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Front cover: Frederic Leighton, 1880, The Light of the Harem

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From the Editor

MICHAEL WARBY

POLITICS is a prime method of handling conflict. Unfortunately, since politics is about the application of the coercive power of the state, either directly (through law and regulation) or indirectly (through the disposal of the receipts of taxation), putting something into the political arena also makes it more likely to be the subject of conflict. The pooling of resources and benefits without any automatic connection between the two encourages people to seek benefits while passing costs onto others. Political speech is thus often uncivil speech, as one elevates one's own moral claims, and denigrates others', so as to make the best claim on pooled resources.

This is typically quite different from what happens in marketplaces and in the networks of civil society, where decentralized decisions allow diversity; allow people to seek their own niches and solutions. Markets and communities tend to require much more reciprocity—and so more mutual respect and much less free-riding.

It is also quite the reverse of how matters are often put. A whole mythology has been built up about how political decision-making is the best form of social decision-making. Indeed, many people talk about 'social' and 'society' when they actually mean 'politics' and 'political'; as if 'politics' and 'society' were identical realms, instead of one being a very particular subset of the other—indeed, a subset of very limited virtues and of major disadvantages. Market exchanges and community connections are every bit as 'social' as political decisions, and often a far superior way to deal with matters.

Why this overweening inflation of the political?

The general appeal of free-riding and evasion of responsibility is one



reason. Vested interests also have a major role.

A central theme of modern politics is the clash between the values and perspectives of the private-sector middle class—a class which gains its income through daily acts of consent in the market-place—and those of the public-sector middle class—a class whose income comes from annual acts of coercion. The public-sector middle class has major advantages in framing political debates:

- it is much more directly concerned with them—politics is its business, provides its income and furnishes its career opportunities;
- it dominates the 'ideas professions', a domination greatly aided by the fact that political journalists are functionally members of the public-sector middle class—the elevation of politics is also self-elevation and they typically have little or no experience outside journalism and the public education system. The ABC—workers' collective and voice of the public-sector middle class—epitomises this; and
- its social position typically involves selling evasion of personal responsibility, a siren song that has obvious attractions. Indeed, this is why a politicizing age naturally becomes the age of the 'victim' and

'the culture of complaint'—alleged incapacity provides the rationale for political action, that is action without reciprocity.

Lastly, all politicians have a natural interest in the elevation of the political. Serious scepticism about the value of political mechanisms is not so much a hard sell, as an uncongenial and unnatural message for political animals.

The public-sector middle class also has significant disadvantages:

- no class is monolithic. We all have many diverse experiences and roles and the public-sector middle class itself seeks the benefits of market exchange and civil society—and the better-adjusted as individuals they are, the more they are likely to seek such. The reality of individualism confuses and softens class conflicts;
- members of the public-sector middle class frequently display a patronizing and 'colonizing' attitude to the rest of society. So many of its activist members clearly see themselves as bringing 'social justice' (defined according to the prevailing fashion) to 'the lesser breeds who know not the Law'—also known as their fellow Australians—that a certain capacity to set people's teeth on edge blunts their appeal; and
- what they are purveying so often simply does not work. They seek to have politics do far more than it is capable of effectively performing. In the end, this is the most crippling disadvantage of all. Unfortunately, they can do a lot of damage before it finally becomes clear that they are selling a series of dead ends.

Pointing out that what they are doing is both damaging and ineffective is often thankless work—you are destroying people's illusions—but a necessary part of the defence of freedom.

I P A

From the Executive Director

MIKE NAHAN

Missing Direction

WHAT has been most notable in the recent tax debate and election campaign is what has *not* been talked about—Australia's chronic savings problems.

In their rival tax packages, politicians have competed to return promised future budget surpluses resulting from some modest budgetary repair by the Howard Government. The two main parties have certainly differentiated their products. Howard offers a more fundamental reform with the GST both replacing the antiquated sales tax and allowing greater scope for deeper income tax cuts. Beazley has taken a much more traditional vote-buying route.

Neither major party wants to appear to be favouring the rich by lowering the top tax rate of 47%. But that top rate is increasingly out of step with other countries—New Zealand has moved its top rate down to 33%. Our own high top rate establishes a capital gains tax that curbs the incentive to innovate and build up assets. Both major parties fail to give tax relief to people who want to build up their assets. Both packages overlook prosperity's engine—savings and investment. And Treasurer Costello's previous tinkering with superannuation has worsened disincentives to save.



The best and fairest tax systems impose a flat rate on everyone. Throughout most of Christendom's history, the Church levied such a tax (the tithe). Ironically, many invoking the Church's name in the tax debate seem to want the opposite approach.

But a flat tax is not yet on the agenda, so the next best approach is a system that taxes spending and not income. In this regard, the shift in the Coalition's tax package away from reliance on income tax gives it an edge over Labor's package. But government revenue remains income-tax based, so savers face a double tax—they pay on the original earnings and pay again on the income or capital gain which that saving generates.

As Michael Warby and I outline in the IPA's latest Backgrounder, *From Welfare State to Transfer State: Where We Were and Why We've Changed*, since the Whitlam Government there has been a shift away from government (and private) saving and government investment towards expenditure on government transfers—health, education and welfare (in the three years of

the Whitlam Government they shot up from 12 per cent of GDP to 17 per cent and are now 21 per cent of GDP). Both governments and households have been substituting current expenditure for saving. Our tax system discourages saving; increasing transfer payments reduce the incentive for households to save, and lower income growth makes it harder to save. Meanwhile, our governments have cut their own saving and investment to fund the escalating costs of government transfers.

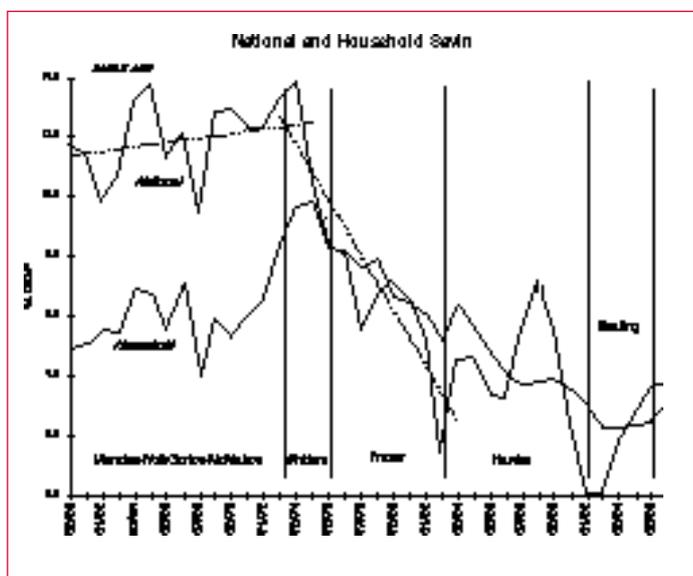
Australia's savings languish near the bottom of the international league. Our total savings are only 18 per cent of GDP, net savings (after depreciation of capital) are about 5 per cent of GDP, with households contributing just 3 per cent. These low savings levels mean that we rely on foreign savings to fund between a fifth and a third of our investment.

The silence in the national tax debate about Australia's chronic problems of domestic capital generation—that is, saving—show how excessively dominant alleged equity issues have become. It is nonsense to complain about mounting foreign ownership and foreign debt—the inevitable consequence of importing capital to keep our investment levels up in the face of falling Australian saving—if we will not tackle saving issues seriously.

A society can only expect to operate successfully in the long term if it juggles the full range of issues successfully. Despite what is often claimed to the contrary, Australian policy debate has shown a continual tendency to pay too much attention to equity issues—conceived in a particularly narrow way—and too little attention to efficiency ones. Yet much of Australia's surprisingly resilient response to current global economic problems comes precisely from the attention to efficiency issues in the economic reforms of the last 15 years. There is nothing equitable about recession or low economic growth.

That the 1998 election campaign has not seriously discussed saving says much for our national myopia and provides little basis for confidence in our ability to tackle important issues intelligently.

IPA



Farming—Commercial Realities and Snake Oil Remedies

DAVID TREBECK

In the midst of stories of declining country towns, cuts to services and rural distress, it is easy to overlook the signs of health and success in Australian farming. Yet they certainly exist—and show the way forward in farming.

THERE'S much commercial and social pain being experienced in rural Australia at present. The tendency is often to look for scapegoats—competition policy and deregulation, privatization, government cutbacks, trade liberalization, and reducing industry protection are the most convenient. According to some, reining-in the pace of 'reform' and Australia's exposure to an 'unfair' world, will reduce the pain.

But are these the main influences? Are we overlooking a more significant and constant agent of change for farming and regional Australia? What about the impact on average farmers of innovators and the industry's top performers within their own industry—the businesses and people that keep raising the bar that others have to clear in order to keep up?

There are always some policies handicapping the best performers, but their abilities and ambitions invariably prevail. They constantly advance and strive to stay on top. They place continuing competitive pressures on the rest. As Bert Kelly once said 'the worst enemy of a sheep is another sheep'.

Recent ABARE data graphically illustrate the gulf between farming's top performers and those who are struggling (see Table 1).

Table 1 shows that the cotton industry has been the stand-out performer in Australian agriculture over the past decade. With farmers achieving scale economies and applying the latest production technology, conventional business practices and sophisticated marketing strategies, cotton has supplanted traditional grazing and cereal production across large areas of NSW and Queens-

land. None of this achievement required a statutory marketing structure. Indeed, when the then-infant industry received a production subsidy in the 1960s, the industry itself asked the government of the day to terminate it, in the belief that its future development would be more soundly based if free from government shackles. This showed remarkable, if uncommon, foresight.

The dairy industry too has been on a path of steady and profitable expansion since the mid-1980s, a far cry from the crisis-ridden 1970s. Conversely, the livestock industry, on average, has performed badly over the past decade, although its top performers are still profitable.

A sobering statistic from Table 1 is the percentage of unprofitable farmers in 1997–98. The farm sector's entire profit continues to be earned by a mi-

Table 1: Key Performance Measures for Australian Farmers

Enterprise	Rates of Return (%) (a)		% Farmers Unprofitable 1997-98	Rates of Return 1986-87—1996-97 (%) (a)						
	1995-96	1997-98		Small (c)		Medium (c)		Large (c)		All
				Av	Top 25% (d)	Av	Top 25% (d)	Av	Top 25% (d)	
Wheat/cropping	11.1	4.8	42	0.4	6.7	3.0	9.5	5.9	11.7	3.8
Crop/livestock	3.3	1.5	60	-1.7	3.8	0.8	6.0	3.3	7.7	1.6
Sheep	-0.9	1.0	61	-2.9	2.3	-0.3	4.1	2.7	6.8	0.8
Beef	-0.7	0.1	74	-2.9	1.5	-1.3	3.1	1.9	6.3	0.0
Sheep/beef	-0.2	0.4	76	-3.6	2.6	-0.6	5.0	2.3	6.5	0.4
Cotton	n.a	14.3(b)	20	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Dairy	3.0	2.2	54	-1.2	3.1	1.6	6.4	3.9	7.8	2.2

Notes: (a) on total farm capital
 (b) 1996-97
 (c) ranked by farm size (expressed in sheep equivalents); each group representing one third of the total
 (d) ranked by rate of return

Source: ABARE (1998), 'Farm performance and income variability in Australian agriculture', *Outlook 98*, volume. 2, pages 3-21.



nority of the nation's farmers—although they represent a much higher proportion (well over half) of total production. Size is important, though it is not the only factor in achieving success.

