space ship. The company, Scaled Composites, had earlier firsts. It made the Voyager airplane, which in 1986 became the first airplane to circumnavigate the globe without stopping or refuelling. Scaled Composites also built the jet used by Steve Fossett in early 2005 for the first non-stop, non-refuelled, solo global circumnavigation.

The SpaceShipOne launch is a two-stage affair. A jet powered carrier, called White Knight, carries the rocket to around 14,000 metres, from where it launches. On 21 June 2004, its first shot, despite a minor malfunction, saw it pass just over the 100,000 metre altitude, the official threshold of space. In September and October of 2004, it repeated the feat twice in less than two weeks, thereby winning the Ansari X Prize: $US10 million to the first team that could launch a three-person space ship into space, and successfully land it again, twice within a fortnight.

Total cost? No one knows, but it’s widely believed to be well under $US30 million—a cost that includes the entire development and building phase of the spacecraft and its White Knight launch platform. You could develop and build fifteen SpaceShipOnes for the marginal cost of just one Space Shuttle launch.

Now just reaching the threshold of space is far short of achieving LEO, but something interesting happened between the two X Prize shots. Richard Branson of Virgin fame launched Virgin Galactic with a contract for Scaled Composites to provide several spacecraft for, of all things, tourist flights.

The pricing was set for $US210,000 per head. If that seems excessive, it has recently been reported that some 34,000 people have already registered with Virgin Atlantic, and by April 2005 a hundred people had paid a $US20,000 deposit. The first flights are scheduled for 2007. Branson says that the profits will be ploughed into developing orbital tourist spacecraft (currently a six-day tourist flight on a Russian space ship costs $US20 million.)

To date, only 500-odd people have been in space. Virgin Galactic plans to double that within a year of operation.

**COMMERCIAL OPPORTUNITIES**

Thousands of satellites have been placed into orbit. The development of low-cost space launchers by the private sector will revolutionise this. Presently, because of launch costs, satellites have to be engineered with a view to remaining in operation for many years, despite the certain knowledge that their technology will be obsolete within a couple of years. Thus, the capabilities of satellite communications, on average, lag some years behind the state of the art. If launching were cheaper, they’d be replaced and upgraded more often.

But that’s only based on current commercial uses for space. What else is there?

Science fiction novels often have some of us Earthlings travel to some other planet or moon within our solar system for colonisation. There the planet is ‘terraform’d’. But as pointed out by physicist Gerard K. O’Neill in his 1976 book, *The High Frontier*, that’s wasted effort for limited space. Mars only offers a doubling of land area over that already available on Earth, and has the disadvantage of low gravity (one-third of this planet’s).

Far easier would be the building of space habitats located in stable orbits in space. These would gigantic cylinders, rotating on their axes to produce Earth-normal gravity on their inner surface. What O’Neill calls ‘Island Three’ would have a diameter of 6.5km and a length of 32km, providing a living space of over 1,200 square kilometres, or enough room for several million people.

That, he calculated, could be built with 1976 technology, mostly from materials mined on the moon.

And what could they do up there? One early activity would be to build solar power plants. They need them for their own energy requirements, of course. But huge ones could be built in space to gather solar energy and beam it down in the form of microwaves to Earth, where it would be converted to electricity. If most of the materials were gathered from the lunar surface, the cost would be comparable with building a new power station down on the ground, while running costs would be almost non-existent.

But the truth is, no-one really knows what means of exploiting space will be found. All we know is that with a competitive private sector involved, new opportunities will be opened up—limited only by the human imagination.

And, in the process, the current government space monopolies will become mere bad memories.
What’s a job?

Ken Phillips

RUDE BY ANY NAME

At a recent industrial relations conference in Melbourne, a high profile national union leader turned vitriol into an art form against the business leaders he was allegedly debating. As far as he was concerned, he won the debate because he cowed the other parties into quiet submission.

What was most interesting was the way he hurled abuse, then cracked a joke treating the employer representatives as if they were friends and the verbal abuse was just banter between mates.

It was a display of the psychology that permeates the industrial relations scene in Australia. At its ugliest, the process is a milder version of the psychology of domination operating when a parent hits their child and then gives it an affectionate hug. It’s a process that’s designed to deliver control to the abuser, by inducing psychological confusion in the abused, where love and violence are joined.

This is mostly how the union movement conducts its own affairs. The abuse process is the dominant behavioural pattern inside its own organisations. This is translated to its external relationships, but normally with higher levels of sophistication. The pattern of behaviour goes like this.

Senior union officials tour the boardrooms of Australia telling seriously connected executives that, together, they can run Australia’s businesses. Commonly, the executives and union officials share board seats on superannuation funds and government industry advisory committees. They network in a rarefied atmosphere of privileged access.

