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REVIEW

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From the Editor

MIKE NAHAN

TIME TO DEFEND THE INSTITUTIONS OF CIVILIZATION

The world will be a different place following the events in New York and Washington DC on 11 September.

The sense of safety afforded by our rich isolation is gone. We now know that we can no longer hide from the world—it now comes to us, atrocities and all.

Similarly, Australia will be called upon to play a larger role both in the fight against terrorism and in defence of freedom, liberal democracy and capitalism.

One of the lessons for the US from the events of 11 September is that it can no longer be the world's sole policeman. The US lacks the knowledge, ties and resources for the job and, even if it tries to do so, it becomes the focus of hate for every aggrieved party. In the Cold War, an overriding superpower may have made sense; it no longer does. And if we—the rest of the Western world—do not share the load, we risk encouraging the US to move back down its historic isolationist path. This is something the world can ill afford, on the trade front as well as the strategic.

What this means for Australia is that we will have to play a much larger role in our own backyard—the Asia-Pacific region. And the task is potentially huge. Every neighbouring country is politically and economically unstable, including New Zealand. Indeed, New Zealand appears to be happily descending from the ranks of the wealthy nations (see Alan Moran, 'Will the Greens Close Down New Zealand?' on page 16). Moreover, there are few allies in sight aside from the US. Japan is a mess. Europe is distant and fractious. China is more menacing than helpful. And the UN is part of the problem.

Australia's ability to take on an expanded military role is, however, limited. Despite seven years of phenomenal economic growth which pushed the tax take to record levels, govern-



ments have no surplus cash. They have more than spent the lot. As a share of GDP, spending has been pushed to record levels in almost all areas except defence. The task of the next government will not be tax reform or higher taxes, but *spending* reform. (See Jim Hoggett, 'The Election Choice: Who Can Stem the Spending Tide?' on page 3).

Australia must also step up its defence of the capitalist system and liberal democracy. Liberal-democratic capitalism has been the foundation of our success, and offers the best and greatest hope for those in the world who wish to share in our success. Yet it is under attack across many fronts.

Gar Smith, Editor of *Earth Island Journal* (a student journal from Stanford University), expresses the view of many in the NGO movement (if somewhat more forthrightly than they) about the recent attack on the World Trade Center and the Pentagon:

We need to correct the rightist spin of the Bush administration and media. This was not an 'act of war'. This was an act of anger, desperation and indignation.

This was not an 'attack on Freedom'. It was a politically targeted attack on the core structures of the US military and the US-dominated global financial structure.

This was not an 'attack on all American people'. This was not the

sort of flat-out terrorism that targets random innocents at a disco or a beach. The majority of the victims were, unfortunately, working for the Pentagon and various elements of multinational financial empires.

In short, for many people the problem is capitalism, not a bunch of madmen. Indeed, capitalism is being blamed for all the imagined afflictions of the world—from starvation to obesity, from lack of drugs for AIDS to overuse of drugs by the aged, from the poverty of nations to excessive wealth of nations, from environmental destruction to the closure of steel plants. And the promoters of this nonsense are, under the guise of 'people power', being given undeserved legitimacy by governments, industry and the media.

Our concern lies not with the right of people to hold and express mistaken beliefs. Indeed, their right to do so must be defended to the end. Rather, the concern is that the organized few are being allowed to tyrannize the unorganized many and, in the process, undermine our institutions from within.

One essential step, outlined by Gary Johns (see 'Protocols with NGOs: The Need to Know' on page 7) is to enforce full disclosure of all relationships between NGOs and granting bodies. If an organization demands 'standing', it should be forced to make good its claims and the details must be fully open to taxpayers and shareholders—something that is currently not the case.

Just as important, Eric Dezenhall ('Surrender Is Not A Winning Strategy' on page 12) argues that firms and governments should not surrender to the wrong ideas and petty threats that will destroy our economy and our liberal society from within. To give in does not promote democracy; it undermines it. Surrender does not aid peace in our times; it perpetuates conflict.

IPA

REVIEW

The Election Choice: Who Can Stem the Spending Tide?

JIM HOGGETT

'The people are difficult to govern because those in authority are too fond of action.'

—The Tao Te Ching, circa 500 BC

THE public debate on taxes and government spending gets hotter in an election year. Voters want to know how much of their income they will be allowed to keep and how much governments will spend for them. Lobbyists want to know how much of taxpayers' money they are going to get through government spending programmes.

Both political parties at the Federal level are holding out hopes of some tax relief without blowing the budget. This ought to mean decreased spending but, unsurprisingly, there are no serious proposals for this.

History sounds a loud warning.

THE INEXORABLE GROWTH IN THE GOVERNMENT TAKE

A long-term view of government revenue and spending offers no comfort to those who would like more freedom to dispose of what they earn.

Table 1 shows how much all the governments in Australia (Federal, State and local) raised in revenue and spent in the last year of each of the last four decades.

To illustrate the total presence of government in our economy, we have included all government activities, including government business enterprises (except government financial enterprises). Their revenues and outlays are expressed as a percentage of total national income (GDP). The 1999/00 figures must be treated with caution, as there is a break in the data series from that year, but the overall trends remain valid.

Governments have clearly had their hands deeper in our pockets every decade.

Their take has grown from about one-quarter of our income 30 years ago to more than two-fifths at the end of the century. The economy grew rapidly—by about 180 per cent in real terms—but real government revenue grew much faster—almost

twice as fast. Governments took more, and individuals got less, of the growth dividend they had collectively earned. The increase in the government take continued strongly over the 1990s.

There are signs that the

revenue share (but not actual revenue) is now receding a little; but it seems likely to remain over 40 per cent.

While revenue has grown steadily, government spending has grown more erratically but still very strongly. The figures in Table 1 do not show the significant surges in government spending that occurred in the mid-1970s, mid-1980s, early 1990s and again last financial year. Over the 30 years, until recently, spending was generally well ahead of revenues.

Bringing these spending surges under control has been a preoccupation of government in Australia for the three decades. Restraint was partly brought about by cost-cutting and charging for services. There was privatization of public enterprises in the transport, communications and energy sectors. When public finances became disastrous, governments were simply booted out.

Over the three decades total revenue slowly overhauled total spending. The horrific borrowing requirements of the late 1970s and mid-1980s, and the associated financial scandals, are behind us for now. Recent Australian governments have generally opted for financial prudence.

But it was revenue that caught up with spending. Thus the excesses of spending were largely validated. In other words, the people dug the government sector out of the mess; government did not dig itself out.

Table 1 : Growth In Total Government Revenue and Outlays

	1969/70	1979/80	1989/90	1999/00
Revenue : % of GDP	27.5	31.3	36.3	43.9
Increase in government share		3.8	5.0	7.6
Outlays : % of GDP	30.4	36.0	38.1	40.6
Increase in government share		5.6	2.1	2.5

Source: Government Finance Statistics ABS 5512 and unpublished ABS data.

Table 2 : Growth In Government Expenditure By Category

PURPOSE	% of GDP				% real growth over				
	1969/ 70	1979/ 80	1989/ 90	1999/ 00	10 years to 79/ 80	10 years to 89/ 90	10 years to 99/ 00	20years to 99/ 00	30 years to 99/ 00
General public services	2.6	2.7	2.7	2.6	45.7	39.8	35.5	89.4	176.0
Defence	3.2	2.3	2.1	1.7	0.8	27.6	13.9	45.4	46.6
Public order and safety	0.8	1.2	1.4	1.5	110.5	63.1	50.8	145.9	417.5
Education	3.7	5.4	4.6	5.1	104.8	19.1	56.0	85.7	280.4
Health	2.8	4.3	5.1	5.9	115.5	65.8	62.8	169.9	481.6
Social security and welfare	4.2	7.5	7.6	9.7	150.5	41.7	79.6	154.4	537.4
Housing and community amenities	1.8	1.5	1.3	1.6	17.1	21.2	73.2	109.8	145.3
Recreation and culture	0.6	0.9	1.0	1.3	110.5	55.3	82.9	184.1	498.0
Transport and communication	4.2	3.9	3.9	5.5	30.3	39.8	98.4	177.4	261.4
Other(including industry,debt interest)	6.5	6.2	8.5	5.6	33.8	91.7	-7.3	77.7	137.8
TOTAL	30.4	36.0	38.1	40.6	66.1	47.9	49.9	121.8	268.6
GDP					40.3	39.8	40.7	96.7	176.0

Source: Government Finance Statistics ABS 5512 and unpublished ABS data.

WHERE DID ALL THE MONEY GO?

With the economy growing strongly through much of the 30-year period and governments grabbing a bigger slice, there has been room for very substantial real increases in government programmes.

Over the whole period, government has increased its share of spending by more than 10 per cent of GDP (or \$63 billion of current GDP). Government spending has grown much faster than the economy in every decade.

Table 2 provides another snapshot at the end of the last four decades for the main functional categories of spending.

While all programmes show strong real spending increases, the breakdown shows major shifts in policy emphasis.

General Public Services, which contains the spending on our public administration, has grown along with the economy. It is tempting to conclude from this that all the efforts over the years to deliver our public services more efficiently have failed.

Defence spending has grown in real terms but declined as a share of GDP. This is a natural development over a long period of relative peace. As

defence spending is by definition an economic dead loss, we should always keep it to the minimum to deal with perceived threats to national security.

The relatively strong growth of spending on *Public Order and Safety* seems to contradict the public assumption of neglect of this function. It would be helpful to know how much of the additional funding went on administration rather than more policing. Has the public had value for money?

The three social programmes, education, health and welfare have increased massively over the last 30 years from 11 per cent to 21 per cent of GDP. This growth absorbs the whole net increase in the government share over the 30-year period.

All of the relative growth in *Education* spending occurred in the 1970s, but that area still recorded strong real growth in each decade. Moreover, the switch to private schools may have masked stronger growth in the 1990s. Greater participation in tertiary education would also be an explanation for growing expenditure. The net result is that the taxpayer subsidy to this sector increased significantly.

Health spending has almost quadrupled in real terms and more than

doubled as a share of GDP. This is a pattern evident in all developed nations. It contradicts the generalized allegations of government neglect levelled by various interest groups, including the medical profession itself. Maybe we are not spending effectively. Perhaps the profession should look inwards before asking for yet more from the public purse.

Welfare payments have more than quadrupled in real terms and more than doubled as a share of GDP. This might be taken as a success or a failure. We have diverted a much larger proportion of national income towards the poor by defining new areas of poverty and expanding welfare programmes. But we have enlarged welfare dependency, which is increasingly seen as a corrosive influence in society.

What is clear is that the talk of 'gutting' the social programmes is nonsense. As a whole, they have received a very generous share of the growth dividend—all of the net increase in the government share, and certainly proportionately much more than the individuals who earned it.

The figures show that the attempts to persuade Australians that

their charitable efforts of the past decades are inadequate and ungenerous are either ill-informed or self-interested.

Recreation and Cultural activities have also been well favoured, with a growing share of income devoted to them. There are large subsidies to those who wish to follow their preferred creative and sporting occupations, but for whom the public would not pay voluntarily. Moreover, these subsidies are sometimes inequitable, going to individuals who are not in need, and supporting activities that are of interest only to small groups.

So what is going on here? We hear daily that there are 'funding' crises everywhere. Our defence is full of holes. Our police services are swamped by a tide of criminal activity. There is a crisis in nursing and general medical practice. There is a crisis in teaching. Social welfare programmes are said to be 'seriously under-funded'. Our infrastructure of roads and telecommunications is either crumbling or requiring massive new investment. We are on the brink of environmental disaster. Regional areas need to share more in our prosperity. Arts and culture are at the mercy of the Philistines. We must spend much more on Knowledge Nation. Local community amenities must be upgraded. And so on.

The common theme of such protests is that, despite the huge growth in spending racked up over the past three decades, much more government (that is, our) money is needed for everything.

Much of this 'noise' should be seen as a beat-up to create an atmosphere of urgency and crisis in specific areas to soften up any opposition to new spending. Proponents generally take the high moral ground that their particular programme is much more worthy than others, and certainly more worthy than any purpose for which individuals might spend voluntarily if given the chance. Neither the proponents nor their intermediaries

in the bureaucracies directly bear the cost of their proposals. Against this relentless spending pressure, the principles of budgetary restraint and value for money are in retreat.

The fact is that someone has to make choices between priorities. Someone has to decide on the important question of how big government should be (see *Box 1*). Reconciling these tensions is what parliaments are for. Their long-term bias patently favours the spenders. The central choice between public and private spending is increasingly made by default.

WHICH LEADS—TAXING OR SPENDING?

If revenue and spending both grow so irresistibly over the long term, it is worth asking which of the two is the driving force.

The conventional wisdom would be that spending is the driver. There is pressure both inside and outside government for more spending on countless programmes.

In the 1970s, for example, the rapid growth in spending and deficits had most of its impetus from the Whitlam Government's promises. There was another surge in spending and deficits under the Hawke/Keating Government in the mid-1980s, until the 'Banana Republic' brought about more fiscal responsibility. In both cases, spending dragged revenue up to a higher plateau.

We observed a litany of broken promises as governments desperately sought new sources of revenue. The Coalition abandoned indexation of income-tax scales when it proved too much of a straitjacket on spending. Labor's promise not to tax superannuation was broken not once, but repeatedly, as the Hawke/Keating and Howard Governments dragged forward future years' tax revenues out of private savings and into current budgets. And there were many promises not to levy a GST.

This thesis, however, can be stood on its head. Although new programmes do drive spending (and this

Box 1: Is Government the Right Size?

The size of the aggregate budgets of all our governments is determined by thousands of small and large decisions made largely by politicians and officials. There is constant pressure to feed off the budgetary 'commons'. There is little informed public debate on the broad question of how much of our money we want to keep, and how much to surrender to our representatives. But surveys of the mood of the nation do not suggest that we believe we are in a crisis which requires more government.

The size of government is important. There is the obvious implication that personal control over income is diminished. This ought to be of concern to a society that seeks to give the individual citizen the maximum individual choice.

Moreover, our institutional framework is increasingly permeated by regulations which undermine its responsiveness and vitality.

Corollarily, government intervention and control are increased. That is a theme for another paper, but suffice it to say that both the deadweight economic costs and the oppression of the individual associated with big government remain as pertinent now as at any time in the past century.

drives revenue) there is a degree to which the reverse is also true.