A major part of the pressure confronting Australian farmers has been a relentless decline in their terms of trade—the prices of what they buy in terms of what they sell. From the 1960s to the early 1990s, farmers' terms of trade fell by no less than 2.5 percent per annum. Many farmers have managed to maintain their incomes in the face of this daunting challenge—by adopting new technology and boosting productivity, switching enterprises to those with better prospects, or expanding the scale of their farming operations—but others could not or did not do so.

Since the early 1990s, however, the terms of trade have stabilized and it is important to understand why—liberalization of world trade, reduced protection to uncompetitive industries in Australia, moderating rates of growth within the mining sector, and more appropriate fiscal and monetary policy settings. The results are not quick to achieve or easy to observe—which causes some less patient farmers to lose the faith and switch to snake oil remedies—but the appropriateness of sound macro policies is now demonstrable and undeniable.

While the media gives prominent attention to the problems of struggling farmers, there is also ample coverage of success stories, new techniques, innovations and enterprises; in fact the rural press is full of them. Here are three examples:

- A recent TV programme featured the latest electronic navigation systems for tractors, with farmers extolling the virtues of this precision technology. Their enthusiasm was probably similar to that of progres-

sive timber-getters years ago, watching the first chainsaw demonstrations. In the latter case, little thought would have been given to the fate awaiting traditional axe-based businesses facing this productivity leap. The phenomenon is not a new one.

- One of the world's biggest rotary dairies recently opened in South Australia. Media reports said that

the 116-cow rotary platform could milk up to 700 cows per hour. The investment has been made by a two-family partnership intending to milk 1500 cows on a 630ha property which supported only sheep, bracken and a hayshed when the venture commenced. (The average dairy farmer at present milks about 150 cows.) Many dairy farmers are concerned about the implications of milk industry deregulation. These implications will be trivial compared with this type of entrepreneurial investment and risk-taking.

- A rural recruitment agency recently advertised in the press for 'agronomists—13 positions!', all in NSW and southern Queensland. In the same newspaper were other agronomist vacancies, in consulting firms and individual farm businesses. The deployment of this expertise, and the resulting potential for yield and stocking rate improvements, will exert much more impact on farmers than grain export arrangements or meat industry institutions. And yet the latter areas are where industry politics and debate seem to focus.

More generally, rural people understandably seek better communication services, better roads, and improved transport services. When provided, one consequence is the decline of some rural centres and businesses because they are no longer as essential as they previously were. Rural centres were much more numerous when Cobb & Co. was the major transport provider. Decline in the number of rural centres, and the growth of some at the expense of others, has been going on for a long time.

The wine industry—another latter-day rural success story—is living proof of the potential for rural renaissance, rather than the unmitigated gloom and

doom so loudly proclaimed by today's populists. As Brian Croser, President of the Winemakers' Federation of Australia, put it in a recent address to the National Press Club:

Any turn to xenophobic, protectionist or industry interventionist policies would hurt the wine industry almost more than any other industry.... In many regions of Australia, the wine industry is the perfect antidote for the cargo cult of isolationist policies. The Australian wine industry breathes life into forty-or-so of Australia's rural communities; regions otherwise struggling to cope with the extent and pace of change. The wine industry connects those regions by name and product to consumers in the international market-place, in a more direct and responsive way than any other industry can ... 680,000 bottles of wine branded with the name Australia are opened somewhere else in the world every day.

Facing up to today's competitive realities is the first step in helping those who are finding it difficult and will need to adjust. We do them a grave disservice by playing down the realities or offering false hope in the form of artificial protection or snake oil solutions. If there is one thing we can learn from history it is that no-one has devised a successful means of suppressing the human desire to do better. It is the fundamental source of competitive pressure, the main driver of change, and it is here to stay.

If we choose to fight or ignore competitive realities, instead of facilitating adjustment and ameliorating their harsher consequences, then everyone in rural Australia will be worse off, with those struggling still lying at the bottom.



David Trebeck is Managing Director of ACIL Consulting Pty Ltd, a Canberra-based consultancy.

I P A

Country Towns

JOHN HYDE

The problem for declining small country towns are growing bigger towns. Consumer preference, armed with better cars and better roads, is the real 'villain' of the piece.

NOT all country towns are in decline. If growth is success, then I grew up in one that is prospering. Nevertheless, the baker, the cordial factory which was on the site of the smithy, the saddler, the tailor, the power house, the post office, the manual telephone exchange, the branch of a bank, three corner shops (except they were not on corners) and, most recently, the pharmacy, have all gone. The passing of each was marked by eulogies in both bars of the hotel and, more recently, the club. Like most eulogies, these tended to hyperbole and were delivered by people who had barely associated with the deceased. They stressed the tragic nature of market forces that would surely infect the whole town, but avoided admission that the businesses had died of starvation because they themselves had, for instance, purchased their lolly-water from a Perth supplier.

Market forces don't take into account the contribution that each local business makes to the community and somebody should do something about them, they said. The businesses did have positive spillover effects—the Bank of New South Wales, later Westpac, for instance, had, for reasons unfathomable to man, traditionally provided the Golf and Bowling Club treasurer, and the manual exchange had, for understandable reasons, provided several local wives. The businesses also had negative spillover effects—such as higher interest rates for borrowers every-

where—but these were inappropriate to mention *post mortem*.

For all the enterprises that have left, however, another has come and the incoming machine shops, agencies and general stores are much bigger, so the town is about three times the size it was in my childhood. Not all country towns are so fortunate. My daughter married eight miles down the road to Perth. Her town, once as large, has shrunk to a good general store, a not very salubrious hotel and about a dozen residences. No new building is likely—ever. What killed it? In a phrase, the motor car.

My wife Helen was born to another virtual ghost town. It too is suffering from market forces—the cost of recovering the local gold exceeding its price. Another bout of uncontrolled world-wide inflation might, however, breathe life into *that* town.

As sometimes happens, the mourners and moaners of the nation's rural pubs seem to have convinced the powers-that-be that something should be done to preserve these declining 'communities'. If adequately policed, banning motor cars would help some centres, but there is nothing acceptable that can or should reverse such fundamental and rational trends. One of the silliest suggestions to come out of Federal politics in several years has been the Opposition's promise to subsidize the major banks to restore branches to some 400 rural towns. Will the Westpac branch be restored in my old town, or my daughter's, both or neither? The cost will, of course, have to met by taxes or higher bank margins and fees. The effect could be achieved in a manner that was arguably more equitable by imposing a tax on (country) people who use the banks' city-based facilities.

The several causes of the declining rural towns are not, however, all to be laid at the

feet of the market. Some are the government's doing. Several rural centres have no doctor because overseas-trained doctors are denied what are euphemistically called 'provider numbers'. By fixing the price of prescription drugs, the government has driven out low-turnover pharmacies even when the next one is 60 miles away. Award wage rates fixed in the cities, where shelter costs are higher but transport costs are lower, decrease rural employment proportionately more than they do city employment.

By imposing a 15 per cent tariff on motor cars, which also has the effect of ensuring a higher equilibrium exchange rate, the government much weakens the industries upon which most rural towns depend. On the other hand, expensive cars raise the cost of going to the city to shop. Textile tariffs also drive up the exchange rate, and it is hard to see how expensive clothes and bed-sheets help rural communities.

The monopolies exercised by Statutory Marketing Authorities are even more difficult to evaluate. There can be no doubt that attempts by the old Australian Wool Corporation to levitate the wool price have, by harming a once great rural industry, added to decline of rural towns. It is probable that the Wheat Board's export monopoly inhibits niche marketing and the development of bulking-up and part-processing specialities which would be most likely to locate locally. Monopoly pricing arrangements that permit rural industries to charge higher prices to city consumers have, however, probably made the bush more populous. The objection to all monopoly and price-setting arrangements lies not in their distributional effects, irrational and unfair as these may be, but in the fact that, when viewed with the advantage of all Australians in mind, they are grossly inefficient—the costs exceed the gains.

It is also hard, without access to an economic model, to evaluate the net effect of government intervention in the provision of services. Undoubtedly, rural people were greatly disadvantaged by anti-competitive arrangements either enforced, or allowed, by the government



in grain-handling and air, sea and rail transport. The recent win on points for the Maritime Union of Australia notwithstanding, the good news is that our governments seem to have woken up to the harm they do. Postal and electronic media services are, however, skewed in favour of country folk. Telecommunication services certainly have favoured some rural folk—those out of town—but expensive trunk calls seem to have borne the cost. It is easy to see which rural people most influence governments but, whether all or half of Telstra is privatized, those days are rapidly coming to an end.

Finally, native title uncertainties undoubtedly affect the country more than the city. Some rural towns are short of unclaimed land for new local industry. Environmental regulations are particularly severe on agriculture and mining, and are too often irrational.

The Government should ignore those demands from the bush that call for subsidies and privileges but there are some things it might do that would benefit rural communities without harming the Australian community as a whole:

- the health-care anomalies should be removed in short order;
- the process of tariff reduction and service de-regulation—the Hilmer reforms—should be speeded up considerably. Because rural industries tend to be export industries, the benefits will tend to concentrate in the bush;
- authority over local environmental concerns should be transferred to local government; and
- the labour market should be deregulated.

These changes will be no panacea, and one should not be sought. Unforced changes are generally for the best and that country people should choose to patronize larger centres is not a problem to be solved.



John Hyde is a Senior Fellow of the IPA.

IPA

'Out of the Mouths of Babes and Sucklings'

ANDREW McINTYRE

Suppose someone asked journalists themselves about the biases of media outlets? Well, someone has. And the results are interesting and revealing.

THE issue of political bias in the media is a perennial topic, raised with more-or-less fervor around election time, during critical policy debates—such as Aboriginal land rights after the High Court Mabo decision—and during difficult confrontations—like the recent waterfront dispute.

The common threads are familiar and the *IPA Review* has, from time to time, provided commentary about some of the issues of bias. In the most recent *Review*, Piers Akerman, drawing on research by Professor John Henningham of Queensland University, observed that journalists tended strongly to favour topics 'in tune with the politically-correct social justice agenda', and that the Canberra press gallery was even worse, displaying a 'palpable air of animosity toward the Coalition'.

A compounding problem in a discussion on bias is the collective ill-ease experienced by our most influential journalists of any scrutiny of their own political interests or party affiliations. Back in 1989, the *Review* brought attention to this sensitivity in an investigation by Gerard Henderson of the Canberra 'rat pack'. Henderson was struck by the fact that journalists never showed qualms about investigating the 'vested interests' of Ministers, for example, but shocked to the point of paranoia that they could come under the same scrutiny.