These networks are often critical for businesses trying to secure government approval for major projects, or for encouraging governments to spend up on infrastructure from which businesses become commercial beneficiaries. This is particularly the case at the level of the states.

When it comes to industrial negotiations in any particular large business, a set piece of theatre is played out. Unions will make disparaging remarks about the business and its leaders, designed to let the union ‘troops’ know that hard negotiations are under way. On the surface, negotiations may appear to be difficult. Junior union officials and company managers may be engaged in protracted discussions over minuscule items that drag on for ages. But when all seems lost, a common-sense break-through occurs when the senior executives and senior union officials meet and come to a settlement.

In fact, the process is nothing more than a set piece drama in which everyone is supposed to know and adhere to their roles. The union officials publicly malign businesses and executives with a wink and a grin, indicating to the executives that, ‘you understand it’s all a game’. The executives stay firmly polite and professional and rarely respond. For the executives, awareness of the value of the relationship between government and union overrides their concern about abusive actions of the union.

It doesn’t always work like this and sometimes goes astray for the unions. Some companies—and even industry sectors—buck the process. But mostly it works at the big end of town and is an important dynamic of the industrial relations system. Some industry associations and leaders see their main role as facilitating and managing these relationships.

But the problem is that the game lacks a focus on business performance. Everything is about cutting a deal and moving on to the next deal. Many executives have looked after their own careers, all the while knowing that the businesses they direct have huge performance problems as a result of industrial relations deals. But as long as competitors have similar deals and the underperformance in their own business is not publicly exposed, the process can continue.

Unfortunately, this behaviour is what induces an endemic incapacity to keep up with the rate of performance increases demanded by global competition. Australian manufacturing is particularly afflicted; so too is the construction sector.

It’s hard to change this situation. The psychological processes and behaviours are deep-seated and passed on from executive to executive and union official to official. Changes to industrial relations legislation affect the process, but don’t change its core.

What’s critical to the continuation of the system is the processes by which governments hands out tenders and approvals for projects.

In this respect, the Federal Government’s new tender approval process for the construction industry is significant. Effectively, the new process bans government tender letting to any business that signs prohibited industrial agreements. This is likely to change union–business relationships. In fact it’s already affecting the construction industry.

What’s a job?

Ken Phillips is Director, Workplace Reform Unit at the Institute of Public Affairs

On the surface, negotiations may appear to be difficult.
DON’T RESURRECT THE LAW OF THE SEA TREATY
Doug Bandow
The Law of the Sea Treaty creates a collectivist, highly politicised system to govern much of the unowned resources of mankind. Advocates of the treaty—a comprehensive measure governing navigational rights on the sea and mineral rights on the seabed—claimed that US failure to join the convention would result in chaos on the high seas. It has not.
http://www.cato.org/pub_display.php?pub_id=5124

THE MUNICIPAL BROADBAND COMPACT: LIMITING THE ROLE OF MUNICIPALITIES IN BROADBAND SERVICES
Reason Foundation
Do we have an inalienable right to broadband? Do we have a right to demand it free from local government? This is the question now faced in America and it will hit our shores soon.

An increasing number of local governments in the US are proposing either to build and operate broadband networks for residential and business use, or to develop broadband infrastructure for wholesale lease to commercial service providers. But to allow townships, cities, counties and even states to directly compete against the private sector undermines technological progress and violates fundamental principles of free enterprise.
http://www.reason.org/wifibroadband/municipalbroadbandcompact.shtml

HARRY POTTER AND THE HALF-CRAZED BUREAUCRACY
Benjamin Barton
Benjamin Barton examines what the Harry Potter series tells us about government and bureaucracy. There are two short answers. The first is that Rowling presents a government (The Ministry of Magic) that is 100 per cent bureaucracy. There is no discernible executive or legislative branch, and no elections. There is a modified judicial function, but it appears to be completely dominated by the bureaucracy and certainly does not serve as an independent check on governmental excess.

The most cold-blooded public choice theorist could not present a bleaker portrait of a government captured by special interests and motivated solely by a desire to increase bureaucratic power and influence.

FAT POLITICS: THE REAL STORY BEHIND AMERICA’S OBESITY EPIDEMIC
J. Eric Oliver
Oliver unearths the real story behind the ‘obesity epidemic’. Oliver shows how a handful of doctors, government bureaucrats and health researchers, with financial backing from the drug and weight-loss industry, have campaigned to misclassify more than 60 million Americans as ‘overweight’, to inflate the health risks of being fat and to promote the idea that obesity is a killer disease. In reviewing the scientific evidence, Oliver shows that there is little proof either that obesity causes so many diseases and deaths or that losing weight makes people any healthier. Our concern with obesity is fuelled more by social prejudice, bureaucratic politics and industry profit than by scientific fact.