The fact is that the interaction of economic growth and bracket creep automatically provides the Federal government with a fiscal dividend. This dividend causes the government's *share* of the national income to grow automatically. Large lumps of new spending can be accommodated without the need for formal democratic consultation and consent to new taxes. Over the last three decades, the fiscal dividend has been worth tens of billions of dollars.

This is where the interests of politicians and the people can, and ▶

regularly do, diverge. Governments generally just take most of the fiscal dividend without consulting the people. If any is given back, it is announced as a tax cut. It is not. A tax 'cut' is no more than a refund for overcharging.

Conversely, the fiscal dividend itself, which effectively is a new tax,

Box 2: GST—The Orphan Tax

The GST does not appear in the Commonwealth budget. Peter Costello has asserted that it is not a Commonwealth tax, as it is paid in its entirety to the States. The States treat it as a grant. So one of the most substantial government levies in Australia, worth \$27 billion this year, is nowhere recognized as a tax in government accounts.

This raises some interesting questions, mostly for the Commonwealth. Commonwealth officials under a Commonwealth Act of Parliament raise and administer the GST. Amendments to the GST provisions will all be dealt with in the Commonwealth parliament.

At the best we could say that this is a hypothecated tax, that is, a tax raised for and applied entirely to a specific purpose such as the Medicare levy (which was once intended to be spent on health) and petrol surcharges by the States (which were to be spent on roads). But no-one pretends that the Medicare levy was a tax raised by the hospitals, or that the road-builders raised the fuel levy.

The reverse side of the tax concealment is that the Commonwealth is forced to omit the GST grant to the States from its accounts.

One is tempted to say that, if the Commonwealth were subject to the same accounting rules as companies, its accounts would be rejected by the official regulators as not giving a true and fair representation of its financial situation. It is not enough to include GST as a footnote to the accounts.

is never announced at all, much less debated. The silence of parties in opposition on this matter join them to the conspiracy, from which they will benefit when their term in office comes around.

It could be said that this process merely accommodates more spending, but does not drive it. Yet this presupposes that, in the absence of the fiscal dividend, governments would have been prepared to raise *new* taxes. Past experience suggests they would not—the political cost is too high.

Consider Federal budget policy last year. This is not easy to track, because of the dishonest treatment of the GST in the Federal budget (see *Box 2*). In 1990/2000, the Federal government received \$4.4 billion revenue more than it had budgeted. By mid-year of 2000/01, revenue had blown out again by \$4 billion. The Government reacted promptly. New spending programmes, that will grow to \$4.6 billion, were announced.

It is highly improbable that the Government would have introduced \$4.6 billion of new taxes to finance such programmes.

Nor is it any justification that this is an election year, and that Labor would have promised to spend the windfall if the Government had not. Apart from the cynical indifference to principle that this notion displays, it simply confirms that all parties are in the same game. It is all a clear affirmation of the adage that if there is money in the till, government will find ways to spend it rather than giving it back.

So it seems that increased spending drives revenue and revenue windfalls drive spending. The proverbial double-whammy.

Finally, this also illustrates the futility of the present debate on tax cuts. There is now little room to cut taxes unless spending is cut. Who can believe that this will happen when the Democrats, who hold the balance of power in the Senate, always want to spend lots more and nobody else wants to spend less?

WHAT CONCLUSIONS CAN WE DRAW?

What can we conclude from these long-series data on government finances?

One obvious point is that, with occasional pauses and retreats, government just keeps on growing. Over the long term, taxes go steadily up, not only in money terms, not only in real terms, but also as a share of our incomes. The public debates give the impression that we can control how much our governments take from us. History says that we haven't done so.

It follows that the recurrent debates on tax cuts have all been illusions.

It also means that despite all the blathering about privatization and the 'loss' of public assets, *the public sector has managed to increase its share of the economy by a very significant percentage over the past three decades.*

It also means that, despite further blathering about the meanness of government and the Australian people in failing to fund various worthy causes espoused by various pressure groups, *we have substantially increased real spending under all the main categories.*

Although all areas have seen solid real gains in spending, some areas of especially loud bleating such as *education, health and welfare have been particularly favoured.*

This is not the age of small government. It is the age of the biggest government in our history.

It may go some way to explaining the widespread public disillusion with all political parties and with government generally. The complaints, and the denigration of existing efforts, are ceaseless. The tax burden on the populace increases, but the demands for more are insatiable. The public can be forgiven for wishing 'a plague on all their houses' when no effort seems to be enough.

As Lao Tzu said 2,500 years ago, where governments are too fond of action the people are unhappy.

Jim Hoggett is Director, Economic Policy, at the IPA.

TIP A

Protocols with NGOs: The Need to Know

GARY JOHNS

THE state has no business in controlling Non-Government Organizations, but it does have a duty, in certain circumstances, to know about them. Organizations such as Greenpeace, Amnesty International, the Australian Council for Social Services and thousands more are the voice of civil society. However, the growth of NGOs, fuelled by the very success of liberal democratic market regimes—in particular, by affluence and free speech—has enhanced the range and intensity of issues now given voice. Democratically elected governments have to cope with the electorate's enhanced ability to voice its concerns. Indeed, some NGOs seriously challenge the legitimacy of elected governments. In July 2001, Britain's Development Secretary Clare Short condemned international aid agencies' part in the protests at the G8 summit in Genoa. 'These are NGOs from Britain, well-meaning good people who collect £200 million a year in charity. Our government gives £3 billion a year and they want to claim to speak for the poor of the world.' The response from an NGO journalist was, 'NGO relations are already strained with a Labour government whose democratic legitimacy—and the claims it makes to speak for the poor—rests on just 25 per cent of eligible British voters.'¹ NGOs are clearly free to express their views, but what is the basis for them to speak on behalf of the public, or at least sections of it? There is a contest between governments and civil associations to represent public opinion. Are there legitimate grounds to test the representative credentials of those who purport to represent civil society?

Governments rely heavily on a myriad of intermediaries to articulate the demands of citizens. All kinds of organized lobbies, including political parties, provide a link between the electorate and the government. Where does this leave those who are not represented by groups, and whose major recourse is simply to participate in elections? They have a formal, but a muted voice. To assist those whose interests are not organized, the unorganized should insist on knowing something about those advocates that have access to government.

The benefit of a protocol is that it enhances the openness of the relationship and the accountability of both parties to their constituencies

This is not to argue that governments should have a right to such information *per se*. However, concepts of rights are raised the moment an NGO wants something from government. An NGO that seeks access to government enters into a contest with the unorganized. Any weight given to the opinion of an NGO must, of necessity, be weighed against the opinions of other NGOs, and the unorganized. A way to re-balance the

displacement is to give the unorganized a right to know something about the groups who, collectively, displace them.

The same logic may be applied to corporations and foundations. Corporations are prevailed on by NGOs to act in various ways beyond their strict responsibility to their shareholders and to the law—for example, to be socially responsible. Foundations are asked to support causes somewhat distant from their original charter—for example, not simply to alleviate the suffering of the poor or sick, but to support political agendas to solve poverty. Corporations and foundations should seek information from those they assist, and make that information available to shareholders and trustees.

For example, Royal Dutch/Shell released a report in February 2001 extolling the virtues of sustainable development. The company credits three NGOs with helping to draft the report. Why did Shell rely on NGOs to give legitimacy to its report? Why did it not ask a panel of scientists, or several governments' environment protection authorities? Clearly, Shell made the judgement that it would be more credible in the eyes of its shareholders and customers to involve the NGOs. The problem, however, is that the primary owners, the shareholders, are being displaced. The way to overcome this is to make the relationship between the corporation and the NGO explicit. Shareholders should know with whom the company is dealing. Shareholders need to maintain their standing *vis-à-vis* any other players.

Some NGOs are being granted representative status by governments on the basis that they represent broad ►

interests—such as consumers or environmentalists—when in reality they express the interest of a few activists. Moreover, some of these organizations are directed and driven from abroad, with few local members. Some NGOs are given ‘standing’ on the basis of their expertise, even though they undertake no research, do not subject their statements to independent peer review, have little technical expertise in the topics upon which they make pronouncements, and base their utterances more on emotion than evidence. Their activities are driven more by fundraising than advancing the public good.

One way of managing the relationship with NGOs is to use a protocol. A protocol is a publicly available statement containing the information about an advocacy body, which a government, corporation or foundation can use to establish the standing of such a body. The information should be available by way of a register. The benefit of a protocol is that it enhances the openness of the relationship and the accountability of both parties to their constituencies. It also provides a protection for bodies that wish to deny access to groups because they lack standing. The key assumption in the protocol strategy is the recognition of the primacy of the granting body. For example, government derives legitimacy from the formal act of democratic elections. Corporations derive legitimacy from their legal obligations to their shareholders. The legitimacy of foundations is based on their charter. Where NGOs seek something from one of these bodies, their standing—their legitimacy—should be proved to the satisfaction of the provider.

The standing of organizations usually arises from their ability to represent a class of persons, or to have an expertise in the area. Using the Commonwealth Government as an example, a government Minister will generally seek advice on the bona fides of an organization with whom he or she consults. Rarely will such information be shared with constituents. In addition to lobbying the Minister,

individuals and organizations may make submissions to government or parliamentary inquiries. Such submissions carry the name of the organization and may, as part of the submission, argue the case for their right to represent a constituency or claim an expertise—but these are rarely requirements of the submission process itself.

***The public needs
sufficient information
for it to judge the
efficacy of the
government’s selection
of those who are
given access to
government resources***

In a more permanent relationship, a Minister may appoint certain persons to the Minister’s or government’s advisory council. Such committee membership is from time to time made public, and although the individuals are named and some details given to suggest their expertise, rarely is the organization they may represent named or details made available.

The Commonwealth funds certain peak councils, especially in the welfare area, as a deliberate means of forcing a sector to aggregate its opinions. Still, there is little material made available to the public for them to judge the standing of such bodies. Over 40,000 NGOs are income-exempt charities, and over 15,000 have gift-deductibility status. In order to gain such standing they must prove their bona fides to the Australian Taxation Office and in some instances to a government department as well. For example, nearly 400 environmental groups are listed on the *Register of Environmental Organizations*, and between them

receive over \$30 million of tax-free donations. The information gathered for the purposes of tax status is not made available to the public.

The issues are: what information should governments (and corporations and foundations) collect to enable them to judge the standing of NGOs, and how much of that information should be made available to the public? The public needs sufficient information for it to judge the efficacy of the government’s selection of those who are given access to government resources. Without suggesting a definitive list, NGOs that seek access to providers should be asked the following questions and the answers should be publicly available:

1. Is the NGO well-governed and properly governed?
2. Is it representative and does it have links to the Australian community?
3. Is it financially accountable to its members?
4. How does it raise its funds?
5. What are the nature and extent of its claims to expertise?

This list seeks to establish the bona fides of an NGO, the fulfilment of which will be the acceptance by the provider of the NGO as being a body of good standing. These requirements do not arise at large, but because the NGO wants access to the resources of a provider organization, and seeks to represent a body of opinion.

The protocol is not a matter of imposing behaviour, but of making information available to the formal owners of the providing organization. NGO activity is not going to fade, but it can at least be put in perspective. Shareholders and citizens need to know about NGOs who seek access to their resources. The simple device of a protocol should help put the owners back in charge.

NOTE

- 1 Nick Cater, 2001, Reuters Limited via Alertnet, August 2001.

The Hon. Dr Gary Johns is a Senior Fellow at the IPA and leader of the NGO Project.

IPA

Letter on America

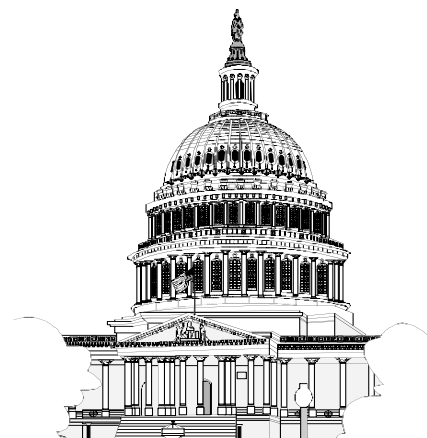
NIGEL ASHFORD

We Are All Americans Now

Like many throughout the world, I will always remember the moment I heard about the terrorist attacks on the World Trade Centre and the Pentagon on 11 September 2001. I was informed via a telephone call at work from an academic colleague (herself an American). I immediately went onto the Web. As soon as I understood the enormity of what had happened, I rushed off home to watch the tragedy unfold on the television screen.

I was in immediate fear for all my friends. I knew no-one who worked in the Trade Centre or the Pentagon, but plenty who lived and worked nearby, or who could have been in the buildings as part of their work. There followed frantic e-mails and telephone calls to confirm that all my friends were fine. It took 48 hours for the safety of my last friend (who worked for the *Wall Street Journal*) to be confirmed. Only then could I display my emotions for those who had died.

Almost the whole world expressed its shock and horror. Too many people, however, also added a 'but' after their cursory moment of regret. 'America had only itself to blame.' 'America is only reaping what it has sown.' 'Perhaps America will be less arrogant now.' All the accusations made against US foreign policy over the years were regurgitated. Contradictory complaints were expressed that the US interfered too much in the world, or too little. All the torments of humanity were placed upon its shoulders. Capitalism was blamed



for third world poverty. Globalization, expressed in the 62 countries that lost lives on American soil, was condemned as US imperialism. Deep, visceral anti-Americanism was openly displayed. Anti-Americans are those who deplore the values which America represents, and who assume that it always acts from the worst of motives and the least of thought. Anti-Americans should consider their own moral responsibility for their rhetoric in demonizing America over the years.

This 'Blame America' response revealed that they did not understand a basic truth about the motivations of the terrorists. They hate the USA not because of its faults, but because of its virtues, those that every society which claims to call itself free, open and democratic should share. The terrorists hate America because it stands diametrically opposed to everything that the fundamentalists want the world to be.

They want a world governed by the strict application of Islamic law as interpreted by fundamentalist preachers. They want a world in which Muslims who do not share their understanding are severely

punished as heretics. They want a world where every action is governed by the dictates of regimes whose legitimacy is based, not on the consent of the people, but on their interpretation of the Koran. They want a society in which women are treated as second-class citizens, constantly veiled, forbidden to go out at night or to be educated, and who exist only to serve their male masters. They want a world in which all those of a different religion are banned from seeking converts, and who have to display publicly their false beliefs with symbols on their clothing so that Muslims can be warned against consorting with them. They want a world in which the education of children is about indoctrination rather than encouraging them to seek the truth. They want a world in which wealth and prosperity are denied because they lead to materialism and seduce the weak-willed from their religious duties.