Consequently, any discussion of bias in public debate is loaded with acrimony and defensiveness, and most of all from 'your' ABC. With the ABC there are very long and repetitive head-

line stories concerning its management and its independence from government going back to its inception in the early 1930s. In 1938, Archie Cameron, a cantankerous farmer who became Postmaster-General with responsibility for the ABC, was blunt: 'If I had my way, I would stop all broadcasting. As for people who give talks and commentaries over the air... I would bring them under the Vermin Act... and poison them.' Views with which the present Minister for Communications may have some sympathy! There is, however, a perception that the present Prime Minister and his staff are intimidated and somehow under the thrall of a press that shows nothing but contempt for them, or at best, that the former lack the rhetoric and skills to challenge the press at its own game. In 1989, Henderson had already been 'genuinely surprised to see many senior Coalition figures race for the newspapers or turn on their radios and televisions to await with bated breath for this or that comment from leading gallery figures'.

Nevertheless, it is clear that journalists in general have a great sensitivity to criticism. After the waterfront dispute, amongst accusations of bias, the ABC went to the trouble to commission a report from Professor Phillip Bell of the University of NSW. This had followed on the heels of previous research, including an independent study of ABC News and Current Affairs in Queensland conducted by Professor Graeme Turner of Griffith University in late 1996, and research into audience perceptions of balance as part

of a TV quality survey conducted by A.C. Neilsen in 1997.

Predictably, all of these surveys showed the ABC to be 'balanced and even-handed', and 'reliable and accurate'. On the waterfront dispute, the Bell Report concluded that 'the producers and journalists gave a balanced coverage of the events and issues'. What should be done, given the complexity of the issues, and the difficulties of proving the bias?

Clearly, the simplest and most transparent technique would be to ask a sample of people two straightforward questions: do you believe the ABC news and current affairs programmes are neutral or biased? and, for which of the two major parties do you most often vote? In the answers to these two questions one would have the most eloquent *quod erat demonstrandum* possible.

John Henningham, Professor of Media Studies at the University of Queensland, has almost done just that in two separate studies. In one, 'Journalists' perception of bias' (*Australian Journalism Review*, Vol. 17, No. 2, (1995)), 173 randomly selected journalists from media organizations across Australia rated the major newspapers and television news and current affairs programmes as being 'very' or 'slightly' Labor or Liberal, or middle of the road. The judgement was restricted to news and feature content only. The relative ranking of the various programmes and outlets (from Labor through to Liberal) was unremarkable, the only sticking point being where they actually belonged in relation to a 'real' middle of the road. The survey result had, for instance, rated the *Sydney Morning Herald* and the *Australian* as being on the Liberal side of centre.

What strikes the outside observer is that the journalists themselves clearly rate the ABC as pro-Labor, indeed as the most pro-Labor of the major media outlets—the *7.30 Report*, *ABC News* and *Four Corners* being rated the most pro-Labor, followed by *SBS News* and the *Age*, which was seen as the most pro-Labor of the privately-owned media.

What is also interesting is that the further away from the Canberra-Melbourne-Sydney 'Triangle' one gets (remembering that 'national' media outlets such as the *Australian*, the *Financial Review* and TV news are essentially run out of Sydney), the less pro-Labor and the more pro-Liberal media tends to become, again according to journalists themselves.

Henningham conducted a second but unrelated survey, 'Ideological Differences between Australian Journalists and Their Public', (*Harvard International Journal of Press/Politics*, 3 (1)), of 173 journalists and 262 members of the public in metropolitan Australia. Forty-seven social and economic issues were used to test the participants' conservatism or liberalism. Not surprisingly, there was an enormous difference between the views of journalists and those of the general public, with journalists consistently having more 'progressive' views than the general public. (A summary of those findings appeared in Piers Akerman's article in the last issue of *IPA Review* and also appears in this issue in 'Moral Greed and the Politics of Insult' by Michael Warby.)

In an attempt to establish notionally just where the media might lie on our political spectrum, I have combined the results from the two Henningham studies. There are some caveats however. In Henningham's list of social and economic items it is clear that there is considerable convergence of views on economic issues, with a greater divergence of views of on industrial relations, welfare and, say, sexual freedoms. Some items are more central to a reasonable assessment of media content or bias affecting Labor and Liberal interests than others. For example, attitudes to trade

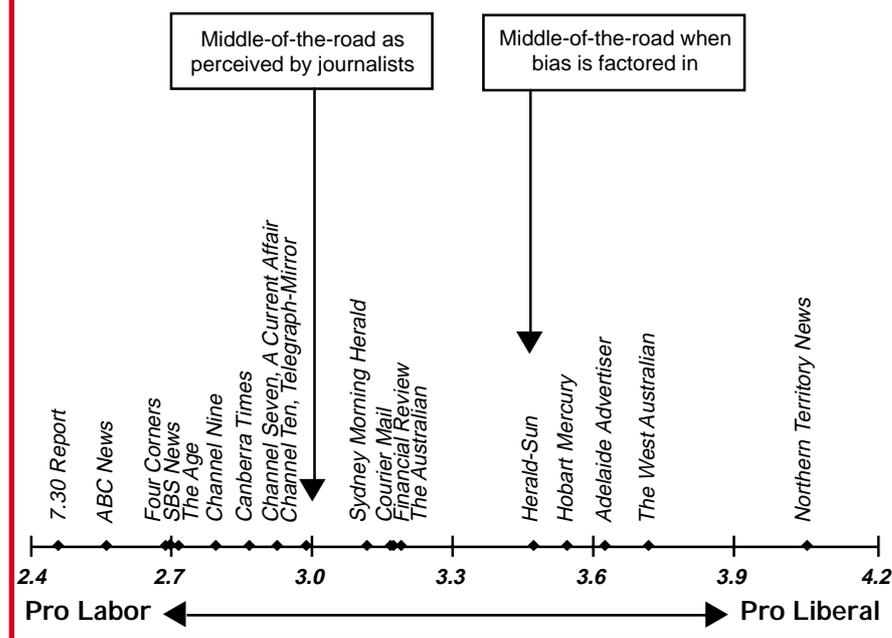
unions and strikes would far out-weigh the divergent views on bible truth, or premarital virginity. Bearing this in mind, I have selected ten items that I believe have relative importance in the issues currently dominating the national debate (*table one*).

Table One: The percentage point divergence between journalists' and the general public's positive rankings for a range of issues critical to both Labor and Liberal policy platforms ranked in order of divergence (selected from Henningham study)

Public spending cuts	1%
Privatization	2%
Free enterprise	6%
Multiculturalism	7%
Conservationists	11%
Government welfare	13%
Strikes	26%
Australia as a republic	29%
Mabo and land rights	34%
Trade unions	37%
Average difference	15.7%

The present exercise might be accused of comparing pears with apples. What is being launched here is a suggestive analysis of media bias. *IPA Review* readers are invited to mark their own 'middle-of-the-road' point!

Table Two: Journalists' ranking of media bias towards Labor and Liberal using data from Henningham studies



Andrew McIntyre is a freelance writer based in Melbourne

IP A

The Odd Bedfellows of Economic Nationalism

LYNDON ROWE

PAULINE Hanson and Cheryl Kernot (in her former role as leader of the Australian Democrats) have both described their approach to economic policy as 'economic nationalism'. So has Rex Connor Jnr of the Advance Australia Party.

Whatever their differences in other areas, the policies of these parties on economic and immigration issues are so similar as to be virtually indistinguishable.

Other minor parties—notably the Australian Greens and Graeme Campbell's Australia First—share the same views, as is shown in the attached table and is further documented in the publication I wrote recently for the Institute of Public Affairs, *Odd Bedfellows: The Economic Nationalists and Why They Are Wrong*.

'Economically nationalist' policies typically include restrictions on foreign investment and foreign ownership of Australian assets; tariffs, import taxes, quotas, or other import restrictions; greatly reduced or zero net immigration; re-regulation of the finance sector; the use of trade and/or aid policy to promote Australia's political objectives in other countries; antipathy to privatization and support for a much greater role for government incentives, disincentives and regulation in the operation of business.

You may think that the Australian Democrats, One Nation, the Greens and Graeme Campbell are an odd group to share very similar policies.

But their common approach to economic management is not just strange coincidence.

It reflects a shared belief in the supremacy of politics and a distrust of markets, and a view that Australians would fare better if governments took a more active role in their affairs.

Things 'foreign' are definitely bad. Foreign goods, foreign capital, foreign ownership of assets, foreign culture and net migration of foreigners—are all un-

desirable in the lexicon of economic nationalism.

It is rooted in the politics of fear and blame. If Australians have to be protected, it follows there must be people we need to be protected from. If the Australian economy is not working as well as it should, it assumes that indifferent governments or malign foreigners are responsible.

Above all, it rejects the economic direction of governments of both major parties in recent years—accepting immigration, promoting competition, opening the economy to freer trade, deregulation and pursuit of economic growth.

In essence, economic nationalist politics reject one of the fundamental ideas of economics—that of gains from trade: the notion that, when people trade voluntarily, they are both better off—they exchange things they value for things they value even more. When we accept a job, buy a house or select a

brand of baked beans, we are making a choice based on our own preferences.

Economic reform in recent years has been based on the idea that, by and large, people are better off if they make these choices for themselves than if the government chooses for them.

Conversely, economic nationalists assume that we'd be better off if governments prohibited us from doing things we would otherwise choose to do.

Economic nationalism uses nationalist sentiment to deny economics. Distrust of foreign engagement in the economy is used as the justification for a raft of government controls of investment, of imports, of immigration, of business and of the finance sector.

The cultural case against foreign influence in Australia leads all-too-often to policies that are xenophobic, discriminatory and morally reprehensible.

Pauline Hanson's fears of being swamped by Asians are well-docu-

	One Nation	Australian Democrats	Greens	Australia First	Advance Australia
Restrict foreign ownership	✓	✓	✓	✓	✓
Increase trade protection	✓	✓	✓	✓	✓
Reduce liberalizing treaties	✓	✓	✓	✓	
Re-regulate financial sector	✓	✓	✓	✓	✓
Targeted industry assistance	✓	✓	✓	✓	
Restrict privatization	✓	✓	✓	✓	✓
Regulate labour market	✓	✓	✓	✓	✓
Reduce immigration	✓	✓	✓	✓	✓
Restrict competition policy	✓	✓			

✓ = has explicit public policy in favour

mented. Less well known is the Greens' concern about 'erosion of local culture in the face of imports of that have a strong cultural element such as films, electronic media, music and food'.

The Australian Democrats want to prohibit all media ownership by overseas proprietors, to deny some non-Australians the right to inherit their family home, to remove the right to own property from migrants who don't take up citizenship and to impose a 100 per cent surcharge on local council rates for investment properties owned by non-Australians.

Economic nationalism is a strange form of nationalism. It is based on fear and lack of confidence. It assumes that Australian businesses and Australian culture are not sufficiently robust to withstand exposure to the rest of the world. It proposes isolation, regulation and bureaucracy as the solution to our social and economic ills.

It is a pessimistic view of the world, and leads to a bleak vision of Australia's future.

It is one we should vigorously oppose.

Australians' standard of living will ultimately depend on our capacity to harness the creativity and enterprise of all of us, not just that of public servants and politicians.

We will gain the most from our wealth of human and natural resources by engaging with the rest of the world, not by trying to build barriers against it.