EUROPE’S GLOBAL REACH: COSTLY FOR THE WORLD; SUICIDAL FOR EUROPE
Angela Logomasini
Regulations enacted in the European Union (EU) increasingly are having worldwide impacts, warranting greater attention among policymakers around the world. Currently on the horizon is the proposed EU Chemicals Policy, which represents what will be perhaps the most expansive regulation of the chemical industry ever. Known as REACH—which stands for registration, authorisation, and evaluation of chemicals—this directive is likely to cost society billions of dollars, reduce innovation, and limit access to EU markets. Its protectionist effects are expected to trigger World Trade Organisation (WTO) disputes. Meanwhile, the benefits of the proposal are likely to be small given that it attempts to reduce the effects of trace levels of chemicals, which have produced little documented adverse effects on public health.
http://www.cec.org/german/025,04951.cfm

AGAINST LEVIATHAN: GOVERNMENT POWER AND A FREE SOCIETY
Robert Higgs
What is fundamentally wrong with government today? In Against Leviathan, economist and historian Robert Higgs offers an unflinching critical analysis of government power. Against Leviathan combines an economist’s analytical scrutiny, an historian’s respect for the facts, and a refusal to accept the standard excuses and cruelties of government officialdom.

AROUND THE TANKS

REVIEW
DECEMBER 2005 39
Writing in the style of Isaac Azimov, Peter Huber manages to take dry-as-dust economic issues and convert them into epic sagas based on solid research. He has done this with books that have examined telecommunications, the development of liability law, junk-science-based environmentalism and now energy.

It was almost two decades ago when Huber first came to prominence as an exponent of small government. His massive submission on behalf of the Department of Justice to the US review of AT&T divestiture was followed by a further polemic on deregulation, Law and Disorder in Cyberspace: Abolish the FCC and Let Common Law Rule the Telecom.

In examining liability law, he dissected the explosive mixture of ambulance-chasing lawyers and leftist legal theorists (whom he referred to as The Founders) who had seized the commanding heights of the US legal system and were creating a changed form of liability law much loved by the ‘trial lawyers’ who used it to extort vast sums from businesses. For Huber, the real damage of this lies in creating risk aversion on the part of businesses and less resilience in the economy. He is also concerned that US-based firms may fall behind those in jurisdictions offering greater legal certainty.

Looking at environmental politics in Hard Green: Saving the Environment from the Environmentalists, he distinguished the Hard Greens, concerned with wilderness, oceans, rivers, lakes and mountains from the Soft Greens. His Soft Greens were the modern ideologically bound campaigners for intangible matters such as global warming, chemical residues and resource depletion.

He was among the first to identify the bottomless pit of studies that would be required before an innovation would be able to pass the precautionary principle test advocated by the Soft Green cadre. And he pointed out the logical flaw embedded within their nostrums—for example, in wanting to ban new biotech products such as GM food while at the same time wanting to ban the pesticides that such innovations do so much to reduce.

In The Bottomless Well, written with physicist Mark P. Mills, Huber argues that energy efficiency gains result in lower prices and that this increases, rather than decreases, the demand for energy.

The very nature of the energy demanded is changing. The more refined energy product, electricity, is demanded in increasing shares. But while comprising very little energy themselves, the production of highly refined energy such as beams of light and X-rays requires the use of vast amounts of less-refined energy.

He reproduces data from the Energy Information Administration which illustrates the cost of power, ranging from one third of a cent per kWh for raw coal through 10 cents for grid-based electricity, all the way up to $3 per kWh for computer-grade power.

One of the gee-whiz facts about efficiency of electricity that he provides concerns the difference in energy usage of computing. The first application in 1946, called ENIAC—built to compute trajectories for artillery shells—used 10 watts per gate. A Pentium uses one-one-millionth of a watt and is twenty thousand times faster. Put more pedestrianly, they note, ‘The… PlayStation II incorporates ten thousand times the computing power of the ENIAC, and requires two thousand times less power’.

But this greater efficiency notwithstanding, the growth in PlayStations means that the product actually uses more power than the ENIAC. Efficiency improvements from power plants to light bulbs have resulted in dramatically lower costs of energy. In the process, these improvements have vasty expanded demand. And over 90 per cent of the energy we use is in mining, refining, processing and converting the energy itself.

One aspect of his analysis has been severely criticised: the amount of to-

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BOOKS

Drinking from the bottomless well

Alan Moran reviews The Bottomless Well: The Twilight of Fuel, the Virtue of Waste, And why we will never run out of energy By Peter W. Huber & Mark P Mills. (Basic Books, 2005, 215 pages)
tal electricity use which is attributable to computers, the Internet and other such micro-processor based technology. The authors argue that the packets of energy we call bits have risen massively in spite of—or because of—the improvement of their efficiency of use. Much rests on semantics about what constitutes computer usage, but the aggressively hostile response to the original Huber contentions has now moderated.