This is a worldview that is directly at odds with all liberal, free, open, democratic and multi-faithed societies. It cannot accept the continuing existence of any such societies. This is why President Bush was right to say that this was an attack on civilization, not just America. This is why it is the responsibility of every nation, and of every person of goodwill throughout the world, to combat this menace. This is why, whatever our nationality, we should act as if we were all Americans.

Dr Nigel Ashford is Senior Lecturer in Politics at Staffordshire University, England, and co-author of US Politics Today (Manchester University Press).

TIP A

Drugs: Time for a Rethink

JOHN HYDE

A recent article in *The Economist* told us that a kilo of heroin, 40 per cent pure, sells on the streets for up to US\$290,000 and that import prices are about 10–15 per cent of retail in rich countries. The more successful the authorities are in restricting supply—either by capturing shipments or scaring off illicit drug traders—the wider ‘the wedge’ between import and street prices becomes and the greater the potential profits. Australian authorities cite the recent hike in the price of illicit heroin as evidence of success, but such success is necessarily its own substantial undoing—it increases rewards for smuggling or manufacture, and causes addicts to take even more desperate measures.

It is virtually inevitable that such huge profits will be employed in their own preservation, by corrupting the enforcement authorities and influencing the political system. This happens in legal industries with far smaller margins of profit. Think of how the motor industry tried to preserve its ‘wedge’ by regaling us with the horrors that would be associated with reduced import restrictions. The horrors never did eventuate, but their improbability didn’t stop the motor manufacturers. And even at the height of protection, cars sold in Australia for only about half as much again as they could be imported, whereas drugs sell for six or seven times import parity. The last thing the drug barons want is a policy that removes ‘the wedge’. In my political days I marvelled at how quickly and generously the case against drug liberalization could be financed.

The heroin or cocaine addicts’ cravings must be awful when they are prepared to rob old ladies and prostitute themselves. (I don’t accept, as some are wont to claim, that many of these

people are shameless.) The safe injecting rooms being tried in NSW address only one of several problems: death through overdose.

When no less an authority than the chairman of the National Crime Authority argues that attempts to restrict supply are doomed to fail, and that we therefore should experiment with giving addicts lawful access to the drugs they crave, he deserves a better hearing than our Prime Minister gave him. I accept that any policy change involves risk, but so does burying one’s head in the sand. Let’s look at the public policy options, for those who are not yet addicts, and for those who are.

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Drug dealers’ long-term profits depend on new addicts. It beggars belief that they would do anything significant to prevent the sale of their wares in (to take the most horrible example) schools, unless it were made unprofitable for them to do so. The death penalty might raise their costs to the point of unprofitability, but in no country where the death penalty applies for trafficking has the trafficking stopped. I don’t see that as an option.

At whatever level of supply, tomorrow’s demand for addictive drugs would be reduced if non-addicts were discouraged from experimenting. To this end, governments could add further

state-imposed punishments to the well-known potential clinical costs of using the various illegal drugs. It is, however, the experimental user, not the addict, who would need to be punished. Gaoling would probably be counter-productive. There is not a single goal in Australia where drugs do not gain access; and, in any case, the trend seems to be away from punishing for possession of drugs for personal use. The government, fortunately in my view, hasn’t the stomach for anything draconian, and so let’s forget that option too.

What, then, about the more subtle punishments of social disapproval and conscience? People crave approval and are much influenced by the attitudes of the company they keep. The drug problem might be seen as but one of several consequences of an attitudinal trend that people of my age (65) and a bit younger once accepted or even encouraged. In the 1960s, confusing liberalism with licence, many of us disparaged personal responsibility and gratification deferral, saying in effect that ‘if it feels good, do it now’. In the 1970s, we consciously abandoned our behavioural ideals and replaced virtues with mere values. In the 1980s, we began smothering even moral debate under a blanket of political correctness. And in the 1990s and beyond, if we don’t personally reap the whirlwind of being perpetually worried about drug-addicted children and grandchildren, then we have friends and acquaintances who do.

Our long-term hope must lie with reversing what Gertrude Himmelfarb has called ‘the de-moralization of society’. Abandoning moral discrimination didn’t work, and we must rebuild those institutions that we once dared to call virtues. But that is a long-haul task. What is more, acceptance of personal responsibility is a virtue that

any government (and especially the current one) is ill-equipped to advise upon. A Cabinet with a time horizon that seems to stop at the next election, and which squanders the budget surplus by bribing voters, simply does not have the necessary standing to be influential. Since we wouldn't want its standards to become community standards, the less it says directly about either prudence or responsibility, the better. It might, nevertheless, fund others to 'educate' the not-yet-addicted about the consequences of drug taking. However, not too much should be expected of that policy either. Such programmes are genuinely difficult to pitch appropriately, are prone to takeover by those who hold the values that have contributed to the problem, and are greeted with cynicism by their targets.

Neither rebuilding institutions nor education can materially help the already addicted, from whom comes the vast bulk of the current demand for illegal drugs. They are given medical and psychological help, and the substitute drug methadone, through the healthcare system. Although there is good objective and published evidence (from both Australia and the US) that methadone programs reduce crime, methadone does not seem to be a close enough substitute to reduce sufficiently the demand for street heroin.

There is no closer substitute for an illegal product than the same product supplied legally. Government has the options here of simply removing the wedge between import and street prices by decriminalizing supply, or of greatly reducing the wedge by supplying addicts with cheap drugs of higher quality. The drugs might still reduce users' average life-spans, as nicotine does, and reduce physical and mental capacity, as alcohol does, but, if provided by either lawful means, sudden premature death and nearly all of the social side effects, especially the crime, could be greatly reduced. Not just the addicts would benefit. Surprisingly, prolonged use of pure opioids does not have the deleterious health effects of alcohol on the brain or of tobacco on the lungs or

circulation. Used medicinally, heroin is a very safe drug.

There are three strands of opposition to the legal provision of highly addictive drugs (nicotine aside). One is that the effectiveness of anti-drug education would be undermined—'all the wrong messages would be sent'. Another is that if a drug were readily available to addicts, then more people would be prepared to risk addiction. And the third is that some addicts, once given legal and cheap access to their

There is no closer substitute for an illegal product than the same product supplied legally

drug, would not attempt abstinence. None of these counter-suggestions is simply erroneous, but the consequences of each are easily overstated.

The first, I believe obvious, point about 'all the wrong messages' is that the state is only one source of leadership and instruction concerning personal behaviour; and, except to the extent that it resorts to punishment, it is not a very effective one. Even for the person who looks to government for moral guidance, the link between allowing addicts access to the drugs (which are used medicinally anyhow) and condoning their use for their psychotic effects is tenuous. Governments license the provision of alcohol and gambling facilities, and even use them as a revenue source, but do not thereby admit to encouraging drinking and gambling.

If addicts knew that they would not be condemned to lives of shame and such rapid self-destruction, then more might risk addiction. I accept as much, but I doubt that many experimenters are so coldly rational. Moreover, even though premature death and the need

to resort to crime and prostitution are partially effective deterrents, are they deterrents that the state is entitled to employ?

Governments should, wherever possible, avoid precipitous changes. This is not merely because any course may, with hindsight, prove wrong, but also because both the authorities and the public learn to live with the existing institutions. So let's also put across-the-board decriminalization to one side. That leaves supplying addicts by a controlled means. If undertaken on sufficient scale, the policy should almost totally eliminate 'the wedge'. If undertaken with sufficient care, the predicted adverse incentives could almost be avoided. The incentive for dealers to recruit new addicts would be all but eliminated. I'm normally no advocate for the counselling fad, but drug addicts' problems are not molehills to be turned into mountains. Might it not be a good idea to offer them a drug supply that comes with counselling?

The risks associated with supplying the addictive drugs (or even initially just the opiates) at known and sterile dosages only to registered addicts, and only when they attend registered premises, seem trivial beside the potential benefits. Such a policy should prevent several overdose deaths and a good deal of disease, much crime and much hard living. By taking (much of) the profits that keep the dealers in business it would reduce the size of 'the wedge', making the measures that raise the cost of drug dealing more effective. The policing of the illicit drug traffic and penalties for dealing need not be abated.

People's attitudes would not be rescued by this or any other government policy. In some circles, especially late at night, passing delights do not seem as silly or immoral as at other times, and peers are likely to disparage common sense. To ask a government to fix that problem is, however, akin to pissing into the wind. It is *our* task.

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

I P A

Surrender Is Not a Winning Strategy

ERIC DEZENHALL

CORPORATIONS around the world should learn an important lesson from the refrain of a 1964 Beatles song: 'Money Can't Buy Me Love'.

And corporate leaders should learn as well from Neville Chamberlain, who proudly announced in 1938 that his policy of appeasing Adolf Hitler would bring 'peace for our time'. A year later, Hitler started World War II.

The lesson? Surrender is not a winning strategy. It won't buy either love or peace from an attacker committed to your destruction.

Unfortunately—in a futile effort to protect themselves from a growing number of costly lawsuits—too many corporations are surrendering to the demands of radical attack groups. Many corporations go even further, and donate billions of dollars to some of their fiercest attackers.

These corporations are advised by a growing band of capitulation counsellors—who call themselves public relations strategists—that raising the white flag will transform their enemies into friends.

My advice to corporations: you can compromise with, or surrender to, these radical attackers if you think it's strategically expedient—but don't call it 'coalition building' or 'forging alliances'. Call it paying protection money. And, be ready for another attack from the same source or one of its allies, because it will probably come.

Radical attackers have succeeded in disguising themselves as crusaders for the public good—calling themselves 'non-profit public interest groups' with appealing names like Greenpeace, Friends of Earth, and People for the Ethical Treatment of Animals. But the truth is, many are

motivated by a desire to make money by suing corporations, along with an ideological hostility to private enterprise.

Donating money to your enemies and surrendering to their nonsensical demands, in an effort to make them your friends, is like walking into a boxing ring and offering a charging opponent milk and cookies to give you a hug.

The only way to respond to the other boxer is to hit him. The objective of corporate damage control must be the same as the objective of anyone in a boxing ring—to stop the attack by your opponent. Appeasement simply breeds more attacks.

What happens when you try to make peace with attackers who live to make war?

In California, environmentalists fought for years against the construction of desperately needed power plants. Utilities, and politicians pandering for votes, surrendered. The environmentalists won the battle, but the people of California lost the war to meet their growing power needs.

Today California faces power shortages that are causing brownouts, blackouts and huge price increases for electric power. It would have been much less painful for utilities and governments to have fought the anti-power plant crowd a lot harder years ago.

In another example, People for the Ethical Treatment of Animals—a group dedicated to ending the use of animals for food—campaigns to get the McDonald's chain to buy eggs only from farmers who give chickens better living conditions. McDonald's made changes last August. PETA then declared a one-year moratorium on

attacks on McDonald's, but demanded the company take even more drastic steps to improve treatment of chickens, cows and pigs.

On its Website, PETA warns that if McDonald's fails to make significant progress to meet the new demands by 1 September, 'PETA will relaunch its campaign blitz against McDonald's'. The PETA Website—called www.meatstinks.com—continues to attack meat eating as cruel and unhealthy. It always will.

What's the downside of corporate surrender for society at large? Corporations fearing attack abandon steps that would make their products better, safer and cheaper. They don't irradiate food to kill bacteria. They don't expand the use of genetically modified crops to help feed the world's hungry. They don't use chemicals to destroy disease-carrying organisms that kill millions of people. They don't do a lot of things.

The real victims of this surrender are the citizens of the world.

Instead of surrendering, corporations should point out the truth about the attackers: their claims are based on science fiction rather than science, and they are advocating policies that will cost us jobs and money, and create pain and suffering.

History has taught us that you don't win by surrendering. You win by winning—and by accepting that you will never get everyone to love you or even like you.

Eric Dezenhall, President of Washington crisis management firm Nichols-Dezenhall, is the author of Nail 'Em: Confronting High-Profile Attacks on Celebrities and Businesses, and served in President Reagan's White House Office of Communications.

I P A

REVIEW

Unauthorized Arrivals: The Unpalatable Alternatives

TESS ROD AND RON BRUNTON

ULTIMATELY, there are only two ways of approaching the problems posed by the growing number of people who are entering Australia without authority and requesting asylum. The tragedy is that, for different reasons, neither is acceptable.

The first would be to introduce a virtual open-door policy, which would grant residence to anyone apart from individuals who posed a definable threat to Australian society. It is very hard to predict how many people would eventually take up the opportunity to enter Australia under such circumstances, because the present comparatively low number of a few thousand boat people a year provides no guide to the potential demand under a changed legal and administrative regime. A few years ago, for instance, Britain had very few unauthorized arrivals. But now, as a consequence of certain legal and political decisions, together with a crackdown in neighbouring European Union countries, it has around 70,000 a year.

Australia is one of only ten countries in the world that offer permanent resettlement for refugees. This, together with our generous welfare arrangements for needy new arrivals, and the fact that the United Nations has identified more than 22 million refugees or 'people of concern', makes it likely that the removal of restrictions would soon result in a huge demand for entry, far surpassing the present intake for all forms of immigration.

Such a move would be widely denounced, particularly by those who believe that environmental imperatives require Australia to stabilize or even reduce its population. This is what groups such as the Greens and

the Australian Democrats have been saying for years, yet strangely, they are also amongst the strongest critics of the Howard Government's attempts to deal with the clients of people-smuggling gangs. Indeed, it is reasonable to assume that at least some of those who want to bar all immigrants from our shores have been influenced by dubious arguments about population levels emanating from Senator Bob Brown and his fellow travellers.

The second approach involves some variant of current policies which ration the number of places available under Australia's humanitarian pro-

***Nearly all the
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gramme, and which include strong measures designed to deter people from misusing the 1951 UN Convention on Refugees. Certainly, it is possible to quarrel about the effectiveness or justice of specific actions that the Howard Government has taken, or to argue that Australia should significantly increase its refugee intake.

But any attempt to impose limits—no matter how high—on the number of unauthorized arrivals creates the potential for tales of heartbreak, iniquity and lost opportunity; stories

of desperate people rotting in Third World refugee camps, or 'what if' scenarios of the future great scientists, artists and wealth creators Australia may be denying herself. Unfortunately, very few of those who resort to these emotional tactics are candid enough to admit that the logic of their position leads ineluctably to the open door.