Whether promoted by the political left or right, the major parties or the minor ones, the politically correct or the intentionally incorrect, economic nationalism would wreak untold damage on Australia.



Lyndon Rowe is Chief Executive of the Chamber of Commerce and Industry of WA.

I P A

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Moral Greed and the Politics of Insult

MICHAEL WARBY

COMMENTARY on the role of the media in the rise of Pauline Hanson and One Nation has tended to concentrate on questions of how Pauline herself has been reported—whether the media has been too critical, too conformist, given her excessive media attention and so forth.

This is dealing with the phenomenon once it has occurred. What it does not do is explain why the sentiments that Pauline Hanson and One Nation have clearly tapped into *could* be so effectively exploited.

A SEPARATE MEDIA

The central duty of the media is to report society to itself. Obviously, news values themselves—things important, strange or otherwise remarkable, what makes something ‘news’—will affect what is reported. Yet, there is a clear sense in which the media is the mirror in which society sees itself. If that mirror is systematically distorted, then problems can be created.

A possible source of distortion is if journalists typically have common and strongly divergent views from those of the general public. If that is the case, there can be systematic under-reporting, or even mis-reporting, of common experiences and views. That can then create simmering resentments, a feeling of being ignored, ripe for possible exploitation.

Clearly, the importance of the media is increased when there is a failure of political leadership. Any media bias is most naturally expressed by journalists trawling for newsmakers they like. But they are driven first and foremost by the need for news. A political leader with a strong message, able to speak past the media—as distinct from politicians who are buffeted and blown by its fashions—makes any such media bias much less important—as Ronald Reagan, Margaret Thatcher and Jeff Kennett all show. (Jeff Kennett, for example, has to deal with the most pro-Labor, according to journalists themselves, broadsheet in Australia—see ‘Out of the Mouths of Babes and Sucklings’ in this is-

sue.) But it is not good enough to excuse institutional failings on the basis of how others might, or might not, be performing—accountability operates all round. Furthermore, leaders come and go, whereas the media is a continuing institution. How well or badly it functions is fundamental to the long-term health of the body politic.

As noted in the previous issue of the *IPA Review* (‘Media Propagandists for Social Justice’ by Piers Akerman), and further reported in this one (‘Out of the Mouths of Babes and Sucklings’ by Andrew McIntyre), a survey of public and journalists’ attitudes conducted by Professor Henningham provides a useful indicator of divergence between the attitudes of journalists and those of the general public. I have grouped the various issues together and arranged the groups in terms of increasing divergence between public attitudes and those of journalists.

On the role of markets and fiscal policy issues, there is very little divergence between the attitudes of journalists and those of the general public. Differences on life and family issues, welfare and conservation are more marked, but not particularly significant. Journalists are distinctly more secular than the general public. They are markedly more liberal on sexual issues and markedly more ‘progressive’ on labour market issues, and in their attitudes to national identity, and very much more ‘progressive’ on crime issues, than the general public.

So, while Australian journalists are likely to be good ‘mirrors’ on general economic and fiscal issues, and fairly reasonable ones on welfare, conservation, and life and family issues, there are clearly doubts about their likelihood to be so on religious, sexual, labour market, national identity and crime issues.

Now, what recently prominent political figure has been making quite a name for herself on national identity and crime issues? Pauline Hanson’s distinctiveness on such issues is reflected in her support base—One Nation supporters are likely, to a very disproportionate degree, to cite

immigration, Aborigines, equal treatment, law and order, and guns as reasons for supporting One Nation and to express support in terms of national identity.¹ Ms Hanson has clearly been filling a gap in the political market. The question is, why is that gap there?

THE POLITICS OF INSULT

It is worth reflecting a little more on how much of ‘progressive’ politics works in this country.

Consider, for example, how environmental politics operates in this country. The typical pattern is for some development project in rural or provincial Australia—a Coronation Hill, a Wesley Vale, a Jabiluka—to be demonized by a city-based environmental movement playing largely to an urban-based ‘green’ vote. The project gets abandoned—as do all the other similar projects people don’t even bother to put up. City pieties destroy rural and provincial jobs without any compensation and on the basis of a rhetoric which treats rural and provincial Australians as environmental despoilers, delegitimizing their work. The ‘get a job’ taunts that folk in timber towns throw at green demonstrators, and the willingness of workers to get involved in organized anti-green politics (sometimes reported in the mainstream media as ‘business plants’²), expresses this tension.

The same pattern—of city pieties delegitimizing rural and provincial Australia while imposing real costs—operates in indigenous politics.

All Australians are taxed to pay special benefits and fund special institutions. After *Mabo* and *Wik* we have now special property rights on the basis of race. At the same time we say racism is wrong because, of course, all should be treated equally. The property rights of rural lessees are unilaterally changed by a distant court—leases which are fundamental to their livelihood. Naturally people get upset. Money is poured into failed indigenous programmes—there is little or no improvement in the appalling health profiles of indigenous Australians despite the ex-

	Percentage in favour of				Percentage in favour of		
	Public	Journalists	Difference		Public	Journalists	Difference
Role of Markets				Sexual			
Private schools	83	83	0	Condom vending machines	83	97	14
Competition	96	95	1	Premarital virginity	29	8	21
Business profit	90	91	1	Legalised prostitution	65	87	22
Privatisation	48	46	2	Gay rights	57	79	22
Nuclear power	24	27	3	Average difference			20
Socialism	29	34	5				
Free enterprise	86	92	6	Labour Market			
Average difference			3	Minimum wage	79	87	8
Fiscal Issues				Work for the dole	85	74	11
Public spending cuts	35	36	1	Picketing	33	53	20
Defence spending	68	64	4	Unemployment benefits	67	91	24
Dath duties	12	18	6	Strikes	19	45	26
Wealth tax	40	46	6	Trade unions	47	84	37
Average difference			4	Average difference			21
Life and Family				National Identity			
Voluntary euthanasia	71	77	6	Patriotism	77	70	7
Test-tube babies	56	62	6	Multiculturalism	78	85	7
Legalised abortion	71	82	11	Royalty	46	25	21
Working mothers	80	92	12	Australia as a republic	49	78	29
Average difference			9	Asian migration	51	83	32
Welfare				Mabo	44	78	34
Housing commission housing	83	90	7	Average difference			22
Government welfare	76	89	13	Crime			
Average difference			10	Caning young criminals	40	46	6
Conservation				Decriminalised marijuana	36	63	27
Conservationists	84	95	11	Castrating sex offenders	50	20	30
Religious				Stiffer jail terms	80	46	34
Church authority	20	21	1	Death penalty	60	21	39
Women priests	75	87	12	Average difference			27
Bible truth	41	21	20				
Sabbath observance	52	30	22				
Average difference			14				
(without church authority issue)			18				

penditure of billions of dollars. Understandably, people who daily see the waste and failures stop believing in the wisdom of Canberra.

The politics of grievance encourages the idea that indigenous advancement is some sort of 'gift', and that financial benefits flow from saying how oppressive our common society is. Policy apartheid—giving special benefits on the basis of race funded by general taxes—generates resentment and 'downward envy'. The combination poisons race relations in outback communities.

The guns issue expresses the same dynamic. The implicit message is 'you bastards can't be trusted with guns', of saying 'you are all potential psychopaths'. There are some very angry and insulted people out there, over the gun issue.

There is also the problem of divergences between general attitudes and official multiculturalism—the doctrine that the hosts should pay to adapt to the newcomers (see 'Cultural Pluralism: The Case for Benign Neglect' by Michael James in this issue). Since migrants have tended to concentrate in the major cities, particularly Sydney and Melbourne, multicultural issues tend to be less relevant in the country. Breast-beating about how disadvantaged migrants are, and demands that taxes be appropriated to counter this disadvantage, are likely to have less than normal resonance. Implicitly, or explicitly, saying that a country which has welcomed new-

comers to a remarkable extent is oppressive seems both gratuitous and insulting. When academics such as Professor Stephen Castles—consultant to the former Labor Government on multiculturalism— theorize, along with Bill Cope and Mary Kalantzis, that 'Anglo' national identity is weak (not being forged in the flame of battle for country), unattractive (based on genocide, racism, sexism, and war mythology), and backward looking (to a bygone era of monoculturalism and colonial supremacy)³, then the intellectual superstructure for the politics of insult is well in place. That Australian identity might have been forged out of struggle to build prosperity in a distant, isolated and harsh land; that Australia has been a great pioneer of democratic governance; that we achieved federation by discussion and popular vote; that Australia has been a remarkably welcoming society, with very high rates of intermarriage; that we remain an immensely attractive destination for work and study, pass by such sneering moralistic grandstanders almost completely.

MORAL GREED

Again and again, city-based 'progressive' politics loads country Australia down with its fears and projections, and makes it pay the cost of its easy pieties. This is *moral greed*—exactng a vicarious pleasure from a righteous stances on issues that cost the proponent nothing (and are often highly

conformist within their work or social circles). It is a case of 'conspicuous consumption', via the display of moral superiority. It is status without effort. And it is corrupting both the media and the body politic.

The distinctive thing about displays of moral greed is not mere disagreement; it is characterizing opposing views as being wicked, as a sign of moral delinquency, rather than merely wrong or mistaken. Instead of careful reasoning in terms of likely effects or errors of logic, reliance is made on the use of 'boo-words'—such as 'racist' and 'genocide'—often in quite 'over-the-top' ways.

When taking children from families with the intention, however misguided, of giving them a better future is called 'genocide' and thus equated with the Nazi Holocaust, and the Armenian and Rwandan slaughters—and any demurral is treated as implicit approval of the original policy and indifference to genocide—then public moral discourse has become so decayed as to be worse than useless. It has, in fact, become a poison to the body politic—how many votes for One Nation did 'National Sorry Day' generate?

Of course, being a discoverer and denouncer of a great sin, like genocide, gives high status.

The progressive politics of insult naturally alienates country Australians in particular who, either implicitly or explicitly, get treated as a bunch of Aboriginal-dispossessing, environment-destroying, weather-whingeing, gun-happy, redneck racists. A patently morally inferior bunch, who should shut up and do as their told, while city folk sneer at them and destroy their job prospects. Tolerance does not extend to 'rednecks'.

The politics of insult is a natural, indeed a necessary, part of moral greed. How can one have status if there is not someone to whom one is superior? Such grandstanding then provides a rich vein of resentments into which Pauline Hanson and One Nation can tap.

If the media provides an accurate 'mirror' of society, these resentments will get expressed in normal debate and commentary, and have avenues for being discharged. If, however, the media systematically distorts or represses such views, considerable pressure can be built up, waiting for release. If the media are strong practitioners themselves of moral greed, they will be an enormous part of the problem. Honest discussion of issues will become well-nigh impossible, or at least face huge, unnecessary hurdles. Whole sets of experiences, and possibly fruitful responses to them, will face denial or fatu-

ous denunciation. This problem is particularly rife in discussion of indigenous issues—accusations of racism having been the prime device for policing moral ‘correctness’. Thus, amongst the self-appointed ‘moral vanguard’, assimilation policies, or even those which merely treated people equally, are indicators of ‘racism’—for instance, David Marr using the term ‘egalitarian racism’ for those moral delinquents who believe that policy should be colour-blind.⁴ The Canberra Press Gallery cheering the passing of the poorly drafted, unnecessarily complex and tendentious *Native Title Act*⁵ from the Senate gallery was a notable display of progressive conformism in the media. The treatment of indigenous issues is quite different from, say, economic issues—the media is far more willing to give various views an airing in the latter than the former. This is so even for fellow journalists—as Chris Kenny found when his exposé of the Hindmarsh Island fraud was consigned down the ‘memory hole’. The best comment I heard about the Hindmarsh Island debacle was ‘where was the gutter press when we needed it?’ Quite.