One measure popularly advocated to reduce energy use is to mandate more efficient light bulbs. The authors show that, notwithstanding the apparent savings from this lighting, consumers have only really adopted it when regulation required them to do so. The pace of innovation has meant that those who committed themselves to the wonderful financial savings promoted by the lighting efficiency analysts of the 1990s have wasted their money. Much more efficient fluorescent and LEDs have been developed since then.

The book also traverses the grand issues of power outages. With the highly politicised California blackouts, it correctly diagnoses the problem as having stemmed from the state’s ban on new plant—a ban actuated by a combination of distaste for dirty industries and a politically correct belief that we are using too much electricity anyway. The Californian state government’s mandating of a 10 per cent price reduction and forbidding long-term contracts led it to come scuttling back to a statement that it would ‘never again … allow out-of-state profit- ers to hold Californians hostage’. Other outages are often caused by the increasingly interconnected system and its susceptibility to human error or natural causes; these outages could be significantly reduced by applying the correct incentives to allow better control.

Finally, the book draws the strong correlation between energy use and GDP, with the Western Europeans achieving slightly higher GDPs than their energy usage would predict because of the high energy taxes and other restraints on energy use they impose.

He thoroughly skewers the eco-puritanism that advocates living simply and frugally as the key to environmental holiness, pointing out that human wants tend to grow to fill our means. If we manage, say, to make refrigerators more energy-efficient and thus cheaper, we just make a bigger, better fridge that uses the same, or even more, energy for the same or less expense. New ways to ‘save energy’ always lead to more energy being used—but that’s all right, we have plenty.

As Huber explains so well, the kinds of energy that left/Soft Greens tend to fear the most, such as nuclear, are in fact the most Green—giving us the greatest amount of power for the least amount of disturbance of the earth and environment. Meanwhile, ‘renewable’ sources such as solar, wind, or burning wood leave enormous scars on the land or add pollution to the air. What we don’t have plenty of, he stresses repeatedly, is untouched wilderness. This is the only scarcity we need be concerned with, Huber argues, and its preservation is what a right/Hard Green ought to be dedicated to.
At the presidential inauguration of John Kennedy in 1961, Robert Frost recited a poem he wrote about the ‘heroic deeds’ of the ‘glorious’ founding fathers of America. In 1993, at Bill Clinton’s inauguration there was also poetry. Maya Angelou recited her own poem that didn’t once use the words ‘America’ or ‘American’. Instead she listed 27 racial, religious, tribal and ethnic groups, and she spoke of the fear that her country might be ‘yoked eternally to brutishness’.

According to the American political scientist Samuel Huntingdon, such a difference reflects something more than the contrasting approaches of Kennedy and Clinton. To Huntingdon, it represents what is happening not just to America, but to the idea of America.

Who are we? has three main claims. The first is that the American sense of national identity is disappearing, and is being replaced by a range of sub-national and ethnic identities. Although the events of September 11 and the threat of terrorism certainly re-ignited a national ‘spirit’, in the long-term, such a spirit is set to decline.

Second, he argues that American identity is the outcome of a unique Anglo-Protestant culture, which includes the English language, Christianity, the rule of law, human rights based around a strong concept of the individual, and a strong work ethic—such elements often being called the ‘American Creed’.

And, third, according to Huntingdon, this Anglo-Protestant culture of America is gradually being replaced by an Hispanic culture.

Huntingdon catalogues the evidence for the undermining of American culture and he analyses the methods by which it has been brought about. Everything from the incidence of US flags being flown in the aftermath of 9/11 to church attendance among different ethnic groups is analysed. (It was reported that, on the day of the terrorist attacks in September 2001, Wal-Mart in the United States sold 116,000 flags, and on the following day it sold a quarter of a million flags. On September 11 a year earlier, Wal-Mart had sold 6,400 flags, and on the next day 10,000.)

The policy objective of the book is absolutely clear. He believes that Americans should recommit themselves to the Anglo-Protestant culture, traditions, and values … that have been the source of their liberty, unity, power, prosperity, and moral leadership as a force for good in the world. Huntingdon himself says that he’s a ‘patriot’ and a ‘scholar’, and provides us a useful way to examine his arguments.

His first and second claims are based on scholarship. In the seventeenth and eighteenth centuries, American society was formed as the product of the particular attitudes of its settlers. The early settlers had the opportunity to establish a new political culture as they faced a future without one of the key defining characteristics of the society they left behind in Europe—class. Without a class-based hierarchy, those who arrived in the New World could focus their allegiances on the nation as a whole. Over time, this ‘American Creed’ came to be the allegiance of the settlers. To Huntingdon it is not an exaggeration to speak of ‘Americanism’ as an ideology, in much the same way that socialism or communism is an ideology. In the phrase of GK Chesterton, America is ‘a nation with the soul of a church’. All citizens, regardless of race or background subscribed to the Creed. Unlike Europe, which in the nineteenth century had many ideologies, America had just one.