Many advocates claim that Australia's present approach contravenes the Refugee Convention and other international agreements. They do not, however, point out that by travelling to Australia through a number of countries where they could have sought protection, nearly all the unauthorized entrants fail to meet the Convention criterion requiring that they come directly from the country they are fleeing.

Given the persistent cultural cringe amongst many Australian opinion-makers, there is also a strong tendency to make unfavourable comparisons between our policies towards would-be refugees and those of other, supposedly more humane, countries such as Sweden. These comparisons sidestep some rather embarrassing facts.

While it is true that Sweden releases illegal immigrants into the community after only a short period of detention, it is able to keep track of them because, unlike Australia, it requires all residents to carry an identity card. And rather than remain in detention, children may be forcibly removed from a parent. Again unlike Australia, most asylum-seekers fail in their claims, have only very limited rights of appeal, and are removed from the country. Under the 'Swedish model', those who stopped first in another safe country are immediately returned, and they cannot appeal. ▶

Cultural Wars

RON BRUNTON

Furthermore, like nearly all European countries, Sweden has no migration programme.

Some of the government's critics seem to believe that easing the penalties and restrictions on people who have entered Australia without permission would not act as an incentive to others. This is an odd notion which flies in the face of common sense, and those who take it seriously should consider whether a similar approach should be adopted for offences such as tax evasion and environmental vandalism.

The smug comments about mainstream Australia's supposed 'fear of the Other', and lack of compassion towards asylum-seekers, do not address important majority concerns. It is not unreasonable for Australians to think that whatever the imperfections of current official refugee selection procedures, they are much fairer and more accountable than leaving the effective decisions to people-smuggling gangs.

Nor is it xenophobic to expect refugees and other immigrants to respect our laws and adjust to our ways. This does not mean that they must become like the hackneyed Anglo suburbanites that play such an important role in the mythology of our intellectuals. But it is foolish to encourage a situation in which unauthorized arrivals learn that Australia will reward those who become the clients of criminals, rot the system, and threaten suicide or violence if their demands are not met. While intellectuals may believe that such lessons will produce good citizens, ordinary people tend to be much more sceptical. The current measures designed to deter unauthorized arrivals clearly have wide public support and should be maintained. Australia cannot afford to be seen as a soft target for people-smugglers.

Tess Rod is a former Research Manager at the Bureau of Immigration, Multicultural and Population Research. Ron Brunton is a Senior Fellow with the Institute of Public Affairs.

IP A

Misguided Views from Defenders of the Clever Country

How are distinguished dissident scholars treated by the defenders of 'Knowledge Nation', the 'Clever Country', or whatever other slogan marketing men coin for the ideal of a scientifically literate Australia?

Badly, if the *Canberra Times*' reaction to the death of Professor Derek Freeman on 6 July offers any guide. Just seven days later, the paper's editor Jack Waterford wrote that Freeman, one of Canberra's most eminent academics, was 'barking mad', and that a previous editor had banned most coverage of the professor's activities 'because it was not good form to make fun of the insane'.

Waterford's comments immediately raised two significant questions. Since when has it been 'good form' to cause gratuitous distress to the grieving family of an honourable man? And are any other prominent individuals being subjected to the *Canberra Times*' self-imposed censorship?

Professor Freeman was an anthropologist who achieved international fame in the early 1980s for showing that Margaret Mead's idyllic portrayal of a sexually permissive adolescence in Samoa was false. Many people, including anthropologists who had previously dismissed Mead as more of a popularizer than a scholar, could never forgive him.

It may seem strange to make such a fuss about research on teenagers in a remote South Pacific country carried out by a woman at the

beginning her career. But the results of that research, published in 1928 as *Coming of Age in Samoa*, had an influence far beyond the confines of anthropology, popularizing a view about human culture that is fundamentally misguided, although still remarkably prevalent.

The book launched Margaret Mead on the path towards her eventual status as an American icon. *Time* magazine once declared her 'Mother to the World'; she appeared on a recent United States stamp commemorating the 20th century; and the committee celebrating this year's centennial of her birth is chaired by former US President Jimmy Carter.

Mead went to Samoa with a task that had been set for her by her teacher, Franz Boas, who wanted to test his conviction that it was culture, and not biology, that was the overwhelming determinant of human behaviour. She would investigate whether the emotional turbulence and crises that were a common characteristic of adolescence in America were also present in societies with very different patterns of culture.

Mead's research supposedly showed that Samoans went through an adolescence that was 'peculiarly free' of stress. And this was because in Samoa—unlike what was then the practice in Western countries—the community did not attempt to curb teenage sexual activity.

This was great news for the then-young discipline of cultural anthropology, struggling to establish the autonomy of its subject matter. There was no biologically-based human nature, for human beings were almost infinitely

REVIEW

plastic, capable of being 'relentlessly shaped and moulded' by cultural forces, which of course, were the very phenomena that anthropologists specialized in studying.

But Mead's research was also music to the ears of a much wider group—progressives who wished to cast off the shackles of a restrictive sexual morality and change many other aspects of social life that were usually believed to express an underlying human nature, such as gender roles, or competitive behaviour. Mead's book quickly became a best-seller, and its conclusions were adopted as conventional wisdom by large numbers of educated people.

Freeman, who first went to Samoa in 1940, and who, unlike Mead, was fluent in the Samoan language, published two major books analyzing Mead's research. Basing his findings on a wide range of sources, including his own fieldwork, historical documents and Mead's own letters and papers, he demonstrated that Samoan sexual mores and adolescent behaviour were very different to the impression given by *Coming of Age in Samoa*.

Freeman showed that Mead had been too pre-occupied with secret research she was doing for a museum to carry out a proper study of Samoan adolescents. As she came to realize that she could not fulfil the task Boas had set her, she turned in desperation to a couple of Samoan female companions, and interrogated them about their sexual activities.

Embarrassed by her insistent questioning about a forbidden topic, the two young women resorted to a customary practice Samoans

call *taufa'ase'e*, or prankish hoaxing. Unaware that their fibs might find their way into a book, and have a profound effect on the way Western intellectuals thought about the cultural patterning of behaviour, they had a great time fooling Mead into believing the very opposite of the truth about Samoan adolescent life.

The animosity that Freeman provoked from Mead's legions of supporters was extraordinary—though perhaps not surprising. They subjected him to a continuing campaign of vilification that

The animosity that Freeman provoked from Mead's legions of supporters was extraordinary—though perhaps not surprising

could have destroyed a lesser person. Amongst their many falsehoods was the claim that Freeman was a coward for waiting until Mead's death in 1978 before going public. In fact, he had personally told Mead of his disagreement with her work many years previously, and some months before she died he had offered to send her a draft of his first book.

As those who have seen *The Heretic*—David Williamson's fine play about the Samoan controversy—will realize, Freeman could be a difficult man. But he was also a great scholar, whose contributions to anthropology went well beyond debunking Margaret Mead; and his intellectual and moral compass was more accurate than was the case with most of his critics. Derek Freeman was the kind of person that a nation which is really serious about its intellectual life should do everything it can to foster.

Ron Brunton is a Senior Fellow with the Institute of Public Affairs.

I P A

Musing...

Happy Birthday Greenpeace?

by MIKE NAHAN

Lost in the fall-out from the airliner bombing of New York was a much-hyped celebration.

On 15 September 2001, Greenpeace turned 30 years old.

This is an occasion to ponder. Greenpeace has had a profound impact on Western society. It has grown from a small, church-based group of anti-war and environmental activists to a global organization with income of over \$250 million, a world-wide support base of 2.5 million people, and offices in 41 countries.

It has developed one of the most widely recognized global brands, secured the co-operation of the media, gained the ear of politicians and generated fear among business leaders. It has provided a model for the NGO movement and a job-creating machine for activists. It has proven that if you believe, are willing to act, and have a good sense of farce and theatre, you can achieve anything.

Greenpeace has also contributed greatly to the dumbing-down of debate—where dressing-up as a butterfly is more important than knowledge of the genome. It has gained acceptance for the 'well-meaning lie'. It has diverted the money of millions away from actually doing things for the environment. It has provided a Trojan horse to democracy, one in which a small group of activists is allowed to speak for all environmentalists. It has helped perpetuate a new form of imperialism, where the values and priorities of affluent nations are imposed on the poor nations.

Greenpeace has been a boon for activists, but a scourge for the rest of us.

Will the Greens Close Down New Zealand?

ALAN MORAN

REVERING FALSE GODS

The New Zealand Government may be on the verge of worshipping the Green Baal and throttling the nation's agriculture by banning biotechnology.

The implications of this are particularly profound for Australia. We share many regulatory, political and commercial institutions with New Zealand, not the least being a common regulatory oversight over food. Our economies are closely integrated and cultural ties are strong. In simple terms, New Zealand's decision to turn its back on the modern world would put pressure on Australia to consider doing likewise.

Preventing the approval of genetically modified (GM) foods has become the talisman of many activists around the world. They argue that the technology may be unsafe. They clothe their opposition to the technology behind the nefarious 'precautionary principle' (which would prevent any new technology in any industry). Other strings to their opposition bow include calls for full information (which would impose considerable costs) or claims about possible adulteration of organic crops.

In fact, genetic engineering is what humans have been doing with plants ever since we ceased to be hunter-gatherers. The modern technology which directly modifies plants' genetic structure is now commonly used across a range of foods, and totally dominates the production of two of the most common foodstuffs—corn and soybean. For ten years now, the USA has been a vast testing ground for the technology. This followed the Food and Drug Administration (among other regulatory bodies) certifying the plant adaptations as safe. 200 million Americans have been eating GM food every day for the past six years.

The result? On the one hand, not one death, not one hospitalization, not one tummyache. On the other, a vast lift in productivity as farmers were able to reduce pesticide usage. Future gains are in the offing from GM developments that allow water conservation, plant growth in saline areas, improved ripening characteristics, plant incorporation of vitamin additions and a host of other productivity and health improvements

GM is, however, a potent symbol for the Green levellers opposed to all modern technology, other than that which allows them to network on the

Genetic engineering is what humans have been doing with plants since we ceased to be hunter-gatherers

Internet and travel to demos. In Europe, radical Greens and their cohort consumers have been busy destroying experimental crops wherever they can find them. Not for them the scientific process of examining the evidence and determining future action in the light of it!

ALL EYES ON THE KIWIS

For the past two years New Zealand has been an improbable world centre for reviewing GM technology. The Green Party and the left-wing Alliance Party count many GM opponents among their supporters. For some of these the task is to undermine globalization (code for 'US domination'). Others see it as a

means to arrest economic progress and return us to the simpler, less changeable world to which they affect a romantic attachment.

A Royal Commission was established, at the Green and Alliance parties' behest, to sift through the scientific evidence and determine whether or not this new technology had a place in New Zealand.

Given the pivotal nature of agriculture to the prosperity of New Zealand, this should have been unnecessary. New Zealand, like Australia, cannot afford the luxury of low-tech, or lagging, agricultural methods. But such notions would never impress the Enemies of Progress, who saw two benefits in having a Royal Commission. First, it could be used as an excuse to justify a 'moratorium' on any developments and in-ground tests. Second, this (and the publicity it would bring) could be used to energize their supporters and spread scare campaigns. It was also thought by some that a Royal Commission might offer ambiguous findings or even be gullible enough to sympathize with their own views.

The Royal Commission was chaired by Sir Thomas Eichelbaum, a former Chief Justice with an impeccable legal and analytical reputation. It held nearly 60 days of formal evidential hearings, arranged public meetings, received nearly 11,000 written submissions from all over the world, heard 300 expert witnesses, and digested hundreds of thousands of pages of testimony and evidence.

The supporters of the technology wheeled in some of the world's most eminent plant biology scientists. Its enemies brought in the usual assortment of quacks and rhetoricians.

REVIEW

The latter group failed to impress the Royal Commission. It concluded that 'It would be unwise to turn our back on the potential advantages on offer, but we should proceed carefully, minimizing and managing risks'. The Royal Commission, therefore, totally rejected Green demands for no GM, let alone a ban on field trials. Indeed, the Commission said, 'Field trials are an essential part of risk/benefit analysis prior to any release into the wider environment. Without field trials it is not possible to assess safety...'

The Royal Commission also dismissed claims that GM crops and organic agriculture could not co-exist. This is especially important, because organic food fanatics have spearheaded the opposition to the new technology. While nobody should be denied a preference to pay more for food grown in a particular way, those people should not be allowed to impose their own preferences on the rest of us. This is especially pertinent for food—turning our backs on modern techniques and technologies would mean a threefold cost increase. Indeed, organic agriculture would not be able to feed the world's present population.

Having lost the debate before the umpire—the Royal Commission—did the opponents of GM come to terms with its future? Not a chance!

Even before the sounds of the Royal Commission's decision had ceased echoing around the newsrooms, the opponents of GM were regurgitating the same myths that the Royal Commission had discredited. These include:

- L-Tryptophan produced by GM bacteria causes death. This case was forcefully promoted by Steven Druker of the Alliance for Bio-Integrity, an organization that sponsors Yogic flying. In fact, Tryptophan became popular in the 1980s as a dietary supplement to treat insomnia and depression. In the US, a faulty batch of the products was released causing some 37 deaths and over 6,000 people to be disabled or otherwise affected. This had nothing to do with genetic modification.
- A gene transfer from GM rapeseed

to bacteria in the gut of a bee was alleged to pose potentially dangerous transfers of GM material. Some evidence of this was alleged by a German research project, but *Nature* and other peer-reviewed scientific journals have rejected the offer to publish the research, considering it to be inconclusive. Greenpeace, which publicized the story on German television, cross-examined Dr Klaus Amman on the matter before the Royal Commission. Dr Amman told the Commission that there have been at least 100 experiments conducted to test for a horizontal gene transfer from a higher organism like

Organic agriculture would not be able to feed the world's present population

a flowering plant to bacteria, but that no link has been demonstrated.

- Dr Pusztai's experiment on the effects of GM potatoes on rats has been one of the best-known cases in the GM literature, because of his highly unorthodox method of seeking to publicize the results. The experiments, however, did not follow standard practice, because they required the rats to eat raw potatoes, a diet that the rats rejected to the point that they began to starve to death. Nobody in the scientific community has replicated the results; and the consensus, shared by the Royal Commission, is that no link has been demonstrated.