If people see that the media is systematically not reporting what they see around them, then they are going to look for explanations of that. If widely held perspectives do not seem to get much of a go in the press, people are going to look around for explanations of that as well. Either way, the ground is made much more fertile for conspiracy theories—well known to flourish in rural Australia—which provide explanations for systematic mis-reporting and under-reporting.

Even if people do not fall prey to such explanations, there is certainly rich ground created for political exploitation—as Pauline Hanson has found. Much of the reporting of Ms Hanson has served to reinforce the perspective that she is merely expressing what many people think, but ‘they’—the media—will not treat fairly. And the ‘all put One Nation last’ campaign continues the pattern of city-dominated public debate belittling rural and fringe-urban Australia. Ironically, the media’s obsession with the voting preferences issue in the Queensland State election—a patent form of moral grandstanding over an issue of political process, not substantive policy—clearly greatly aided One Nation. It gave them huge amounts of free publicity, made it almost impossible for Borbidge and Beattie to get a word in edgewise, and exemplified the pattern of an out-of-touch media foisting its views on the general public—23 per cent of whom promptly went out and voted One Nation.

The archetypal comment about Ms Hanson is ‘she says what others won’t’.⁶

The suggestion that Peter Garrett [the cover story, *Bulletin*, July 28], an arch-enemy of the progressive politics of insult, is an appropriate person to wield out against Pauline Hanson comprehensively misses the plot. The confrontational media lynch-mob treatment of Ms Hanson has been highly counterproductive, as was evidenced in the Queensland election. There is overseas evidence that confrontational approaches against racism, for example, can be significantly counterproductive—a recent survey found that the European Union’s aggressive Year Against Racism campaign had actually ‘been marked by a growing willingness on the part of Europeans to openly declare themselves as racists’.⁷ It is perhaps not surprising that people react against being preached at, particularly when the preaching has strong overtones of moral condemnation and self-aggrandizement.

As for the claim that Ms Hanson represents a revolt against ‘economic rationalism’ (despite the fact that talking about economic issues is *not* how she came to prominence and about which she has little distinctive to say) well, lots of commentators would say that, wouldn’t they? If she represents a revolt on cultural issues, then she represents a revolt against *them*. Far better, and much more comforting, if One Nation (haven’t they noticed the title?) represents a revolt against something they also disagree with.

They do have similar inconsistencies—being against the GST but in favour of tariffs, for example (if a GST on food and clothing is immoral, as some Church spokespeople have said, why have they not denounced regressive tariffs on food, and textiles, clothing and footwear?: but self-serving moral display does not require consistency). Ironically, Ms Hanson herself is rather more progressive on sexual issues than much of her public.

CONCLUSION

The role of the media is to report a nation to itself. If it fails to do that in a systematic way, then the opportunity is ripe for resentments and frustrations to build up, waiting for an appropriate vehicle to express them.

It is perfectly true that a less rhetorically-challenged government—one which understood the massive mandate against domination of policy and debate by the Sydney-Melbourne-Canberra Triangle it had been given, one more able to articulate a middle road between the sneering, moral-greedy, elitists of the guilt industry and more old-fashioned bigotry—would

have dealt with the current stresses more effectively—but they did not create the underlying stresses.

The United States has dealt with Pat Buchanan—a much more imposing figure, pushing similar lines. The answer has been real federalism—allowing diversity and thus reducing alienation—and full employment—massively reducing serious insecurity and greatly ameliorating social problems. What lies behind all these, however, is respect. The self-respect that comes from having a job, and confidence that you can get another, the respect comes from having a political system which allows regional diversity to be expressed rather than imposing centralized homogeneity, the respect that comes from having your perspectives being a fully legitimate part of the political debate.

We can achieve the same answers to the Perils of Pauline, it merely takes the political perception and the will—and a media which does its job with more professionalism and less moralistic self-indulgence. Moral greed is poisoning our body politic far more than the ordinary garden-variety ever has, for it divides the country on the basis of sneers and insults and strikes at the root of ‘government by discussion’ which lies at the heart of democracy.

NOTES

- 1 Goot, Murray, ‘Hanson’s Heartland: Who’s for One Nation and Why’ in *Two Nations: The Causes and Effects of the Rise of the One Nation Party in Australia*, Bookman, 1998, pages 68-70.
- 2 For example, an *Age* article by Geoff Strong: ‘The Green Game’, *Features*, 17 August 1998.
- 3 Millbank, Adrienne, *An Anti-Racist Campaign: Who Needs It?*, Parliamentary Library Current Issues Brief No. 20, 1997-98, page 5.
- 4 In ‘Primal Fear: Race, Politics and Respectable Australia’, *Sydney Morning Herald*, 31 May 1997 (available at <http://reconciliation.queer.org.au/other.htm>). ‘Egalitarian racism’ is a term whose patent oxymoronic status should surely have screamed the stupidity of the usage.
- 5 A ‘great achievement’ of ‘social justice’ that took three years and four months for its first determination of native title on the mainland.
- 6 Goot, page 69.
- 7 Millbank, page 4.

Michael Warby is Editor of the IPA Review.

IPA

REVIEW

SEPTEMBER 1998

The Vision Thing

STEPHEN DAWSON

CONVENTIONAL wisdom has it that genre novels—Westerns, detective stories, romances and, especially, science fiction—aren't *real* literature. They are claimed to offer nothing more than pulp fiction for pulp minds.

Conventional wisdom, of course, frequently overlooks the facts. Two of the twentieth century's most influential—and studied—novels were science fiction. I refer, of course, to *1984* and *Brave New World*.

These (along with the underrated *This Perfect Day* by Ira Levin) are horrifying warnings of collectivist dangers. *Science fiction* (henceforth termed 'SF') or, as the late master of the genre, Robert A. Heinlein, would prefer, *speculative fiction* (to which the initials also happily apply) also provides a unique forum to present a promising vision.

Of course, the creation of a fictional, alternative—and recommended—society is not new. Plato's *Republic* is one such, while More's *Utopia* has lent a useful pejorative to the language for many such visions. But the field is not confined to proto-socialist systems. Indeed amongst the most vibrant of 'utopian' visions presented in fiction in recent decades have been precisely the opposite: pure, unregulated capitalist societies. I shall discuss just three—one by Heinlein and two others by L. Neil Smith.

Heinlein's writing spanned a period of 49 years, until his death in 1988. While remaining totally within the genre of SF, he spanned an extraordinary range from his 'juveniles', to a novel oddly influential amongst the hippie generation. (*Stranger in a Strange Land*, in which Heinlein conjured up a religion to which, incredibly, there are still practising adherents!) I rate his best work, though, to be his 1966 rebellion novel, *The Moon Is a Harsh Mistress*.

Imagine an over-populated, over-regulated Earth using the Moon (or Luna, as the satellite is, by convention, termed in SF) as a prison colony, in the same way as England used Australia and the American colonies. Imagine also that there are ample supplies of water, in the form of ice pockets, contained on the moon (which

is suddenly looking like a real possibility following discoveries by NASA just this year). Put the two together and you have, courtesy of plentiful solar power, massive underground grain farming to supplement the food supply of an Earth that is perpetually poised on the edge of famine. Delivery is cheap, since little boost is required to lift the steel-contained grain 'barges' from Luna's surface, and careful selection of orbits reduces the need for braking prior to splash-down on Earth.

Luna, largely populated, by the time of the story, by ex-convicts and their descendants, is governed by an absentee government with no concern at all for the well-being of its inhabitants. Left to their own devices, they have evolved one of the most vibrant and startling Law-free societies ever to be postulated in print. I say 'Law-free', not 'law-free'. There are no laws imposed from above regulating commerce, nor relationships between people, nor even against crimes. Instead a system of customary law has evolved. Wrongs are righted by the impromptu hiring of a respected person to serve as judge. Social customs (including marriage and sexual practices, which on Luna, due to the low proportion of women as a result of its prison-colony origins, give an unusual amount of power to women and demand of males exceptional courtesy) have evolved in response to existing conditions, including survival in an inhospitable environment.

The story is one of revolution, more or less paralleling the American Revolution of 1776. The revolution succeeds, at some cost—not the least of which is the institution of a Luna government, democratic in principle and good-willed in intention, which seems destined to impose unwelcome losses of freedom.

This potentially didactic piece is packaged in one of the most concise pieces of prose I have read, and makes a compelling read. Would that all writers could do their job as engagingly as Heinlein.

Heinlein was an extraordinarily influential writer, a fact reflected in his appearance as a revered character in at least two other novels. Among those he influenced was David Friedman, son of Milton, who was prompted to develop a theory of

anarcho-capitalism which appears in his *Machinery of Freedom*. Another person Heinlein influenced is the prolific SF writer L. Neil Smith.

From time to time, alternative history novels enjoy mainstream popularity. These novels are based on the premise of a historically significant divergence, leading to a markedly different world. In the case of Robert Harris' *Fatherland*, the United States failed to involve itself in the Second World War, leading to the time of the story, set in the early 1960s, with Hitler celebrating his 75th birthday. Or there is Newt Gingrich's *1945*, in which Germany launches an attack on the United States' Manhattan Project. Usually the point of divergence is substantial, and fairly recent in time.

Neil Smith's first novel, *The Probability Broach*, originally published in 1980, posits a point of divergence that consists of the addition of one word to one document more than two centuries ago, creating as different a world from that in which we live as can be imagined.

The single word is 'unanimous'. The document is the United States' *Declaration of Independence*. Instead of saying 'from the consent of the governed', in Smith's alternative world the *Declaration* says 'from the unanimous consent of the governed'. This small change sees the subsequent shooting of George Washington for attempting to suppress the Whiskey Rebellion, the withering of the state of the United States, and its State governments, with the Presidency becoming a part-time, honorary office.

Economically, the wealth of this 'other' United States is incredible ... and it makes one think. If you conservatively posit that, on average, government policies, including taxation, cost half a per cent in economic growth each year (and Smith would claim they cost more than that), then over two centuries the gross product would be 2.7 times higher than what it is now. Yes, you *can* be half-percented to death!

The story itself is about a Colorado police officer, Win Bear, who slips into this other world from a pessimistic projection of our own. The technology comes, of course, from the 'other side' which, along

with enhanced economic growth, has enjoyed accelerated technological development. Bear finds himself in a land without imposed laws, but customs. Everyone carries guns. Everyone is healthy (courtesy of superb medical technology). And property-rights enforcement is carried out by private contractor, of which his alter-ego is one.