The Creed was dominant in America until the 1960s, having peaked during World War Two. It was in the 1960s that America began to be ‘deconstructed’ as the traditional idea of the ‘melting pot’ was replaced by the concept of the nation as a ‘tossed salad’ of different identities. The responsibility for this is placed at the feet of ‘institutional elites’ who Huntingdon lists as ‘bureaucrats, judges, and educators’. These efforts by a nation’s leaders to deconstruct the nation they governed were, quite possibly, without

John Roskam is the Executive Director of the Institute of Public Policy.
He argues that there are profound and irreconcilable differences between the attitudes of Americans and those of Mexicans, who are those carrying the Hispanic culture into the United States. America has a Protestant culture deriving from Martin Luther, while Mexico has a Spanish-Indian ‘Catholic’ culture. The manifestation of this is captured in three Mexican sayings: Ahi se va (‘Who cares? That is good enough’); Manana se lo tengo (‘Tomorrow it will be ready’); and El vale madrismo (‘Nothing is really worthwhile’). By contrast, the standard America attitude is centred on a Protestant work ethic and the idea that hard work is almost an end in itself. As support for his position, Huntington draws on figures showing higher levels of poverty rates and an increased likelihood of school failure among the Hispanic community, compared with America as a whole.

But Huntington here is on much less sure a footing. In last year’s The Right Nation—Why America is Different, John Micklethwait and Adrian Wooldridge of The Economist convincingly drew a conclusion that is nearly the exact opposite. So, for example, Huntington writes that ‘Mexican immigrants have had low self-employment or entrepreneurship’, while in The Right Nation there is an extended discussion about the propensity of Latinos to be ‘hard-working, God-fearing, family-oriented and upwardly-mobile’, and their ‘marked propensity to start their own business and buy their own homes’.

So what is the reader ultimately to make of Who are we? given that so much of it relies on information from which conclusions can be drawn that clearly contradict his thesis? Aspects of his work are thought-provoking, but at times he fails to answer the key question: ‘so what?’ Even if America is going the way that he suggests, what are the consequences that follow? It is this that is missing from his 400-page book. The dissolution of English as a common language across the country, for example, has many effects, but remains undiscussed in the book.

Likewise the fact that the Ten Commandments can’t be displayed in public buildings in America might be regrettable, but what are the consequences? Will the United States therefore be less willing to intervene militarily around the world? Will recruiting for the armed forces decline? Will the US therefore decline as an economic superpower?

As in The Clash of Civilizations, Huntington displays in Who are we? his gift for asking important questions. His questions are easy to understand, but the answers he gives are impossible to prove right or wrong.

The extent to which such a discussion about America is relevant to the Australian situation is unclear. It is certainly the case that, just as in the United States, in Australia there are those who preach a ‘cosmopolitanism’ as a replacement for whatever we believe to be an Australian identity. Perhaps the key difference between America and Australia on issues of culture and identity is that in the United States it is possible to define what the ‘American creed’ is (even if that creed is changing). In an Australian context, before we concern ourselves with whether our ‘Australian creed’ is disappearing, we’d have to ask whether there is such a thing as an ‘Australian creed’ in the first place.
No prize for guessing the answer. In time for the sixtieth anniversary celebrations of the United Nations, two former diplomats—one Australian, the other American—have produced an autopsy of this organisation and somehow declared that it still has life. Much ink has flowed on the ills of the UN and most commentators have called for urgent reform. This book, however, must be seen as one of the most extraordinary triumphs of optimism over reality in recent book publishing history.

Broinowski and Wilkinson give the appearance of doing an even-handed and thorough analysis of the organisation’s shortcomings. They tackle it under the three key planks from the Preamble to the UN Charter: Ending the scourge of war; Reaffirming faith in fundamental human rights; and Promoting social progress and better standards of life ‘in larger freedom’.

The sentimental and idealistic vagueness of these three statements infects the whole book, as indeed it already does the UN.

In an attempt at ruggedness, they enquire ‘Cynics ask whether any of the successes of the last six decades were really due to the UN, or just to the fact of cooperation among the liberal democracies that have given the money and called the shots’. Of course, very quickly the reader discovers that the UN’s shortcomings are all the fault of liberal democracies or, more especially, the United States.

While it is absolutely true that one can point to successes in peace-keeping, supervision of elections, emergency aid, health and education projects, etc., one has to make the obvious observation that some good must come from so much effort and spent treasury. But what of the cynical Economist which observed that, in the 680 international conflicts between 1945 and 1989, the UN sat by and watched? On the Volker Report and the oil-for-food scandal? This book endorses the view that the oil-for-food scandal was the fault of an intellectually dishonest campaign by UN congressional conservatives and a right-wing commentariat aimed at destroying the UN as an institution.