Many opponents of GM food argue in favour of the 'precautionary principle'. Although precaution is intuitively reasonable, the principle (and Dr Julian Morris has counted no fewer than 19 different specific definitions) amounts to not allowing something to proceed unless it is proven safe.

Such a standard is scientifically impossible, and no food that we present-

ly consume could ever pass it. Yet, the rules of liability law and the strict standards of the many regulatory authorities have given us levels of food safety unparalleled in human history. Indeed, the sort of 'natural' food of yesteryear resulted in considerable harm, because of spoilage and the presence of poisons.

AFTERMATH

Will fanatics agree to the decision of an umpire who did not, as it transpired, support their position? Anyone thinking so has not been following activist politics. Certainly, as the outcome of the Royal Commission has demonstrated, rational arguments will convince a properly constituted review panel. But the process demonstrates yet again that sober evidence will not dislodge strongly held irrational beliefs.

And many of the GM opponents are not simply concerned about the marginal efficiency issues that were at the heart of the Royal Commission's recommendations. They seek to prevent it on far higher grounds—grounds that call into question the entire basis of modern society. Ten thousand chanting militants took to the streets to coerce a shaky, left-wing government to reject the Royal Commission's findings and impose a further moratorium.

Francis Wevers of the NZ Life-science Network describes his confrontation with one anti-GM demonstrator in Auckland. The demonstrator claimed that he would reject GMOs even if the outcome were to be mass world starvation. 'Stunned, I looked him in the eye and asked, "would you personally kill 120 million innocent children a year?" "Yes I would," he shouted back. "To stop GMOs, I would kill them all"! And there you have it.'

Yet New Zealand, like Australia, cannot afford to give in to these Luddites. The stakes are too high for the vast majority of human beings, who just want to get on with their own lives and who aspire to a better standard of living.

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

I P A

What's A Job?

KEN PHILLIPS

Union Service Fees: A Chain Reaction?

In early 2001, the Australian union movement hailed a victory which, on the surface, promises to help turn the tide of plummeting membership and declining community influence. The unions' joy arose from an Industrial Relations Commission decision allowing compulsory \$500 'service fees' to be charged against non-union employees for union-led, enterprise-bargaining processes.

The unions' relief at finding a mechanism which extracts money from non-unionists was rejected by the Federal Government as backdoor compulsory unionism. The unions retort that they are just applying the market principles of 'user pays'.

But what has not been mentioned is that this union grab for money strikes at the integrity of Australia's IR system. In this latest desperate chase for a revenue source, the union movement has shaken a pillar upon which the system rests.

According to the Australian Industry Group, the issue arose when the Electrical Trades Union and the National Electrical Contractors' Association (an employer association) struck an umbrella agreement, imposing service fees on non-unionists, which was subsequently inserted into the enterprise agreements of 240 NECA business members. After objection from the Employer Advocate, the Commissioner ruled that there were no grounds under the Industrial Relations Act to reject the service fee clauses.

The process shows yet again that in Australia the principal power of

the union movement rests in the hands of management. The trick for unions is to find employers and/or employer associations who will, for whatever motives, collude with the union to screw the worker. The collusion then becomes legally sanctioned under the IR system.

Webster's *Dictionary* describes collusion as a process of creating a 'secret agreement for a deceitful purpose, especially between persons appearing or pretending to be adversaries or competitors'.

It is in recognition of this propensity for union-employer collusion that the Bill introduced by the Federal Industrial Relations Minister, to stop the activity, prohibits employer organizations as well as unions from engaging in it. But the Bill is likely to be rejected in the Senate, by the ALP and Democrats, and the decision will stand. This apparent win, however, should worry many in the union movement for its longer-term implications.

Australia's system is not based on a 'user pays' principle. In fact the *reverse* is the case. Self-funded retirees, GST-paying consumers, the 1.6 million independent contractors not within the IR system, and every other non-award taxpayer, all pay for the significant cost of the IRC, even though they are not recipients of IRC rulings. Employers who do not pay employer association membership fees suffer the 'imposts' arising from IRC decisions. Non-employee taxpayers subsidize union fees through tax-deductible allowances. In large part, the system is based on *non-user pays* principles.

The social trade-off for the costs borne by non-users is that IR decisions are imposed on all employees and employers alike: usually on

the pretext of 'community benefit'. The introduction of 'service fees' as a condition of employment breaks the social settlement on which the IR system is built, and initiates a chain of events leading in an entirely different direction.

'User pays' is not a principle applied for the benefit of the privileged where the payer has no choice. Compulsory fees for a compulsory service is *not* 'user pays'. 'User pays' involves clear, free and informed choice by persons who demonstrate a wish to use the service on offer.

So if 'user pays' is to apply in this new world initiated by the unions, taxpayers would not cover the cost of the IRC. Costs instead would be covered on a fee-for-service basis to unions, employer associations and anyone else who sought to make representation—that is, to the users. Limited and privileged rights to representation would disappear, and any employee or group could make representation to the IRC. Decisions would only apply to those persons who made representations. Employers who were not members of associations which made representation to the IRC would not have to comply with rulings. Employees and employers would be given the choice to use the services of the IRC, or could settle on work arrangements without the services of the IRC. Now *that's* user pays!

Thus, in their desperate dash for cash, Australian unions have exposed the frailty of their own position, and become a powerful instrument of the IRC's destruction.

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

IP A

REVIEW

The Demise of Ansett

MIKE NAHAN

ANSETT'S collapse should send a chill around Australia. Not because of its own demise, but because of what it says about our work culture and its effects on other industries.

The collapse starkly illustrates the fact that the workplace environment has not changed from the bad old days. Management still sees government as their ultimate protector. They see competition as something to be eliminated with the help of government, rather than as an on-going feature of the industry. As Dick Smith, former head of the Civil Aviation Safety Authority said:

Their [Ansett's and Qantas's] philosophy wasn't 'How can we reduce costs?' It was always 'How can we reduce competition?' When they were deregulated they acted as if they were still a regulated and cosy duopoly. When Compass challenged them, they crushed the competition without a moment's thought of getting their own costs down to competitive levels. In a similar vein, when Ansett found that it could not compete with Virgin Blue, rather than lower costs it simply offered Richard Branson an alleged \$250 million for the airline.

The unions are just as culpable as management. The IR System gives the unions joint control over the management of human resources—as such, they are effectively part of management. The unions, however, took the power but rejected the responsibility that went with it.

As a former Ansett executive stated: 'I can recall on many occasions speaking to staff and union leaders saying, "If we don't change some work practices, this company is going to go down the drain." They never, ever accepted that. They believed Ansett

was a cash cow that could just be bled to death'.¹

The unions were fully aware of the arrangements at their competitors—Virgin Blue—which allowed it to operate at costs 40 per cent below Ansett's. But when Mr Toomey, CEO of Air NZ/Ansett, came to the unions six months ago with an agenda to make the company more competitive with Virgin Blue, he was spurned. Even when the firm went bankrupt, the unions continued their bloody-mindedness. They initially blocked Qantas from taking Ansett's planes by demanding that it match Ansett's more generous wages and conditions.

Their solution was the same as the bosses', namely, that the government should pay for their folly. The unions demanded that government take equity in Ansett despite its being bankrupt, with accumulated losses of over \$2 billion and in need of a capital injection of over \$1.5 billion. And they are now organizing a marginal-seat campaign against the Howard Government for refusing to meet in full their absurd request. They also demanded that taxpayers cover their members' entitlements, despite their being a major contributor to the demise of the airline.

The demise of Ansett is not, however, a complete disaster. Although it has caused great harm to many former Ansett employees and shareholders and, in the short run, done harm to the travelling public, to users of air freight, and to tourism, the long-term impact could well be positive. The demand for its services remains unchanged—the same people still want to travel within Australia. Some firm—with luck, not Qantas—will buy its assets, hire some of its employees, and service its routes. The new operator may even reform the

workplace culture in the airline industry.

The real concern lies with other industries more open to foreign markets.

Our cancerous workplace culture is killing off what little remains of the textile and clothing industry. Most clothing manufacturers, even those servicing the high-value, fashion end of the market, have left for overseas. They have turned their local factories into warehouses to store imports for local sale. The few that remain are under attack by unions trying to stave off change. Of course the unions blame the lack of government protection, bosses, sweatshop workers, lack of patriotism and globalization. But in reality—as was the case for Ansett—it is they who are at fault.

The food-processing industry, which should be to Australia what the IT industry is to California, is also suffering from the same malady. Over the last six months, six factories have shut down and moved offshore, and many more are threatening to do the same. Although competition is driving the industry, the movement offshore is caused overwhelmingly by the 'them versus us' workplace culture.

Airlines, textiles and food-processing are not alone. Virtually all formerly protected industries are suffering the same fate. And we are witnessing the hollowing-out of the Australian economy, not by forces of global competition, but from our own stupidity.

NOTE

- 1 Ben Potter, 'Flying on empty', *Australian Financial Review*, 24 September 2001, page 56.

Dr Mike Nahan is the Executive Director of the IPA and Editor of the IPA Review.

I P A



The Kyoto Protocol, purportedly intended to reduce human-produced carbon dioxide emissions into the atmosphere and thereby reduce Global Warming, has been watered down. While Kyoto Mark I required most industrialized nations to reduce their greenhouse gas emissions to 5.2 per cent below 1990 levels by 2012, Kyoto Mark II reduces this requirement to a mere 1.8 per cent, adds some allowance for 'carbon sinks' (that is, new forests which absorb CO₂) and permits trading between nations of excess carbon production. For both versions, the world's developing nations were excluded from the Protocol's requirements.

Most free-enterprise types would take the view, assuming anthropogenic Global Warming is real, that governmental agreements are amongst the worst ways to deal with the problem. But perhaps the more important question is whether Global Warming is, in fact, real. Is the level of CO₂ in the Earth's atmosphere increasing? If so, is the Earth's temperature increasing? If so, is the former driving the latter?

If temperature or CO₂ or both are on the way up, will this actually be damaging? If it is, what will be the costs of reducing the damage, and will they be less than the damage the measures seek to address?

Few of us are competent to answer either set of questions. For the first set, a climatologist or other scientist with training and experience that equips him to understand the data and processes involved is required. The second set of questions may, perhaps, be answered by an economist. Environmentalists,

the great majority of politicians and almost all of the mass media accept the authority of those scientists who affirm that Global Warming is a real problem.

But almost without exception, even those scientists are not as firm in their views as is commonly represented. And there is a significant body of scientific opinion that denies any Greenhouse Effect, or any damage to the Earth therefrom.

SCIENTIFIC DIVERGENCE

Look at the process by which scientific analysis of Greenhouse proceeds. Some group of scientists are appointed to gather all extant data on the issue and produce a detailed report. They do so. That's fine so far.

But most of us don't like numbers. So just about nobody reads the report. Instead, they read the report's summary, which has usually been prepared by the group's secretariat, rather than by the contributing scientists. The summary often reduces the report's equivocations and qualifications. Rarely, however, does it remove them completely. But then the media reads words like 'may' as 'will', and the report is represented as yet another proof of looming Global Warming.

So consider the testimony of Richard S. Lindzen, the Alfred P. Sloan Professor of Meteorology at the Massachusetts Institute of Technology, to the US Senate in 1997. He alleges substantial misrepresentation of the 1995 report of the Intergovernmental Panel on Climate Change (IPCC), and further alleges that despite his express wish *not* to be associated with the report, he was listed as a contributor.

Go to:

<http://193.78.190.200/historic/files/lindzen.htm>

or

<http://www.forces.org/historic/historic.htm>

and click on the Lindzen link near the bottom of the page.



Have things improved? Not according to Lindzen's 2001 testimony to the US Senate, in which he says that 'almost all reading and coverage of the IPCC is restricted to the highly publicized Summaries for Policymakers which are written by representatives from governments, NGO's and business; the full reports, written by participating scientists, are largely ignored'. Go to:

<http://www.globalwarming.org/lindzentest.htm>

He also notes that 'the IPCC represents an interest in its own right'. In other words, it is constitutionally incapable of producing truly sound science on the subject. See also Lindzen's WSJ.com piece on the National Academy of Sciences report to US President Bush at:

<http://opinionjournal.com/editorial/feature.html?id=95000606>

**2,500 SCIENTISTS CAN'T BE WRONG**

Or can they? The media regularly repeats the claim that the consensus amongst enormous numbers of scientists is that human-induced global warming is real, and that it will have catastrophic effects. As Lindzen points out, this is certainly not the case.

But consider 'The Petition Project', hosted on the Web Site of the Oregon Institute of Science and Medicine. More than 17,000 scientists have signed a petition *opposing* the Kyoto treaty on the basis that:

There is no convincing scientific evidence that human release of carbon dioxide, methane, or other greenhouse gases is causing or will, in the foreseeable future, cause catastrophic heating of the Earth's atmosphere and disruption of the



Earth's climate. Moreover, there is substantial scientific evidence that increases in atmospheric carbon dioxide produce many beneficial effects upon the natural plant and animal environments of the Earth.

Of course, numbers in themselves mean nothing, unless you are into accepting things on authority or hold the weird view that scientific truth is a matter to be decided democratic-

ally. Nevertheless, if nothing else, the petition suffices to destroy the often repeated claim that 'no credible scientists seriously dispute' global warming and all its claimed dire consequences.