The details of how such a society would work are conveyed through the learning process of the first (or 'our') Win Bear, without slowing the pace of a snappy tale. Included in the story, unfortunately in my view, are intelligent monkeys and dolphins, but I suspect that Smith introduced these to make a separate point about 'human' rights. On the other hand, the appendix outlining the significant historical events of 'that' America has some rather amusing points, such as '1865: Actor John Wilkes Booth murdered by obscure Illinois lawyer', and the accession of such people as H. L. Mencken and Ayn Rand to the Presidency.

A later novel by Smith, his 1996 *Pallas*, is more conventionally SF, with a utopian, government-free, hunter-gatherer/industrial society established on an asteroid. A pocket of the asteroid has been reserved for a Stalinist 'utopian' enclave. The contrast of utopias is fascinating, as is the release of productive energy by the main protagonist, who escapes from one to the other. Again Smith's humour is evident. Ayn Rand makes an appearance as a character (under a different name) and, of all people, Shirley Maclaine appears, treated with surprising sympathy but in a way that highlights the inherent contradictions of views of the kind that she holds.

Smith argues that while the case for freedom—economic and otherwise—must continue to be established in an intellectually rigorous way, it needs to be supported by showing how it can work in practice. Smith would be the last to submit his visions as what will actually happen—and Heinlein consistently denied over the decades any unusual prescience on his own part—but as the able writers on market economics continue to build the factual case, the spirit of people needs to be filled with the vision of what is possible.

These novels, and others of their kind, achieve that.

Stephen Dawson is a Canberra-based libertarian who earns his living by being opinionated in hi-fi magazines and getting up early in the morning, something against which Heinlein specifically recommended.

IP A

Cultural Pluralism: The Case for Benign Neglect

MICHAEL JAMES

Australia's underlying social norms have proved to be powerful agents of social integration. By contrast, official multiculturalism is widely distrusted.

A case where the government 'solution' is most of the problem.

IN 1988, the FitzGerald Report warned that multiculturalism was undermining Australia's immigration programme. The submissions it had received indicated that 'major issues of concern to the community included immigration numbers, composition of the intake and the immigrant's role in changing Australian society. Race did not come through as a major concern'. The report continued:

Confusion and mistrust of multiculturalism, focusing on the suspicion that it drove immigration policy, was very broadly articulated. Many people, from a variety of occupational and cultural backgrounds, perceived it as divisive. The majority of these people also expressed concern about immigrants' commitment to Australia and to Australian principles and institutions.¹

The Hawke Government's response was to cut immigration numbers (as successive governments have continued doing) and to redefine multiculturalism so as to remove any suspicion that it sanctioned the undermining of the nation's social cohesion. The Government's *National Agenda for a Multicultural Australia*, adopted in 1989, reaffirmed the 'right of all Australians, within carefully defined limits, to express and share their individual cultural heritage, including their language and religion'. The 'limits' were threefold: 'all Australians should have an overriding and unifying commitment to Australia, to its interests and future'; they should 'accept the basic structures and principles of Australian society—the Con-

stitution and the rule of law, tolerance and equality, parliamentary democracy, freedom of speech and religion, English as the national language and equality of the sexes'; and 'the right to express one's own culture and beliefs involves a reciprocal responsibility to accept the right of others to express their own views and values'.²

This restatement has hardly reassured Australians that multiculturalism is not divisive or restored public support for high levels of immigration. Indeed, some influential commentators favour restricting the official use of the term 'multiculturalism'. One of the architects of multiculturalism, Professor Jerzy Zubrzycki, has repudiated any usage for it beyond a description of Australia's demographic reality.³ Paul Kelly has suggested that at the centenary of Federation the country adopts the catchphrase 'Many races, one culture', in preference to the Centenary of Federation Advisory Committee's suggested 'Many cultures, one nation'.⁴ It is quite possible that Prime Minister John Howard's practice of avoiding the term in government statements about Australia's identity and destiny would be followed by any future Labor government.

DOUBTS ABOUT MULTICULTURALISM

What has gone wrong with multiculturalism? The official definition of the policy matters less than the way it is understood by the general public. Paul Kelly holds that multiculturalism is 'widely seen as a policy for Australians from ethnic minority backgrounds, but not for all Australians'. This impression is sustained in

REVIEW

part by treating all persons from non-English-speaking backgrounds as officially 'disadvantaged' and hence entitled to special treatment regardless of actual need. Equally important, in my judgement, is the way multiculturalism has seemed to question the status of the established culture of the country.

In the decades following World War II, Australia for the first time received hundreds of thousands of immigrants from southern Europe, most of whom settled successfully. But when multiculturalism became official policy in the 1970s, it was, mistakenly or not, widely believed to have implicitly changed the terms on which immigrants are invited to Australia. It suggested that immigrants need not try to adapt to Australia, because Australia will adapt to them, as if Australia were a sort of cultural *terra nullius* in which the residents' way of life had no priority over those that immigrants bring with them, and little of value to which immigrants might aspire. (At one stage, SBS television news gave precise symbolic expression to this idea by regularly projecting an image of Australia as a patchwork of the flags of other countries.) Multiculturalism has thus seemed to stress the differences between people at the expense of the factors that bind them together in a single community. These factors prevent Australia from becoming, say, another Yugoslavia. Yet they are not themselves culturally neutral but are precisely an aspect of the established Australian way of life. To regard 'Anglo-Celtic' culture as just one culture among the many to be found in Australia is thus to overlook its significance as a condition of Australia's successful cultural pluralism.

In practice, the high level of second-generation outmarriage among

ethnic groups⁵ demonstrates that multiculturalism has not led to Australia becoming tribalized, as some of its critics feared it would. On the other hand, widespread outmarriage cannot plausibly be cited as evidence of the success of multiculturalism. High levels of tolerance and intercultural harmony are manifestations of deeper social norms in Australia than anything that recent social engineering could produce.

CULTURES AS NATURAL MONOPOLIES

The conventional view in Australia, however, is that doubts about multiculturalism and (usually) about high immigration numbers are a manifestation of racial prejudice. Since racial prejudice is immoral and illegitimate—and based on irrational fears and ignorance—politicians should, it is argued, resist its demands and combat it with educational campaigns. But the expectation that immigrants should adapt to some degree to the prevailing culture in exchange for being accepted into it is neither racist nor irrational.

Cultures display many of the characteristics of natural monopolies. The social conventions and institutions that make up a way of life are valuable to those who use them precisely because so many other people use them; and the more people who do use them, the more valuable they are to everyone who uses them (in economic terms, they bring 'increasing returns to scale'). The best example is language: the more people speak a language, the more incentive there is to learn it, and the more valuable it is to all who speak it.

On the face of it, the benefits of sharing a culture may seem to justify protecting them from potential competition. For example, the established legal system enables those who use it to conduct more transactions, and to do so more cheaply, than if the legal nature and status of commercial transactions themselves had to be constantly negotiated between the parties. The public interest would seem to be better served by making the estab-

lished legal system compulsory than by opening it to potential competition from rival legal systems. On these grounds, there may seem to be a case for granting a privileged monopoly status to conventions like, say, legal systems, languages and currencies.

Multiculturalism has made it harder, not easier, for Australians to appreciate the uncommonly high level of intercultural harmony and tolerance that exists in their country

But social conventions are always subject to competition at their margins. Most countries have an official language; but many of their residents, in some contexts, speak other languages. At the same time, English has emerged spontaneously as the preferred (but by no means exclusive) international language. Alternative legal systems have grown up in response to the high cost of dealing with established ones. In the international economy, the free play of currencies has led to a few of them becoming the preferred ones for international transactions.

The benefits of such competition are too valuable to forgo. Although a society may have invested in conventions that enable it to prosper, it must also be exposed to other ways of doing things which may be more productive and from which it can learn. In a flourishing society, ways of doing things are always gradually changing; people feel naturally protective towards established conventions but are also flexible enough to adapt to new ones. International competition heightens this tension between the established and the new; but if we want to regenerate the sources of our prosperity we cannot avoid it, even though we may try to do so through reactionary and nostalgic movements





inspired by the delusion that a more comfortable past can be re-created through an act of will.

We can't have a great deal of freedom of choice over the conventions that we make use of. We don't choose the society into which we are born; nor can we normally avoid becoming socialized into it. Later in life we can change some of the conventions we follow, like the language we speak, and even the customs and moral beliefs to which we subscribe. Such changes and choices are costly because, in growing up, we make an investment in our own culture and become prejudiced in favour of it as a way of maintaining its value and the freedom it makes possible. Cultural conservatism is not irrational if it flows from a calculation that it's not worth forgoing the benefits of that investment or to incur the costs of investing in alternative cultures. But such conservatism is likely to be inefficient and counterproductive if it slips into cultural protectionism, since a society that refused to expose its conventions to the potential competition of foreign ones would eventually be eclipsed by more adaptable societies.

DEPOLITICIZING CULTURAL PLURALISM

The best way governments can ease the tensions and misunderstandings generated by multiculturalism is to cease having 'cultural' policies. Culture is not amenable to government intervention. The communist experiment conclusively demonstrated that many social conventions can survive the most intense and dedicated attempts to extinguish or change them. At the same time, 'disadvantage' should be interpreted exclusively in terms of need. Treating all persons with non-English-speaking backgrounds as automatically disadvantaged encour-

ages rent-seeking by ethnic organizations and provokes resentment among taxpayers.

That said, governments can promote cultural harmony indirectly with policies that sustain the rule of law and preserve individual freedom. Such policies may have cultural aspects to them; for example, prohibiting discrimination and providing services like interpreters in the courts or English-language tuition. But such interventions are fully justified by reference to abstract principles that have no cultural content.

As well, Australia's approach to immigration could be rethought. The present programme revolves around politically-charged annual decisions on the numbers of both the total intake and its component categories. An alternative approach would be to charge immigrants for the right of entry, whether by auctioning an annual quota or by establishing an entry fee and accepting all comers (subject to present screening processes).⁶ Such sums could be viewed as payments for benefits from current welfare and other government services. They would help bias the intake towards immigrants with good employment prospects (many payments would in fact be made by employers who had recruited immigrant workers). They would subsidize the humanitarian refugee immigration programme. They would enable ethnic groups to sustain substantial family reunion by bearing the entry costs themselves (which is increasingly happening already). The precise levels of entry fees or of any annual quota would remain to be decided periodically, but this is unlikely to generate the degree of tension that the present system does.

CONCLUSION

Economic globalization promises to realize the nineteenth-century ideal of a genuinely integrated and interdependent humanity. Yet signs of disillusionment with internationalization are evident in several Western countries, Australia included. It may be that democracies will tolerate a high level of international influence on their

ways of life only if they think they can control the terms on which this takes place. At worst, this may lead to a return of high levels of protection and inefficiently low levels of immigration. At best, individual countries will believe they have something of value to contribute to the world and will not lose it as a result of enhanced exposure to the world. Countries which are culturally self-confident are more likely to take the latter course than the former. In my opinion, multiculturalism has made it harder, not easier, for Australians to appreciate the uncommonly high level of intercultural harmony and tolerance that exists in their country.