Nowhere to be seen are the essential criticisms of the UN. No discussion of the UN’s democratic deficit due to the structural effect of an unaccountable body. No awareness of the nature and functioning of the activist transnational progressives and the ways in which they use the UN to threaten sovereignty and democratic traditions within nation states. Instead, there is a bland attack on the neo-cons, George Bush and John Howard, as central factors for why the United Nations is failing. The USA and Australia don’t support Kyoto or the ICC, and they went into Iraq.

Moreover, nowhere do the authors ask the most important questions of political science: Who governs? Where does authority reside? How are rulers chosen? Tackling the obvious faults and shortcomings, avoiding the main game, and then pleading for urgent reform that never comes is not an incisive critique.

The corruption and moral vacuum in the peak council of the UN is only complimented by the authors’ hypocritical insistence on the moral and legal authority that they believe the UN deserves. Forget about the role of China and Russia in the UN’s repeated failure to do anything about its own resolutions on Saddam. Just remember Kofi Annan’s response: ‘Serious nations could not be bought or sold!’ Tell that to President Chirac.

Gareth Evans graces the pages of the book in an Afterword. All the promised and needed reforms rehearsed in the book and endorsed by ‘Gareth Gareth’ have now fallen to water. On the eve of the sixtieth anniversary in October, the former Australian Foreign Minister declared the botched attempt at wholesale reform ‘a depressing disaster’. The last words should be left to him: ‘It is still the piranha pool of diplomats enjoying tearing flesh off each other, to the total exclusion of any enthusiasm for high principle or effectiveness of the organisation’.

Andrew McIntyre reviews *The Third Try: Can the UN work?* By Alison Broinowski & James Wilkinson (Scribe, Melbourne 2005, 208 pages)
Managing risk in modern society has proved to be one of the most vexing issues for policy makers. We are concerned about bird ’flu and climate change. We have had Y2K and worries that an asteroid may collide with us. We have all these catastrophic risks as well as more mundane ones—cancer from power lines or mobile phones, falls from ladders and bicycles, and movements in bank interest and currency exchange rates.

How do or should we assess these risks? Risk-Benefit Analysis is a comprehensive and authoritative guide to thinking about risk and how to balance it against benefits for society. The authors, Richard Wilson and Edmund Crouch, have as much wisdom on this subject as a barn full of owls.

It is not an easy read, but it is written for a general readership and has a wonderful selection of data and New Yorker cartoons.

The authors proceed from methods of risk estimation, uncertainty, perceptions of risk, risk and benefit, and finally to managing and reducing risks.

Old and new risk estimation covers historical risk and risk arising from new technologies. This allows them to discuss the ‘Precautionary Principle’ under the delicious heading of ‘Risk of the Impossible’. Examples are drawn from nuclear radiation issues and epidemiological ambiguity problems. Finally they state that zero risk is unattainable. This simple statement should be given the status equivalent to one of the Ten Commandments for policy makers.

There are extraordinary examples of the difference between the lay perception of risk and the expert assessment. These may be value judgements of what to do about a known quantitative risk. Others are public misconceptions about the size of the risk.

One of the most telling examples is the difference of perceived risk from using X-rays and nuclear power. The public sees the use of X-rays as low risk but expert assessment considers them high risk. Nuclear power is perceived in exactly the opposite way. Wilson and Crouch analyse these common misconceptions and try to prescribe some remedies.

There is a sense of frustration here that this sensible and logically derived signal is lost in the noise of NGOs claiming disaster and catastrophe.

The challenge is to compare risk with benefit, and that, inevitably, is discussed in terms of mathematical functions.

But to do that is to risk condemnation. As the Nobel Laureate, Joshua Lederberg put it: ‘Anyone who tries to deal with health in economic terms, which is a necessary part of a system analytic point of view, is exposing himself to the risk of misunderstanding and even bodily harm from outraged citizens’.

A chapter on risk management shows how to think about reducing risk. Criteria are grouped into three classes, Zero risk, As low as reasonably achievable or best available control technology, and Cost risk-benefit analysis.

A ban on an activity is the most primitive risk-reduction action. If uniformly applied, this is zero risk. It is still used in peculiar circumstances, as in banning the use of RU486, an abortion pill. Somewhere in this space the ‘Precautionary Principle’ makes itself felt. The principle is not well defined—a problem compounded by the fact that its proponents oppose the use of quantitative assessment. But, as Lord Kelvin said, until something has been expressed in numbers, it is not understood.

The last chapter and some one-third of the book is given over to lists of risks. There are examples of risk calculations, all manner of risks from being a president or monarch to working in retail, from mountain climbing in the Himalayas to bear attacks when backpacking. Some risks are discussed in detail, finishing with the accidents at Chernobyl and Bhopal and the oil-well fires in Kuwait. Finally, there is a table of 500 life-saving interventions and their cost-effectiveness.