The site supports its argument with an excellent paper, *Environmental Effects of Increased Atmospheric Carbon Dioxide*, which makes strong cases that temperature over the last 250 years has closely tracked solar activity; that, properly measured, the Earth's atmospheric temperature has *declined* slightly over the last 20 years; that sea levels have not risen; that neither storm activity nor intensity has increased; and that increasing levels of carbon dioxide in the atmosphere are likely to prompt an agricultural bonanza for humanity. Go to:

<http://www.oism.org/pproject/>

LOTS AND LOTS OF OTHERS

There are lots of links and information at the Global Warming (Debunking) News and Views site at:

<http://www.sitewave.net/news/>

And more still at the Global Warming Information Page at:

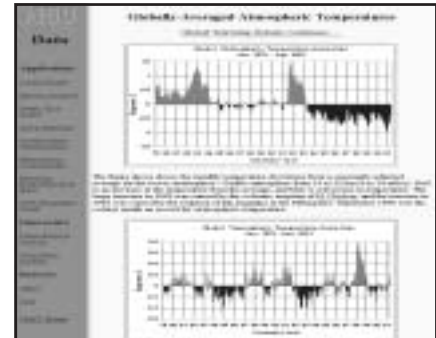
<http://www.globalwarming.org/index.htm>

An analysis of the National Academy of Sciences report made at US President Bush's request, and the media's odd responses to it, can be found at:

<http://www.nationalcenter.org/NPA349.html>

The (US) National Taxpayers Union may not seem a body to buy into the Global Warming debate, but its analysis of Kyoto is well worth reading. It points out that the second and fifth greatest greenhouse gas-emitting

nations, China and India, are not subject to the treaty. It adds that China's level of emissions is eight times that of the US on a per-GDP unit basis, and on a similar basis China uses five times the amount of energy. In other words, when en-



vironmentalists call for power and carbon reductions in the US by increased efficiency, they are overlooking the fact that the US is already exceptionally efficient. Go to:

http://www.ntu.org/taxpayer_issues/ntu_issue_briefs/ib_125_ntu.php3

Reason magazine argues that, under the revised Kyoto targets, Europe won't have to do a thing to meet them! Go to:

<http://www.reason.com/rb/rb080801.html>

Finally, let NASA keep you up to date with what the temperature really is doing:

<http://www.ghcc.msfc.nasa.gov/MSU/msusci.html>

FEEDBACK

I would welcome advice from readers on any other sites of interest to *IPA Review* readers. Email me on scdawson@bigpond.net.au.

Summaries and excerpts from interesting reports

ENTREPRENEURIAL INNOVATION AND ECONOMIC DEVELOPMENT

Why do we see uneven economic development within a country or a State or even within a metropolitan area? Among many factors that drive economic development, the obvious one is local entrepreneurial activity and innovation. But why do we see regional differences in entrepreneurial activities and innovation?

These questions are the subject of a new book on the dynamics of new firm formation. Economist Vinod Sutaria collected time-series panel data from 27 Texas metropolitan areas for a period of 16 years. Sophisticated data analysis, used in this study of Texas Manufacturing, helps to explain the role of local or regional factors in fostering entrepreneurial innovation.

Among the findings:

- A well-educated and skilled labour force is central to a region's ability to foster new firms.
- A one per cent increase in the number of people having a college degree is associated with a 0.31 per cent increase in the rate of new firm formation.
- Large metropolitan areas gave birth to more new firms compared with small metropolitan areas; moreover, geographic isolation seems to deter formation of new firms.
- The level of local government spending has no impact on new firm formation.

Since regional factors influencing new firms are not easily amenable to policy intervention, the author concluded that government does not appear to have any

direct role in influencing new firm formation. Government can, given its powers, influence the process of new firm formation, albeit indirectly, by minimizing bureaucratic complications, simplifying complex rules and regulations, reducing delays, and by promoting a general entrepreneurial environment. Further, these policies would also enhance the capacity for all businesses to operate effectively and efficiently.

Source: Vinod Sutaria, *The Dynamics of New Firm Formation*, Bruton Centre for Development Studies series (Aldershot, UK: Ashgate Publishing Company, April 2001).

DOES GLOBALIZATION MAKE THE WORLD MORE UNEQUAL?

The world economy has become more unequal over the last two centuries. Since within-country inequality exhibits no trend, it follows that virtually all of the observed rise in world income inequality has been driven by widening gaps between nations. Meanwhile, the world economy has become much more globally integrated over the past two centuries. If correlation meant causation, these facts would imply that globalization has raised inequality between nations. And this is the claim of the anti-globalization lobby.

However, according to a recent study by the National Bureau of Economic Research, analyzing economic data from 1820 to the present, the likely impact of globalization on world inequality has

been very different from what these simple correlations suggest.

First, the income gaps between nations have probably been reduced by globalization, at least for countries that integrated into the world economy. Second, within labour-abundant countries (mostly poor nations), opening up to international trade and factor movements lowered inequality. Third, within labour-scarce countries (largely wealthy nations) however, opening up to international trade and factor movements raised inequality, a powerful effect where immigration was massive. Fourth, all effects considered, more globalization has meant less world inequality. Fifth, world incomes would still be unequal under a scenario of complete global integration, just as they are in any large integrated national economy, such as those of the United States or Japan. But, they would be less unequal in such an economy than they would be in one that is fully segmented.

The authors acknowledge the fear of many, that such a globalized world would have vast regions with inferior education and chaotic legal institutions, and would be more unequal than societies found in economies such as the United States or the European Union. However, the authors conclude that the source of that inequality would be poor government and non-democracy in the lagging countries, not the effects of globalization.

Source: Peter H. Lindert, Jeffrey G. Williamson, 'Does Globalization Make the World More Unequal?', NBER Working Paper No. W8228, April 2001 [<http://papers.nber.org/papers/W8228>]

THE DUTY DIRECTORS OWE SHAREHOLDERS: HOLD CEOS ACCOUNTABLE

Some corporate CEOs make record pay in years when sales and profits fall, when stock prices nosedive, and workers are laid-off or forced to give back wages and benefits. The gap between CEO compensation and employee pay has risen (see figure at <http://www.ncpa.org/pd/gif/pd090401a.gif>).

But CEO pay doesn't come out of the pockets of employees; it comes out of shareholders' pockets. They are the ones who should be complaining.

Shareholders have bought the argument that tying CEO compensation to stock prices, through stock options, encourages corporate management to act in the best interest of shareholders—the corporation's owners.

Unfortunately, when share prices fall, many CEOs take care of themselves, and let workers and shareholders suffer while they prosper. A common technique is to get corporate boards to reprice their stock options, so that they make money even though the stock price has fallen.

- Boards rationalize this by the need to attract and keep good managers, but it makes a mockery of the idea that rewards should be tied to risks.
- Boards are often stacked with members picked by, or beholden to, CEOs.
- Also, directors may serve on many corporate boards, leaving them little time to fulfil all their responsibilities.
- Or directors may represent large institutional stock owners, such as mutual funds, whose CEOs benefit from the same deals, and thus are unlikely to rock the boat.

If large bonuses are justified when sales and profits are high, there should be negative bonuses in bad years, forcing poorly performing CEOs to pay a real price when they don't deliver.

It is up to corporate boards to ensure that their CEOs' pay is tied to performance. Sweetheart deals with CEOs not only violate directors' fiduciary responsibility to shareholders, but also undermine the very foundation of capitalism.

Source: Bruce Bartlett, senior fellow, National Center for Policy Analysis, 3 September 2001.

'MARKET-BASED' CARBON CONTROLS: A NON-SOLUTION TO A NON-PROBLEM

In a nod to the politics of global warming, the *Wall Street Journal* recently endorsed capping carbon emissions and allowing tradeable permits to determine who exactly will win the right to emit. Unfortunately, although politically correct, carbon caps are not supported by science or economics, according to atmospheric scientist S. Fred Singer, author of *Hot Talk, Cold Science: Global Warming's Unfinished Debate* (The Independent Institute, 1999).

'There is much wrong with CO₂ controls—even with voluntary schemes of limiting emissions,' Singer writes in a new op-ed. 'Sure, market-based emission trading is more efficient and preferable to command-and-control methods; but if the objectives don't make scientific or economic sense, it doesn't matter how elegantly we achieve them.'

Indeed, even on its own merits, emission trading raises a host of questions politicians would rather

not address, among them, states Singer:

Should we further politicize energy production by inviting interest groups to battle over who sets the caps and how to allocate emission quotas? What base year to use? Do nuclear plants qualify for credits? If the Administration later decides to raise (or abolish) the cap to permit the economy to expand, how to compensate existing holders of emission rights? The successful trading of SO₂ credits is not a valid model for CO₂ trading; SO₂ is not linked to economic growth. A better analogy might be the oil import quota program that enriched certain quota holders during the 1960s. Or for those who don't remember that particular disaster, how about New York City taxicab medallions?

Cap-and-trade carbon schemes would cost consumers \$300 to \$400 billion per year, but their advocates hope that consumers would not notice them as much as a direct tax. Their eventual goal, after all, is to impose the Kyoto Protocol. But as Singer points out, 'even full compliance with the Kyoto Protocol will only slow down slightly the ongoing growth of atmospheric CO₂ levels and make an imperceptible impact on global temperature, about 0.02 degrees Celsius by 2050.'

Clearly, then, 'market-based' carbon controls are a non-solution to a non-problem. That fact alone, unfortunately, is not enough to keep them from finding backers in Washington DC, or in the boardrooms of politically connected corporations.

Source: S. Fred Singer, 'Carbon Caps: Not Supported by Science or Economics,' at <http://www.independent.org/tii/lighthouse/LHLink3-35-2.html>.

I P A

Letter from London

JOHN NURICK

Unforeseen consequences of democracy: the Conservative leadership contest

By the time you read this, the grassroots members of the Conservative Party will have elected their new leader. This is the first time they have had the chance to do so—and a process intended to unite the party behind a strong leader has instead deepened its divisions.

Once upon a time, when the Tories needed a new leader, an inner circle simply put their heads together and decided who it would be. Though effective, by the mid-1960s this seemed hopelessly old-fashioned and élitist. Rules were established under which all Conservative MPs voted to elect their leaders: Edward Heath, Margaret Thatcher, John Major and William Hague.

Under Hague, the grassroots were given a say. First, votes by Conservative MPs would eliminate all but two of the candidates; and then the party members would elect one of these. The grassroots vote would ensure that the leader had the support of the national party, while the shortlisting by MPs meant that whichever candidate the grass roots chose would be acceptable to the Parliamentary party.

This time, the most able and most distrusted of the candidates, Michael Portillo, led in the first two ballots but was eliminated in the fourth. The two survivors were Kenneth Clarke, a former Cabinet Minister of vast experience and refreshing candour, and Ian Duncan Smith, whose previous main claim to fame was that he had voted with Labour against John Major's government over the Treaty of Maastricht.

Portillo lost partly because he insisted that the party's disastrous



performance in this year's general election required a fundamental re-appraisal of what 'Conservative' should mean in the twenty-first century. Clarke, who stands for a pragmatic, business-as-usual style of politics, admits that it was a disaster but basically says that the party just needs to moderate its right-wing image. Duncan Smith talks about small government and a radical reform of public services, but there's little sign that he really understands the practicalities. He also likes to say things that seem calculated to attract the far Right—and when accused of it claims to be misrepresented. He claims—maybe even believes—that the election wipe-out is a 'sound' platform for recovery.

The two men are on opposite sides of the party's deepest fissures. Clarke supports the European Union and, in principle, the single currency; Duncan Smith is by any measure a 'Europhobe'. On social and sexual matters, Clarke is liberal and Duncan Smith is a Howard-style 'family values' man.

Their campaign has revealed problems with the new electoral process. It took three months from Mr Hague's resignation to the confirmation of his successor. And, with 300,000 party members to woo, much of the campaigning occurred in the media. These two factors focused attention for weeks

on the party's internal divisions.

They also lured both sides into treating the contest like a parliamentary election, in which the more damage you do the other side the better, and not a way of choosing between colleagues who must work together afterwards. Clarke took care to belittle and patronize his opponent. Duncan Smith's message was 'Vote for me because the election of Clarke will destroy the party'—but this could only be code for 'If Clarke wins, my supporters won't accept the result'.

A final problem with the electoral process is that it's meant to produce a leader who will attract the millions of former Conservative voters whose defection produced the electoral disasters of 1997 and 2001. But it puts the choice into the hands of Conservative party members—who are much older (average age nearly 70), more Europhobic, more racist, and less socially liberal than the 'average' Conservative voter, let alone the 'average' floating voter. A leader who panders to their prejudices will not be able to recover the 'lost' voters and attract the young.

So far, Duncan Smith looks like that sort of leader. As I write, he seems almost certain to win. If he does, it means that the party is more interested in dreams of the 1950s than in the real politics of 2001. It could decline to a Right-wing third party, with the Liberal Democrats—now on the left of Labour—becoming the official opposition. If Duncan Smith wins, let's hope he is enough of a statesman to betray his supporters.

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I P A

REVIEW

Education Agenda

KEVIN DONNELLY

Blind Justice

Imagine the outcry from the Left if a Justice of the High Court publicly attacked the Federal Labor Opposition's 'knowledge nation' policy—remember the one from the aged whiz-kid Barry Jones, with the spaghetti diagram?

Imagine the plaintive bleatings from the Left if a Justice of the High Court had published, in the daily media, an endorsement of the Prime Minister's strong and disciplined stand against the illegal boat people.

Of course, the attacks would be deafening; and, quite rightly, given the Westminster tradition of separation of powers, the criticism would be that judges are there to uphold the judicial system and not to enter the day-to-day political fray of 'party' politics.

Unfortunately, there is one High Court Judge, Michael Kirby, who feels that he has the right to enter the public debate and, either intentionally or not, to allow his words to be used to undermine the Federal Government's education policies.

In fact, over the last six months, Justice Kirby has spoken, and had printed a number of speeches, arguing that public schools are facing a funding crisis and, implicitly, that the Federal Government is giving too much money to non-government schools. (The most recent speech was reported in *The Age*, dated 31 August.)

Of course, Justice Kirby has every right to hold personal views on such matters. The problem occurs when such very public announcements allow themselves to be interpreted as support for the policies of the Labor Opposition and its fellow traveller, the Australian Education Union.

There is also the fact that High Court Judges are often the first to criticize whenever politicians dare to

question the decisions of the High Court.

It is no secret that the Opposition Leader, Kim Beazley, sees education as a crucial issue in the forthcoming election. In his words: 'My intention is to make 2001 the year in which education is recognized as the number-one political issue'.

It is also no secret that the Australian Education Union has embarked on an extensive and very comprehensive campaign to attack members of the Federal Coalition—especially those in marginal seats.

Citizens have the right to demand that those who sit on the highest court in the land are impartial and objective, and are seen to be so

The Internet site of the Australian Education Union [<http://www.auefederal.org.au/election.html>], for example, is a veritable campaign guide on how to become a political activist to destroy the Howard Government.

In fact, under the banner *Election Soapbox*, Justice Kirby's speech defending the public school system, dated 27 April, is listed as a resource. Clearly, the AEU's intention is that political activists should use Justice Kirby's speech to attack the Federal Government's record on school funding.

Justice Kirby states: 'It is in the interests of all of us to strengthen public education and not to knock it. To make sure that public schools and

their pupils get a more generous share of the education budget'.