NOTES

- 1 S. FitzGerald, *Immigration: A Commitment to Australia*, AGPS, Canberra, 1988 (Report of the Committee to Advise on Australia's Immigration Policies).
- 2 Office of Multicultural Affairs, *National Agenda for a Multicultural Australia*, AGPS, Canberra, 1989.
- 3 J. Zubrzycki, 'Beyond Multiculturalism', in *Multicultural Australia? Ethnic Claims and Religious Values*, The Galatians Group Inc., Armadale, 1995, pages 75-88.
- 4 P. Kelly, 'The Curse of the M-Word', *The Weekend Australian*, 30-31 August 1997.
- 5 C. Price, 'Ethnic Intermixture in Australia', *People and Place*, Vol. 2, No. 4, 1994, pages 8-11.
- 6 M. Harrison, 'Auctioning the Immigration Quota', *Policy*, Vol. 5, No. 2, 1989, pages 26-28.



Michael James is editor of *Agenda*, a quarterly journal of public policy.

I P A

REVIEW

SEPTEMBER 1998

Why Not a Flat Tax?

DANIEL J. MITCHELL

Would you like your tax return to be able to fit on a postcard? Does a system where a person who earns ten times the income pays ten times the tax seem fair? Then a flat tax is for you.

LIKE the US, Australia is considering fundamental tax reform. Much of the Australian debate revolves around a plan to replace various consumption taxes with a broad-based Goods and Services Tax (GST), with the possibility that some of the extra revenue from this new levy will be used to reduce marginal income tax rates. This type of proposal could stimulate growth by increasing incentives and also clean up some of the complexity weighing down the tax code.

That is the good news. The bad news is that Australian policy-makers could enact a plan that would have far greater benefits. If Australians want a tax code that maximizes prosperity and treats all citizens fairly, they should completely repeal the current system and replace it with a flat tax.

The guiding principle of a flat tax is equality. All taxpayers and all income would be treated the same. With the exception of a generous tax-free allowance based on family size, all income would be taxed, but only one time, and at one low rate. Such a proposal has five major advantages. They are:

1. *Maximize incentives to create wealth for the Australian economy*—the single, low rate in a flat tax regime means that the penalty on work, risk-taking and entrepreneurship is minimized. This environment would result in a dynamic, fast-growing economy since individuals know that they—rather than the government—would reap the lion's share of the benefit from successful economic decisions.
2. *Boost savings and investment*—the flat tax does not discriminate against income that is saved and invested. This means, for instance, that there would be no second layer of tax on after-tax income that is saved or invested. The government would also be prohibited from taxing assets acquired with after-tax income, which would mean the abolition of capital gains taxes. Eliminating the bias against savings and investment would have a big economic

payoff since every economic theory—even Marxism—teaches that capital formation is the key to long-term growth and rising wages.

3. *Simplicity*—a big advantage of a single-tax system that taxes income only once is that all the complexities of the current code vanish. The only things that individuals need to know are the amount of their income and the size of their family. Businesses, meanwhile, would be subject to an extremely simple cash-flow expenditure tax. Both the individual and business tax returns could fit on a postcard.
4. *Fairness*—politicians no longer would be allowed to discriminate in a flat-tax environment. No matter the use of income, the source of income, or level of income, the same rules would apply. If your neighbour makes ten times as much income, he would pay ten times as much tax.
5. *Political honesty*—in most nations, politicians frequently use the tax code as a means of extorting money for their campaigns by promising (or threatening) to make changes in the tax code that will reduce (or increase) the tax burden of selected groups. This corrupting process works to the advantage of the rich and powerful. Under a flat tax, needless to say, such shenanigans would disappear.

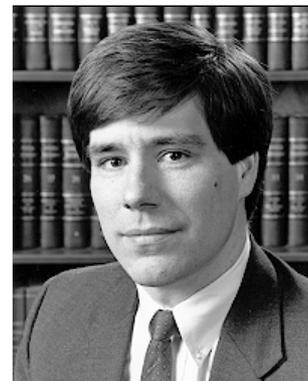
Opposition to a flat tax, at least in the US, comes from two major sources. The most significant opposition is from interest groups that have placed loopholes in the tax code. Ideologues on the left are the other major group opposing tax reform. They believe taxes are first and foremost a means of redistributing income, and therefore strenuously oppose any system that lowers tax rates at upper income levels.

Neither argument is justified. Well-connected and politically powerful interest groups should not be allowed to use the tax code to tilt the playing field in their direction. A flat tax ensures that the ordinary working man and small business are treated the same as the economic elite.

The class warfare hostility to the flat tax is also misplaced. The tax code should not punish the creation of wealth. If some citizens prosper by offering goods and services that consumers value, they are acquiring their wealth in a moral fashion and the tax system should not penalize them. Even more important, however, is the fact that high tax rates and excessive taxes on capital will drive successful people to hide, shelter and under-report their income. These practices are not only economically inefficient, but they also reduce tax collections. In short, a flat tax may be good news for the government's coffers since it is better to get a little slice of a big pie than it is to grab too much of a shrinking pie.

Places that have flat-tax regimes, such as Hong Kong and Bermuda, are economic success stories. True, these are isolated examples, but world economic evidence demonstrates a close correlation between a nation's prosperity and the degree to which its tax code contains low and reasonable treatment of capital.

There is every reason to believe that Australia would benefit from a flat tax. The country already benefits from an outward-looking, pro-trade mindset. Enacting the right kind of tax code would cement Australia's role as a leading economic power in the Asia-Pacific region.



Daniel J. Mitchell is a Senior Fellow with the Heritage Foundation.

I P A

Life as a Problem

GARY JOHNS

It is naïve to think every problem has a government solution. But, if government is going to be in the solution business, then everyone's problems are going to be its problems—even if they have to be redefined to fit.

If you start with the proposition that life is a problem that requires a solution, then the more governments become involved in seeking solutions to 'the problem', the more governments will be blamed for the problem. This 'blaming the government' now threatens the viability of governing.

In discussions with teachers in the 1970s, I recall their frequent use of the word 'cope'. Any issue became a problem with which they had to cope. The solution to the issue was usually an intervention by the government in the form of funding, to the schools or the teachers, or by way of curriculum changes. How those teachers wish they could go back and start again!

So it is with much of government provision and decision-making. A Ph.D. student interviewed me recently on accountability in government, the inference being there wasn't enough of it. I took her through the changes in administrative law in the last twenty years, and its application to government decisions.

For example, the veteran applying for a disability pension once received a one-off decision by a delegate of the government, appealable at law, but to all intents and purposes final. The system changed so that the veteran had a hearing before a medical tribunal, itself an appeal from the decision of a delegate, and on the merits appealable to a higher tribunal, and on a point of law to the Federal Court. Then the system shifted to a non-medical board with one member nominated by the veteran's organization, usually the RSL. Get the picture? The digger hardly ever lost.

The distinction between the deserving digger and the undeserving had by now been obliterated. The obliteration of this distinction in the name of fairness did not strike everyone as fair. My favourite story is of the war widow accompanying her friend in a Commonwealth car, a recent widow who complained about the Department of Veterans' Affairs treatment of her husband. The first war widow responded to the complainant derisively, 'I'm the real war widow, my husband died in the war!' These distinctions are real, and when gov-

ernments destroy them people can react in such a way that it becomes more difficult to make the next intervention.

I am not sure if the Ph.D. student made the connection between that change and accountability. A senior academic dismissed my illustration as having little to do with accountability. Perhaps she was right; the government had in some ways become less accountable to the taxpayer by losing its ability to distinguish a real claim from a pretend one. The more governments seek to blur them in the name of equity for the sake of peace, or electoral gain, the less manageable the system becomes.

Another true story: a newly appointed member of the Social Security Appeals Tribunal—which has the equivalent role of the Veterans' tribunal—was greeted at her first case with the remark from another member: 'Well, how do we get this one up?' Not, 'What are the facts in this case and how should we apply the law?', but 'How do we deny the government's intention and pay the people we regard as deserving?'

Perhaps it is not the crude level of expenditure that should excite those who worry about the size of government, but the purposes for which that expenditure is used. For example, I wrote a recent article about the behaviour of a single mother, which I'm sure in the view of most people was appalling. It read:

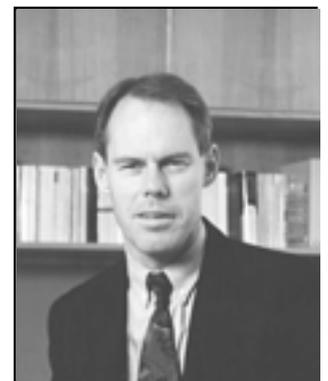
On a bright and sunny day, at a time when I was a Minister in the Labor government of Prime Minister Paul Keating, I walked from my electorate office to buy a pie for lunch. As I walked by the local pub I observed two women in their mid-to-late twenties leaving the pub. One called out to a friend, a mother of similar age, and crossing the road with a young girl in hand. 'How you goin'?', to which the friend replied in a very loud voice, 'The boyfriend's pissed off; but it's okay, I'm fucking the ex!'

I was shocked, and saddened and concerned. Why so shocked? The language was not new to me, the circumstances were not new to me, I am no prude. There was a link between me and the mother, above

and beyond the concerns of observing poor behaviour from an adult, especially in front of a child. I am a taxpayer and she was a beneficiary.

Reflect for a moment on the myriad implications of that relationship. Did the taxpayer have a right to pass judgement on the behaviour of the beneficiary? Did her behaviour make her undeserving of the assistance? What are her rights to receive that assistance? What are the taxpayer's rights to expect a 'good result' from that same assistance? What would constitute a good result?

My point was to challenge the view that government benefits are 'as of right'. Payments from the taxpayer are made on the basis of taxpayer consent, and it is assumed that the benefit would be put to good use. Right on cue, the National Council for the Single Mother and Their Children chimed in with an attack on my argument, and a defence of the woman on the basis of her contribution as a taxpayer, and my undoubted ability to pay her way. They did not treat the person as an individual or acknowledge that she may have had some responsibility to the taxpayer who was, in effect, raising her child. The refusal to acknowledge this point leaves a very large hole in the rationale for the welfare state. The more we leave the consent of the taxpayer out of the question of who is to have use of public resources, the more strongly they are likely to react. Then life for government becomes a problem.



Gary Johns is a Senior Fellow with the IPA.

IPA

REVIEW

MUA, Here to Stay ... Today!

MICHAEL WARBY

THE much-criticized H.R. Nicholls Society held its nineteenth conference in Melbourne from 31 July to 2 August. The title of the conference was *MUA, Here to Stay ... Today!* The recent waterfront dispute provided the central theme of the conference, being the subject, directly or indirectly, of most of its papers.

The conference was kicked off on the Friday night by an address by the Hon. Peter Reith, Minister for Workplace Relations and Small Business. He gave the Society a serve for what he said were the inaccuracies and unfounded personal attacks (on him) of its *Mission Abandoned* document released in 1996 criticizing the *Workplace Relations Act* (or the 'Kernot-Reith Act', as the Society is wont to call it). It was clear that, 18 months later, the document's critique still irked him.