Wilson and Crouch combine deep understanding of methods with practical experience and entertaining presentation. The lesson is clear: government policy needs to refocus on the central question of risk versus benefits before condemning innovation and progress.

Tom Quirk reviews Risk-Benefit Analysis
By Richard Wilson & Edmund A.C. Crouch
(Harvard University Press 2001, 361 pages)

Policymakers shouldn’t shy away from risk

Tom Quirk is a member of the board of the IPA.
If each man's perception of the world is truth, then any man is as wise as the gods, yet no wiser than a fool.

Plato

Illusions aside, perception of the world around us is a subjective experience, with memories, expectations and bias fuelling the way we analyse the millions of stimuli we experience each day. Every second, our body interprets information flooding the five senses, and generates opinions of them based on previous experience as chemical signals are translated into electrical impulses. But despite the complexity in interpreting the environment, Malcolm Gladwell's *Blink* proposes that we can discern the truth in the blink of an eye; that being fully informed is a needless waste of time and energy.

Gladwell presents an engaging array of stories aimed at overwhelming the reader under the theory that more is better. The irony is clearly evident as he attempts to argue that decisions can be distilled in the "blink of an eye", through *thin-slicing*, a technique which narrows down the factors necessary to making a correct decision.

Gladwell wows the reader with tales of a retired Marine Corp. Lieutenant General beating the entire US army in war games using only instincts, and intrigues them with details about predicting marriages from psychologist John Gottman's 'Love Lab'. He scares the reader with a tale of a black peddler being gunned down after police mistook his wallet for a gun, and confuses them with exceptions such as the 'Warren Harding' error.

The practical application of the propositions in *Blink* would do away with scientific accountability and rock its foundations. Gladwell ignores individual difference and considers the human mind a constant. It is true that every person possesses *coup d'oeil*, an ability to see things and make sense at a glance. However, do we all perceive the same target and therefore make the right sense of what we see? The Müller-Lyer illusion is a common perceptual illusion involving two parallel lines of equal lengths, but one with lines on the end angling out and one with lines angling in. This creates the sense that the line with the ends angling out is longer than the other, when in fact they are the same length. This simple illustration underlines how the world is not always as it seems.

The Müller-Lyer illusion is not of mere experimental interest—it can be applied to many life experiences. What we see is not always the truth. Take two judges, a Russian and a Canadian, judging a sporting event such as gymnastics. When we see strong disagreement, is it because the Russian judge is cheating, or is it a matter of honest subjective difference? It is impossible for both judges to be sitting in exactly the same spot, so both are viewing something slightly different from the other. Then we must take into account the previously mentioned factors—memory, expectation and bias.

Our past experiences (memories) play an important role in what we see. The Russian judge may have watched the gymnast perform before and brings his preconceived judgements about how she will perform. The Russian judge enjoyed the previous performance and thus automatically judges the gymnast through positive eyes. This in turn creates bias in what the Russian judge sees, altering the perception of the routine.

Overall, the general impression of the Russian judge is positive and a good score is given, but why did the Canadian judge score so low? Was it because she was there the night the gymnast slammed face-first into the pommel horse? Can we make snap judgements? Sure. But it is less sure that our judgements will be accurate.

Gladwell uses a myriad of engaging anecdotes to highlight how snap judgements are made, and where they can go wrong. But is it the accuracy of snap judgements or sheer luck that people make the right decision? Gladwell relays the story of the casting call for the movie *Splash*, in which the producer first met Tom Hanks and 'in that first instance knew Hanks was special'. Was this more about the producer’s
ability to judge based on his first impression or more about the luck that someone of exceptional talent such as Tom Hanks would walk into the casting room? If this was the way business was conducted, legal issues resolved and medical decisions made, the lack of accountability would cause chaos.

Gladwell endorses this lack of accountability, outlining the neurobiological findings surrounding how the unconscious works. The ‘Locked Door’ as he calls it, prevents the individual in some cases from consciously knowing why they think something, why they have a hunch and why their instincts lead them in a certain direction. But this locked door is the very reason we should be careful in taking things at face value. Aren’t those memories, expectations and biases also locked behind that door, influencing the decision that is made?

Imagine a courtroom in which a man is standing trial over the murder of his boss. A colleague of the accused takes the stand and says that he has a hunch—a very strong hunch—that the defendant killed his boss, based on snippets of conversation he overheard during the last two weeks around the water-cooler. The colleague had, as Gladwell says, thin-sliced, that is, removed those things he deemed unnecessary in the conversation and kept those that were. When asked to explain why he feels this, or what influenced his decision, he cannot answer, the information is behind the locked door, and the defendant is sentenced to life based on the ‘thin-slicing’ done by his colleague.