While Justice Kirby accepts the right of non-government schools to exist, his call to arms reinforces the Opposition's and the AEU's claim that the Federal Government is starving government schools of funds (in fact, many also argue that the Federal Government has committed itself to ever-increasing levels of funding).

But, in fact, who is right and who is wrong about levels of funding to schools is not the issue! What is of concern is the sight of High Court Judges allowing themselves to become embroiled in contentious, very public political debates.

Citizens have the right to demand that those who sit on the highest court in the land are impartial and objective, and are seen to be so. One wonders what would happen if the High Court ever faced the challenge of deciding on the legality of funding to religious schools—would Justice Kirby, like Cæsar's wife, be seen to be above suspicion?

Finally, it should be noted that the Australian Education Union has a history of making use of 'third parties' to further its campaign against the education policies of conservative governments, both State and Federal.

Readers of *IPA Review* might remember the public controversy over Melbourne's Anglican Synod report over two years ago (see *IPA Review*, March 1999). The report was critical of the Kennett Government's education policies and, in part, was put together by teacher union apparatchiks such as Ann Morrow and Michaela Kroneman (then the State research officer for the AEU).

Dr Kevin Donnelly is Director of Education Strategies.

IPA

The 'R' Files

ALAN MORAN

Property Rights and Regulatory Takings

The Castle was a delightful recent Australian comedy film. It featured a roguish but decent battler, whose land was under threat of seizure by an unsavoury property developer assisted by corrupt local government contacts.

The good guys won in the end, because they managed to draw on Section 51 (xxxix) of the Constitution. This requires Commonwealth Government acquisition of property to be on 'just terms'.

An activist High Court at the turn of the twentieth century ensured that this also applied to individuals and that 'just terms' meant 'full and adequate compensation'.

This has been an important anchor on which economic development rests. If nothing else, the High Court's reversal of 150 years of property law in the *Mabo* case demonstrates the damage when the ship of enterprise is cast adrift from its property-rights moorings. This has placed in doubt the security of property rights covering more than half of Australia. Since *Mabo*, and in spite of extensive institutional arrangements, mineral exploration activity has ground to a halt in places that may be subject to native title claim.

No nation has ever prospered without secure property rights. People just will not take the risk that their efforts will be taken by others, unless there are cast-iron guarantees about their ownership rights.

Mabo aside, one problem is that the Constitutional provision applies only to acquisitions by the Commonwealth. It does not bind State Governments. Nor does it cover the taking of property by stealth, for example by resuming water rights or requiring land be



reserved for environmental purposes.

Over recent years, truckloads of regulatory overrides have been driven through these loopholes. One which has gained topicality is water rights. It is clear that, in many parts of the country, irrigators are using more water from aquifers than Nature is replacing. There is also the over-use of the Murray River system, which is causing salinity.

One response has been for arbitrary re-takings of the water by State Governments. And, although over-use of water is plain to see, many of the solutions proposed seem to be ill-focused. For example, in the Gwydir Valley, almost half the agricultural value is derived from the irrigated 1.7 per cent of the land. And that land uses less than one per cent of the rain that falls in the Valley. Yet, there are pressures to force farmers to reduce markedly their use of this water, even that which originally fell on their own property.

A different form of the problem arose in the Lake Macquarie area of New South Wales. In 1996, a developer was granted approval for a residential development which left a third of the area as open space/environmental protection. The development was to cover just one third of one per cent of the area. Then a pair of masked owls

(a threatened species) were discovered nesting in the area, and the permissible development area was reduced by one seventh—bringing a net loss of about \$9 million to the developer.

New statistical analysis by environmentalist Bjorn Lomborg has demonstrated a considerable, universal and unwarranted hysteria about species loss. This has certainly infected Australia, where almost all developments now appear to throw up some endangered parrot, frog or 'unique ecological community'. Nobody would argue against programmes to allow species to survive. But conservation measures are for the benefit of the community, and it should surely not be individuals who are required to pay the price. Unless the impact is sheeted home to the community as a whole, via government, it will be hidden from public scrutiny, and we will have no means of knowing whether we are spending too much.

In the case of water, there is a need to vest the ownership that past provision of water rights has entailed. If water usage is to be reduced, the owners should have full title to the (diminished) quantity and be permitted to trade it. This will allow greater security, ensure that the water is redirected from lower value activities like rice-growing, and bring powerful incentives to use it more economically.

Full compensation for government seizures not only restores the individual property rights that are essential to allow entrepreneurship, but it also forces governments to prioritize the environmental goals they adopt on behalf of the community as a whole.

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

I P A

REVIEW

Compiled by IPA staff, columnists and consultants ...

MICKEY MOUSE AGREES TO BE NICE TO ANIMALS

Bowing to the sensibilities of the times, Disneyland in California this year quietly ended the Jungleland Cruise tradition, in which the skipper fires a couple of warning shots to scare some fake hippopotamuses. Debbie Leahy for the People for the Ethical Treatment of Animals (PETA) applauded the move, saying 'If it was a fantasy baby or fantasy toddler, I don't think somebody would find it funny. Clearly we should not be accepting it for a hippo ... It's really a form of animal cruelty.'

The move follows a decision by Disney a few years ago to stop selling toy muskets and flintlocks in Frontierland, and to have sailors chase trays of food rather than frightened women in the Pirates of the Caribbean ride.

Source: *Los Angeles Times*

WHOSE ABC?

In early September, I received a desperate call from the Producer of Monday's Expert 3LO Melbourne seeking some ballast for the 'Right-wing' side.

The programme had its regular crew of experts—all Lefties with a professional hatred for John Howard—including the local rep from Civil Liberties, who was suing the Howard Government for piracy and human rights violation over the *Tampa* affair, and the compere who acted as a cheerleader rather than moderator. Not surprisingly, the group was uniform in its condemnation of Howard's actions.

Unanimity is not usually a problem for the ABC. This time, however, it clearly conflicted with the Corporation's slogan 'Your ABC'.

Two polls had just been released showing that 77 per cent of the public supported Howard and that, as a result of his stand, Howard had shot ahead in the polls on a two-party-preferred basis.

To be fair to the ABC, it combed the press for some contrary views, but found none—so much for the press being the eyes and ears of the public. Hence it went to the ever-reliable IPA, to add token balance to 'their ABC'.

Source: Mike Nahan

COMMUNISTS NOW LEAST THREATENING GROUP IN US

According to a report released recently by the Pentagon, Communists rank last on a list of 238 threats to national security.

'Communists may now safely be ignored,' Secretary of Defense William Cohen said. 'The Red Menace has been surpassed by militia groups, religious extremists, ecoterrorists, cybercriminals, Hollywood producers, and angry drivers.' Other groups deemed more threatening than Communists include rap-metal bands (#96), escaped zoo animals (#202), and Belgians (#237).

Source: National Center for Policy Analysis.

SOME TAXES ARE HARD TO KILL

The US Congress passed a 'temporary' excise tax on telephone calls in 1898 to help pay for the Spanish-American War—at a time when there were only 2,000 telephone lines in the entire country. This tax has been on the books ever since, and now amounts to a three per cent charge on phone bills, costing the typical household \$50 a year. On many occasions, when the tax was scheduled to expire, Con-

gress managed to salvage and extend it.

Now it appears to be headed for repeal, although there are rumblings about getting rid of a 'GOOD tax' (for which, read 'invisible tax').

Source: Irvin Molotsky, *New York Times*.

QUE SERA SERA

A Canadian cyber-petition which started as a political satire took on a life of its own. A TV show launched a petition that demanded Canadian Alliance leader Stockwell Day change his name to 'Doris' after the party said it would pass legislation to put any petition signed by more than three per cent of voters on a national referendum. Within a week, the petition had 900,000 signatures—nine per cent of the electorate.

Source: [<http://www.politicsonline.com>]

QUOTABLE QUOTE

US Secretary of Treasury on R&D Tax breaks:

'I think what really matters at the end of the day is the effective tax rate. I don't deny that the process that we've developed divides people up into interest groups. And you know you can find people who will go out there and shoot off the rockets for R&D credits. Go talk to people who make practical business decisions about how much those credits influence the level of R&D that they invest in. You find somebody who says I do more R&D because I get a tax credit for it, you'll find a fool.'

Source: Paul O'Neill, US Secretary of Treasury and former CEO and Chairman of Alcoa Inc. *Wall Street Journal*, 26 January 2001.

Book Reviews

The Culture War: US and Australia

Brian Buckley reviews

The Art of Political War

by David Horowitz

Spence Publishing, Dallas, 224 pp, \$50

Ask not what you can do for your country but what your government can do for you. This inversion of the famous lines of JFK's speechwriter might be the operating slogan of the middle-to-Left ALP, the Australian Democrats, the union bureaucracy, the broadsheet press, allies (and, frequently, close relatives) in the ABC, and the arts/social sciences commentariat from our leading universities.

This was the cohort which greeted with both incredulity and hostility Peter Costello's recent call for the fostering of civic virtues, such as care for one's neighbours and the donation of time and effort to community activities.

Costello and his Party quickly found that to advance the notions that government is and should be limited, that the interaction of neighbours, families, and community groups is the foundation of the good society, is to open up a vulnerable flank to the slogans of the broad Left, with its practised use of verbal weapons such as 'uncaring', 'neglecting the underprivileged', 'preferring economics to people'.

Which brings us to David Horowitz, a name some will remember from the 1960s and 1970s when he led radical movements supporting Mao, Ho Chi Minh, Castro, George McGovern, Jane Fonda, and a student/blacks revolution in the USA. He once organized a school for the children of the Black Panther Party. He was also

an editor of *Ramparts*, the most influential magazine of the American Left.

His autobiography, *Radical Son*, tells the important story of his progress from radical student activist against pluralism and market economies, to promoter of the good sense in the motives and policies of John Locke, Adam Smith, and James Madison. (Can any reader let me know if these three greats are seriously taught in any Australian university?) He is still a regular contributor to the leftist Internet magazine *Salon*.

The Art of Political War is his latest book on US political life, but much of it applies to the situation in Australia, Britain, or Germany (where the ruling Social Democratic Party is organizing

When Democrats speak politically, every other word is a public device to seem to be on the side of the angels: an appeal to 'minorities', 'working Americans', 'women', 'poor children'

a partnership deal with the former Communists of East Berlin). His urgent proposition is that the US liberal/socialist alliance is, overall, winning the debate and the strategic power that follows, on a wide range of public policies, from education to public safety to the size and intrusion of the government sector.

A number of his observations, intended to advise American Republicans, have application to Australia:

- Every issue that (most) Democrats contest is coloured in their minds by the larger purpose of redeeming

the world through government.

- When Democrats speak politically, every other word is a public device to seem to be on the side of the angels: an appeal to 'minorities', 'working Americans', 'women', 'poor children'.
- Republicans, by contrast, tend to speak in abstract language about legalistic doctrines and economic budgets, sounding like lawyers and accountants.
- Through these devices, Clinton trounced the Republicans over vastly increasing the Federal education budget, even though most of the extra spending ended up in the hands of the education bureaucracy and not the children.
- The Democrat leadership doesn't try to wipe its toughest opponents in debate, it aims to wipe out, period: for example, a litany of false charges against Newt Gingrich, which the East Coast media relentlessly repeated (Gingrich was ultimately cleared on every count, but ruined in the process); the Democrat attacks on prosecutor Kenneth Starr until it seemed that he, and not Clinton, was on trial; the smear campaign against Judge Clarence Thomas as a warning to all black leaders not to leave Democrat territory.
- The common understanding that the Constitution sets limits to what government may do has broken down, as 'rights' are manufactured, progressives are appointed to the benches, and Democrat lawyers stake out new ground throughout the republic.
- The key Left Democrat program is to redistribute the tax impositions on individuals, families, and enterprises, on the basis of political prejudice.
- The political war as outlined above is also a culture war, as the Left

Democrats move through the parliaments, public offices, the media, teaching institutions, and even the benevolent foundations set up by business entrepreneurs.

Australian Liberals and US Republicans suffer another political disadvantage. As Horowitz explains, US Democrats enter party politics out of socialist-type organizations, trade unions, social crusades about various minority rights, etc. 'They are combat-ready before they begin their political careers.' (See how easily the three former ACTU leaders moved into Canberra Labor's Shadow Cabinet.)

Generally, US Republicans want to manage or even roll back the umbrella of political institutions; whereas Democrats want to transform them. Republicans want to fix government; Democrats want to fix the world.

It is interesting that four Australian Federal Liberal Prime Ministers are lawyers. Menzies was a lawyer, and so were Holt and McMahon. Each of them is or was skilled in verbal attack and defence. Menzies and Howard have shown an ability to connect with significant elements of the community: 'the forgotten people', Menzies women's support groups, Howard's 'battlers', small business groups (until Treasury and the Tax Office were allowed to take control of BAS, IAS, issues affecting independent contractors, etc).

But none of these leaders has been able to articulate an attack on big Government, or an attack on Labor's social crusades, which connect with the public. Liberals are good at debating points, but not social issues. Keeping it simple is not easy.

The connection between fast-rising government spending, inflation, and unemployment became clear to the wider public during the Whitlam/Cairns years, through harsh experience. The connection between high taxation, government waste, and capital and intellectual flight, is not yet apparent to most people who depend on shortish TV, radio, and newspaper items and headlines for their political intake.

Clearly, 'Taxation Breaks for Big Business and Investors' is a policy item which will be savaged and lampooned in the middle-brow media. But Horowitz demands that conservatives and Republicans make a massive effort to connect. 'Tax Breaks for Families, Cuts in Washington's [Canberra's] Bureaucracy', are the kind of things he would recommend.

Education is one of his prime examples of how Democrats make a plus of a minus. 'Millions of black, Hispanic, and other "minority" (but not Chinese) youths leave school without being able to read English or multiply 10 by 11.' There are a number of reasons for this, including the public sector education unions refusing tests for children on the way through, as well as their refusal to accept career supervision of teachers.

The Democrat answer is more and more government funding. The Republican reaction is inevitably reported as 'Republicans Refuse Money for Schools' or some such. Not a winner. Shades of Australian reports of 'More Grants to Private Schools', when the

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great increase in public funding overall was to government and poorer schools.

As Horowitz points out, although public education is a big Democrat plus issue, none of the Democrat Congress leaders or education policy promoters sends his/her children to a government school. The attack should be, he says: why do they condemn the children of minorities to the failed school system

which their biggest supporter group runs? Easily said, but winning that war needs careful policy preparation, a national frontal attack, persistence, and sharp words.