Not only have individual biases been eliminated in this scenario but it allows unsubstantiated hearsay and gut-feeling determine the rest of another individual’s life. The colleague may have been influenced by a conversation he had with the accused, or an unconscious memory based on something he was told about the accused which itself may not have been accurate. If we were to adopt a world in which snap decisions were taken more seriously, accountability for the thoughts and ideas would be stripped away, leaving a chaotic world in which unjustified statements influence outcomes.

Mergers and acquisitions made on the first impression an executive gained from the operation of the company. Surgeons making decisions about an individual’s diagnosis based on a two-minute consultation. The world has so many variables, so much nuance and so many uncontrollable factors, relying on your gut does not always work. It is true that impressions can be made in the blink of an eye, but do we really know about how accurately they are processed?

Blink is a synthesis of some of the most recent ground-breaking research in the field of unconscious processing. Gladwell successfully highlights the power of the human mind and outlines how the individual can harness this to bolster decision-making power.

Many of the proposed applications, however, disregard the need for accountability and subvert scientific method. The individual is individual, each of us with our own needs and wants, influencing every sense we feel and decision we make. The accuracy of snap decisions must be taken with caution.
POLITICS CLAIMS MORE VICTIMS
A recent Age feature looked at trends in new housing estates on the Melbourne fringes. Noting the eclectic housing styles now to be seen—Tuscan terracotta, hip wooden-floored warehouses, two-year-old Victorian terrace houses—these were seen to reflect selfish, conservative and inward-looking attitudes. For well-known Melbourne architectural commentator Norman Day, it was all too much. He sees these styles as reflecting the conservatism and insecurity of our times and wonders if this yearning for the past will become known as the ‘Howard era’. ‘Now people are scared. They no longer see houses as places to live—they are investments, they are commodities’.

O TEMPORA! O MORES!
Theodore Dalrymple reports a curious case of a Swedish lesbian couple who wished to have children. With the help of a male friend they managed to have three. But then the two women split up. Who would now support the mother and children? The former lover was unwilling, as was the sperm donor. The Department of Social Security sued to force the sperm donor to pay. The hapless man found himself obliged henceforth to support the mother and children financially. The Swedish Federation for Sexual Equality declared the decision an outrage. ‘It is scandalous. The man has been condemned to be a father’. !!! As Dalrymple puts it, ‘A plague on all their houses’.

PHYSICIAN, HEAL THYSELF
Socialised medicine does have its disadvantages. It was reported in the French press recently that a nursing aide from Lille managed to get herself 15,000 antidepressant pills by consulting 69 doctors and going to 78 chemists within a one-month period before the law caught up with her. She got away with it because there are no verification procedures in the French health system. Not only that, there was no fraud charge to answer, as the prescriptions were legal and there was no evidence that she was trafficking. The prosecutor could only recommend that she look after herself.

ALI G … DISRESPEC’
Things have finally caught up with comedian Sacha Baron Cohen, aka Ali G. After three years, the Kazakhstani Government has apparently discovered his impressions of Borat Sagdiyev, a fictional Kazakhstani television host who portrays his countrymen as drunken sexual deviates. A government official has claimed that he is part of a conspiracy to deride the central Asian state. Kazakstanis are apparently tired of denying that shooting dogs is a national pastime, or that their wine is made of fermented horse urine, or that their women are kept in cages. What apparently tipped the balance was Borat’s arrival recently in Lisbon for the MTV Europe Music Awards in an Air Kazakh propeller plane controlled by a one-eyed pilot clutching a vodka bottle. Borat could not be reached for comment. He was relaxing at a resort on the Caspian Sea.

HELP FOR FRANCE?
One shouldn’t make light of France’s present ‘social’ conditions with its Muslim youth. But it was nevertheless gratifying to see that none other than Libyan leader Colonel Muammar Gaddafi offering to help France in its hour of need. Mr Gaddafi called French President Jacques Chirac to express his concern about the youths’ rioting and said he was ‘disposed to help France overcome these events’, which he described as ‘regrettable’. The Libyan national news agency reported that Mr Chirac thanked Colonel Gaddafi for his interest and reassured him that the situation was under control.

BRUSSELS FAIRY TALE
The EU has distributed 100,000 textbooks that celebrate the passage of the EU constitution. The teaching material, entitled Europe, My Home, features two children, Lea and Thomas, who are guided through the complexities of the EU by a character called Good Father Houpette. In a chapter on the constitution, the children are pictured reading the rules and regulations of an indoor sports hall. ‘Not long ago the European Union was given regulations such as these’, Father Houpette says. ‘With this new constitution everything will go like clockwork, just like in your club’. There is one little problem, however. This new constitution was the very one recently rejected by France and Holland.