Horowitz proposes that the Republican Party and its general supporter base must fight on a broader cultural front. Rather than just defending their own views on individual and commercial liberties, and the virtues of the balanced budget, etc., they should be out attacking the Left/Democrat alliance for condemning black children to poor schools and violence ('Guns Don't Kill Blacks, Other Blacks Do'); and for advocating a health system which would abolish the family doctor.

Horowitz doesn't mention it, but a new term called 'Capitulation Conciliation' has entered the vocabulary of PR. The syndrome is also called 'Cave-In Conciliation'. If attacked by Greens or radicals of any kind, companies are encouraged to phone their friendly PR company, which will arrange the terms of their surrender. As one PR director said, 'You can't fight them, because they get all the good press'.

Large and productive public companies (mostly owned by workers' superannuation funds, middle-class families, and the elderly retired) rolling over to dark Greens, Trotskyites, and even Stalinists: these do not make a pretty sight, though they are making one that is becoming more common. It is a lot to ask of Liberal, Conservative, and Republican Parties to carry this extra load.

The parties of the democratic market and limited politics need to harness themselves to community organizations, international traders, smaller business, the professions which have not attached themselves to big government, aspirational voters (who want good schools and lively local scenes), and the independent trades and contractors (fortunately a fast-growing lot).

Above all, says Horowitz, they must recognize that they are involved in a culture war. Language and symbols are mighty weapons in this war. The Left has fought hard ►

for the monopoly on ‘caring’, ‘compassion’, ‘public’, ‘social funding’, etc., even though its policies lead to illiterate school graduates, a raft of government benefactions to middle-class cronies, harassment of independent workers and innovators, endless litigation by insiders, and an increase in impersonal bodies and controls. (Would you rather be cared for by the Department of Social Something or the Salvation Army?)

By ‘public’, of course, they mean ‘government’. Social funding can mean ‘caring’ policies, like granting educated and vocal operators with some Aboriginal ancestry the funds which should go to poor communities of mostly or full Aboriginal ancestry. By ‘compassion’ they mean offering heroin-injecting facilities to suffering creatures who need immediate hospital treatment. All this needs to be said loudly, and better.

Brian Buckley is a Melbourne journalist and author.

I P A

Spiritual Eczema

R.J. Stove reviews

The Life and Soul of the Party: A Portrait of Modern Labor

by Brett Evans

University of New South Wales Press,
128 pp, \$19.95

Amused, amusing and apposite, this book falls short of masterpiece status; it bears too many signs of haste and sloppy editing (‘a political *phenomena*’; ‘both of *the* them’) for that accolade. Yet Brett Evans—an old-fashioned reporter who, would you believe, reports—deserves thanks for his investigation of a political movement that, for the first time ever, now seems both electorally unstoppable and ideologically null.

By Christmas, assuming that voters feed John Howard to the same sharks which formed a welcoming committee for Denis Burke and will presumably devour John Olsen, non-Labor government will be unimaginable for at least another decade. Nevertheless, answers to the question ‘What principle would Beazley, Carr, Bracks, Bacon, Beattie, or Gallop die defending?’ are as elusive now as they ever were. The hints of conscious social engineering here and there—Bracks’ abasement to Buggery Barn’s legislative demands; Carr’s preoccupation with making NSW an ‘education State’, as opposed, presumably, to an educated State—scarcely mask the absence of those great rent-a-mob causes which abounded as recently as the Kirner Premiership. Even the pseudo-causes so prevalent among leftist parties abroad (for example, Blair’s vengeance upon Pinochet and the British aristocracy) find few if any echoes in ALP breasts.

Of course a Beazley Government would formally ditch the Queen. But then, so would a Costello Government. As for the other current catchcries among Labor’s True Believers (Aboriginal activism; the ‘Knowledge Nation’ that seems, in so far as any topic can, to set Beazley’s own ticker racing; the much-vaunted ‘right’ to IVF for those classes now cryptically known as the ‘socially infertile’), it would defy even the silliest *Obergruppenführer* of the Liberals’ twinset-and-pearls brigade to imagine that a post-Howard Coalition would wish, or be able, to oppose these shibboleths.

So: given that between Labor and the other lot there no longer exists (as Alabama Governor George Wallace used to say) ‘a dime’s worth of difference’, what sops, if any, can Beazley or his State counterparts throw the baying party faithful? Well, the politics of envy continue to be a nice little earner, as Evans’ research attests. Supporting Evans’ narrative at both ends are two panels, as lovingly detailed as the artwork on a

mediæval altar-piece. Panel One depicts Keating at Sydney’s Town Hall in late 1999, spewing anti-monarchist and anti-Timorese invective over an audience that would probably have cheered on a gang-rape, provided the rapists wore ALP badges. Panel Two depicts John Button, groaning under the weight of his parliamentary superannuation scheme, yet still seeing himself as a battler, and hissing his hatred of Collins Street’s ‘bloody stock-brokers’.

Is a Keating’s or a Button’s inverted snobbery a conscious fraud? Unlikely. It seems more like a kind of spiritual eczema, which no personal affluence can soothe. And when this ailment afflicts the ALP’s most economically literate members, conceive of what havoc it must wreak on out-and-out class warriors. Even Mark Latham, when dilating on the purpose of life, offers no more compassionate or large-minded credo than ‘Stick to the working class like s**t to a blanket’. The phrase ‘working class’ is, surprise surprise, never defined; but that it can coexist with the most voracious appetite for tertiary qualifications, and the most *outré* sexual enthusiasms, the Beazley epoch amply confirms.

Naturally authentic pre-modern boorishness, as well as cheap post-modern imitations thereof, finds a place in Evans’ pages. To read of Labor festivities at NSW’s Oban Nursing Home on St Patrick’s Day (‘You young sheilas enjoying your drink?’) is to be transported back to the golden era epitomized by South Australia’s long and deservedly forgotten Premier Frank Walsh, whose idea of courteously accepting a Japanese diplomat’s present was to bellow ‘Gee, thanks, Shorty!’ Opinion polling, Evans reveals, played no part in Australia before 1946’s Federal election: with the result that pre-pollster rustics who would not have known a spin-doctor from a spirochæte continued to work their way through the national body politic till the 1970s.

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Evans might have explored this fact's ramifications further, since it raises the issue Beazley dares not avoid: which group does the less harm? White-bread politicians who at least combine amorality with some economic prudence? Or entirely sincere, entirely ethical troglodytes who, given a quarter of a chance, would re-regulate absolutely every commercial transaction except two-up? (Latham tosses off a nice one-liner about re-regulatory obsessives: 'They've tried that approach in North Korea, and they're eating the bark off the trees'.) To those who sit around longing for a Curtin or a Chifley to re-emerge among us, like some King Arthur back from Avalon, reminders of the old Jewish proverb are germane: 'Be careful what you pray for. You might get it.'

Certainly, even if neither Curtin nor Chifley has returned, Sir William McKell still runs NSW Labor from the grave. McKell and his successors controlled Australia's most populous State for 24 years (1941-65) by ensuring a bloc of vacuous but unfailingly amiable Labor backbenchers representing constituencies that should have been Country Party heartlands. Sixty years on, these backbenchers' Labor successors continue to preserve Carr's administration from all perils save the sheer boredom of invincibility. Yes, that's right, this is Labor's idea of root-and-branch internal reform.

Evans has great and justified fun with the spectacle of post-1975 ALP apparatchiks demanding the most stringent sacrifices from one community group after another, while Premier after Premier and State secretary after State secretary tosses into too-hard baskets any suggestions (however demurely offered) of an end to branch rorts. In this context we must note—and tireless visionaries like Senator Chris Schacht are only too keen to make us note—that what most people call branch-stacking is not what the ALP calls branch-stacking. The ALP's rather narrow definition covers only: (a) such

stacking as makes the newspapers; (b) the subset of (a) excluding fashionable ethnic groups. Unfashionable ethnic groups are, by definition, 'Nazi war criminals'. Thus, whereas Labor's foes 'stack branches', Labor is only ever (to quote a choice Keatingism) 'engaged in the issues of enlargement'. Got that?

In case the above has not deterred you from joining your local ALP branch, Evans provides useful tips. Walking in off the street with a declared interest in policy will get you nowhere. Membership of a vast extended Lebanese family, preferably with potential ALP foot-soldiers *in utero*, is a much better option. The Stakhanovite triumph of Australia Day 1999, which saw 2,000 new troops conscripted within 24 hours, has already entered ALP folklore.

Ultimately those of us not among the Elect—who, that is, have neither joined the ALP nor felt the smallest desire to do so—must find Labor rites as impenetrably mysterious as those of other secular priesthoods: Freemasons, surfies, football teams. Even Townsville Council's Karen 'The Spider Woman' Ehrmann (but for whose chicanery Jim Elder would still be Queensland's Deputy Premier and the Shepherdson Inquiry a mere

Ultimately those of us not among the Elect—who, that is, have neither joined the ALP nor felt the smallest desire to do so—must find Labor rites as impenetrably mysterious as those of other secular priesthoods

pious hope) appears to have had a genuine sense of mission. As to what this mission is, and why thousands of otherwise sane people can delude themselves into crediting (say) Sen-

ator Nick Bolkus with a cosmic significance that Goethe plus Michelangelo could hardly boast, perhaps we heathens will never know. But the ALP's innate penchant for public navel-gazing and Howard's seemingly incurable pixillation are both doing everything possible to guarantee that we all soon find out.

R.J. Stove is editor of the quarterly magazine Codex (www.codexmag.com.au), and lives in Melbourne.

I P A

The Idealization of the Primitive

Greg Melleuish reviews

The Culture Cult: Designer Tribalism and Other Essays

by Roger Sandall

Westview, Boulder, Colorado, 214 pp, \$55

Roger Sandall's new book *The Culture Cult* has generally attracted attention because of the link made between his critique of Romantic Primitivism and the current situation regarding Aborigines in Australia. To concentrate on just this dimension of Sandall's analysis, however, does not do justice to the richness of Sandall's discussion of the nature of Romantic primitivism, and its implications for an understanding of the nature of contemporary civilization.

At the heart of Sandall's discussion lies a contrast between those who favour a modern commercial order, with its qualities of openness and dynamism, and those who desire a return to some sort of 'primitive', closed communal society. Sandall correctly traces the modern origins of this dichotomy to the Enlightenment. On the one hand, the Enlightenment saw the advocacy of 'sweet commerce' by Montesquieu, Hume and Adam ▶

Smith; on the other hand, there was the desire to resist the embrace of commerce and return to a social order marked by solidarity and close social bonding, as seen in the work of Rousseau and the eighteenth-century German philosopher Johann Herder.

Sandall connects the cult of primitivism and the 'noble savage' with those intellectuals and littérateurs who were disillusioned with the modern world and its commercial values. The bulk of the book consists of a number of case studies of people who contributed to what he terms the 'culture cult': from Ruth Benedict and Margaret Mead to Karl Polanyi, Isaiah Berlin and Raymond Williams. What all of these intellectuals had in common was an opposition to modern commercial society and a concept of culture that exalted the primitive and/or closed social order. They are contrasted with others, including Popper, Hayek and Michael Polanyi who advocated the benefits of an open society. In particular, Sandall sees early twentieth-century Vienna as the primary battleground over which this intellectual conflict raged.

In many ways, however, Sandall leaves the crucial questions unanswered. Why are so many intellectuals attracted to visions of an ideal primitive past? Is it because, as Paul Johnson suggested in his *Intellectuals*, there are factors of individual psychological pathology at work? Or is that interpretation too limited? This is not a new phenomenon. In late fifth-century Athens, there was an idealization of traditionalist 'primitive' Sparta amongst the aristocratic intelligentsia led by Socrates, an idealization that has lasted to our time, in the shape of Plato's *Republic*. Moving to the modern era, François Furet has described the bourgeois self-hatred that was a feature of Europe in the wake of the French Revolution.

In fact, a deeply ingrained prejudice against commerce, and in favour of 'heroic', 'aristocratic', or 'cultured' values, has been part and parcel of

most human societies. Paul Rahe has convincingly demonstrated that the ancient Greeks, including the Athenians, were motivated by military and political values and saw commerce as at best a means to a military end. Rome and China kept the men of commerce in their place. Even England did not so much exalt as tolerate commerce: the rule of law meant that the state could not plunder the profits of merchants. Burke believed that commerce should operate within the framework of established civilized, that is to say aristocratic, values. Until recently the élite in Australian society was turned away from studying commerce in favour of classics or law: business was something reserved for the less able.

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This not to say that many of these societies did not possess qualities of 'openness'; rather, it is to observe that the 'open society' has always been a tender growth and in need of constant cultivation, because it has never been without its detractors and enemies. The roots of opposition to the 'open society' run deep, and are in need of explanation. Marcel Gauchet has observed that, for 90 per cent of their history, human beings were locked into a communalism that enforced equality and discouraged initiative. Only with the development of agriculture did the possibility emerge of escaping this timeless communalism. Even then, most human beings during the agrarian age spent their time as

downtrodden agricultural workers or slaves. Only in the last two centuries has the possibility emerged of a universal social and political order that delivers both freedom and dignity. Human beings are plastic creatures, capable of a whole range of cultural adaptations, but they are also prone to a whole range of anxieties and fears. Perhaps primitivism is a response to some of those anxieties.

It is also worth noting that the bold individualism of fifth-century Athens enjoyed general support, but that Spartan primitivism infected the pro-aristocratic intelligentsia in the wake of the failures of the Peloponnesian war. Could it also be that 'Romantic primitivism' is especially attractive to those who feel left out in an open society, that is, aristocrats and those who believe themselves to be aristocrats of the spirit, in other words, the intelligentsia? Both the intelligentsia and the aristocracy are profoundly suspicious of ordinary people being free to make decisions, and often advocate means of restricting and regulating that activity.

Whatever may be the cause of the desire of many modern intellectuals and academics to revert to some sort of closed society, the agenda of 'Romantic Primitivism' is one that needs to be both exposed and rejected. Sandall has done us all a great service by bringing together in these essays both a wide-ranging analysis of the phenomenon and a critique of its underlying ideas. He has also provided us with a warning about the fragility of the open society, at a time when its benefits are so manifest. Even if openness is a source of anxiety for some people, the alternative is so much worse; the communalism of 90 per cent of human history may seem attractive now, but at the time life really was 'nasty, brutish and short.'

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REVIEW

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