The next day, Des Moore and myself gave papers on unemployment and its causes—Des concentrating on rebutting standard criticisms of labour market de-regulation, using the US labour market as an example, while I delineated how poor Australian performance currently was and the role of politics in that performance.¹ The President of the Society, Ray Evans, read a lively paper by journalist and author Tim Hewat on the history of waterfront unionism. Ken Phillips once again entertained with an original analysis of the economic significance of the master-servant relationship in employment. Geoff Vazey, the Chief Executive of the Ports of Auckland Ltd, gave a thorough and, by comparison with the Australian waterfront, depressing picture of how far New Zealand had gone in achieving efficient waterfront practice. Andrew McIntyre gave an amusing, and disturbing, paper on the social role of anti-discrimination legislation.

The last paper of the day was a highly informative and entertaining presentation and question-and-answer session given by Paul Houlihan, the Managing Director of P&C Stevedores. Worrying information on the role of the Victoria Police in the dispute emerged during this session.

The dinner speech was given by Donald McGauchie, immediate past-president of the National Farmers' Federation, focusing on trade and competition as the only real basis for rural economic success—despite bad seasons and poor commodity prices there is still much evidence of vitality and successful entrepreneurship in the bush. Exports of processed foods are increasing rapidly and new science and technology offer great new opportunities for the future. He emphasized how critical to the bush are competitive enterprises in the service sector—particularly the waterfront.

The first paper on Sunday was the most disturbing of the Conference. Given by Stuart Wood, who acted for Patricks in attempting to clear the pickets by legal action, it provided documented information on the high level of violence on the pickets, how an accurate picture of the pickets was not conveyed via the media, and the role of the Victoria Police in not enforcing legal injunctions, in preserving a violence-appeasing 'order' rather than enforcing the law and, at times, assisting the picketing. Alan Mitchell, Economics Editor of the *Australian Financial Review*, discussed the role of the press, defended the interest in the Government's role, noted that MUA press management was generally far superior to that of Patricks or the Government and made some fairly trenchant observations on the ongoing performance of the ABC—which he characterized as flowing from poor management insufficiently willing to ensure the quality of its product.

The final session constituted a summing up by Ray Evans as President and a general discussion. A former importer pointed out the crucial role of the waterfront labour monopoly in enforcing union power—which he said was regularly exerted on small and medium-sized companies to get acquiescence on union demands in other industries. A contractor outlined how the large companies in his industry were frustrating award simplification, as complex awards acted as a protective device against competitors.

It was a very informative, and often very entertaining, conference. The attendees were given far more insight into the real story of the waterfront dispute than could have been gleaned even from the most assiduous consumption of the offerings of the press.

NOTE

- 1 My paper is available on the IPA website [<http://www.ipa.org.au/>]. All the papers from the conference will become available on the H. R. Nicholls Society website [<http://venue.exhibit.com.au/~nicholls/>].

Michael Warby is Editor of the IPA Review and a Board Member of the H.R. Nicholls Society.

IP A

Congratulations to Gary Johns

IPA Senior Fellow, the Hon. Gary Johns, has been appointed by the Commonwealth to the Australian Citizenship Council, chaired by Sir Ninian Stephen.

The Council is to develop a report on contemporary issues in Australian citizenship policy and law, and advise on arrangements for the celebration of the fiftieth anniversary of Australian citizenship which commence on 26 January 1999. The IPA would like to congratulate Gary on this appointment, a well-deserved recognition of his continuing commitment to the betterment of Australia.



LET'S GO RADICAL!

In 1983 the English journalist-turned-historian, social democrat-turned-capitalist and atheist-turned-Catholic, Paul Johnson, writing of the interconnectedness of economic and political freedom in the *IPA Review* (Autumn 1983, p.38), continued:

The truth is, all the so-called freedoms are aspects of one fundamental freedom which is based on the proposition that the individual is usually a better judge of his interests than any collective. Once one aspect of this freedom is secured the others accrue in time, once one aspect is lost the others tend to disappear in due course.

It was this realization that brought about Johnson's conversion—the one from social democrat, that is. The proposition that Johnson accepts is not altogether unexceptional because it is moderated by the word 'usually'. In all justice, one cannot replace 'usually' with always. I must reluctantly admit that there may be occasions—very rarely, I insist—upon which my wife, my neighbour, even my local member of Parliament, may know better than I what is best for me in a particular situation. Does this, then, give that person the right to overrule my judgement?

No. That 'no' is for two reasons. The first is the 'knowledge' problem. No person or group of people have ever been able to predict the future with perfect accuracy. To 'know' what is best for me, means predicting the future. The only way we can ever be certain that some other person's 'knowledge' of what is best for me is to wait, and then assess the matter in hindsight.

The other reason is the issue of who carries the responsibility in the case of mistaken 'knowledge'. For the great majority of decisions, it is me. A lesson is more acutely learnt if it is me that makes the mistake and me that bears the consequences than it is if someone else who suffers for my error (except, perhaps, for those I love).

What place do these ruminations have in a column on free enterprise Internet resources? If we accept what Paul Johnson says about political and economic freedom going hand in hand, and my supporting arguments, then the implication is that government should not content itself with merely deregulating milk markets, privatizing electricity supply and maintaining a balanced budget (as rare, historically, as these moves have been), but consider deregulating *all* personal behaviour, privatizing *all* interpersonal relationships, and reducing taxation (and spending) to a tiny fraction of where it presently stands.

That is radical.

Many of the free enterprise resources on the Internet are not neatly divided into the economic and political. Most that advocate economic freedom also advocate political freedom, seeing the former as merely a part of the latter. Almost all take a position on individual freedom so radical as to seem utterly revolutionary to an average Australian reader.

Let us now look at some of these radicals.

THE LIBERTARIAN ENTERPRISE



Imagine, if you will, a publication that argued in the wake of the Port Arthur massacre that the appropriate public policy response would be the *removal* of laws restricting firearms ownership. In a recent issue (Issue 38), shortly following the spate of school yard shootings in the United States, this

is precisely what *The Libertarian Enterprise* argued.

Ridiculous, eh? Until you look into some of its reporting. It points out that two of the four recent massacres were



stopped by citizens who had broken federal law by having firearms within a recoverable distance (the glove box of the car in the car park in one case), while the Oregon massacre was terminated by a 17-year-old student and his 14-year-old brother who knew when to tackle the murderer. They knew because they had received firearms handling training from the much-vilified National Rifle Association. The older student was shot twice by the teenaged murderer with his backup pistol, but happily survived and prevented the boy from completing the reload of his rifle.

Somehow I missed all this in the Australian media coverage.

The Libertarian Enterprise is not solely interested in guns. As I write, the latest issue reproduces essays from young writers who entered a freedom essay competition conducted by the Liberty Round Table.

The Libertarian Enterprise may be viewed at:

<http://www.webleyweb.com/tle/index.html>

but you can receive it, as I do, in your Email box monthly by sending an Email containing in its body the word 'subscribe', followed by your Email address, to:

libent-request@ezlink.com



Be warned, there is a lot of reading in each edition. The Liberty Round Table is located at:

<http://www.lrt.org>

FREE LIFE

In one of my first columns I mentioned the Libertarian Alliance, based in the United Kingdom. This, also, is radical. It produces a print publication, *Free Life*, to which even Australians may subscribe. Alternatively, the bulk of the copy may be viewed at:

<http://freespace.virgin.net/old.whig/fl.htm>

Free Life's editor, Sean Gabb, is an academic, frequently interviewed media commentator on public issues, and radical libertarian with a strong historical understanding.

He issues occasional pieces under the heading of *Free Life Commentary*, which is in fact unconnected to the Libertarian Alliance except through his person. These are invariably well-written and frequently startlingly perceptive. In his most recent commentaries he accuses the Adam Smith Institute, based in Great Britain, of reversing the cause of freedom. His argument is that guiding successive governments into sensible market-based reform, it has made their wide reach more effective, more politically acceptable and more entrenched.

Free Life Commentary is available by writing, with a polite request in the body of your e-mail, to Mr Gabb at:

old.whig@virgin.net

The Adam Smith Institute is at:

<http://www.cyberpoint.co.uk/asi/lobby.htm>

INTELLECTUAL CAPITAL

Now, let us briefly cease to be radical and look at a publication that takes a broader, although generally conservative, stance on things. Intellectual

Capital covers in good depth a wide range of public policy issues, along with analysis of current affairs. It is available at:

<http://www.intellectualcapital.com/>

What impressed me most about this publication is that it wants the reader to make up his or her own mind about an issue. Take a piece by well-known United States conservative commentator Pete du Pont, in which he is criticizing what he alleges is the misuse of statistics in racial analysis of capital punishment cases. The closing note gives a brief summary of who du Pont is, includes a pointer to his organization, the National Center for Policy Analysis, which is at:

<http://www.ncpa.org>

and then provides a link to the other side of the story at the National Coalition to Abolish the Death Penalty.



The site also contains a number of audio interviews with a range of thoughtful people, including, for the star struck, novelist Tom Clancy talking about the likelihood of future wars.

THE NEW AUSTRALIAN

We cannot, of course, stay overseas. Who is Gerard Jackson? I don't know. He is an Australian, based in Melbourne, and the publisher of a weekly Web-based magazine called *The New Australian*. He is also one of the most prolific writers I've seen around.



Each issue of *The New Australian* contains twenty or more articles, the majority penned by Mr Jackson. The focus is on economic analysis of current issues, (anti-)environmentalism and a very, er, robust media commentary.

I gather this last has made Mr Jackson somewhat unpopular in some media quarters. Certainly the cliché "trenchant" comes to mind. My taste tends towards a somewhat more respectful tone, free of attack upon the general value of a opponent's opinions, without resiling from close rebuttal of each point. I should add that my taste makes for rather less lively reading, and Mr Jackson routinely offers his opponents ample right of reply. The opponents, in turn, appear to have declined to turn the other cheek.

Still, ignore the tone, whether it appeals to you or not. The underlying arguments are what ultimately matter, and these are routinely powerful. Go to:

<http://www.newaus.com.au>

A SHORTCUT

All these sites may be accessed from links on my own web page. Go to:

<http://www.ozemail.com.au/~scdawson>

Unfortunately I'm not omniscient, so let me know about other great sites by writing to me at:

scdawson@iname.com

Letter from London

JOHN NURICK

Polluting or paying: sustainable transport policy

IT'S 30 miles from home to the office where I spend two or three days a week, and there are three ways of making the journey.

By car, it takes 50 to 65 minutes door to door each way, and there's a free parking space when I get there. Petrol costs about 67 pence (\$1.83) a litre, and after allowing for wear and tear the cost of the return journey is about £8 (\$22).

The train runs every half hour (except, frustratingly, between 7 and 9 a.m.); the station is six kilometres from home. The cost of the return ticket varies dramatically with the time of day: £12.40 (\$34.40) for people who need to get to work before 9:30; £6.30 (\$17.20) for people who don't; and £4.20 (\$11.50) if you buy a discount card and don't travel before 10 a.m. The station car park costs £1.20 (\$3.30).

The train journey takes about 40 minutes and there's a three-minute walk to the office at the other end. On a good day it takes less than 15 minutes to drive from home to the station, park, buy a ticket and reach the platform; but in the morning rush hour I have to allow more than twice that to be sure of catching the train.

Finally there's the bus, which comes once an hour if you're lucky. It's the cheapest, but it wanders for an hour and a half through the villages of Sussex before getting to my destination. The last bus in the evening leaves at 6:14 p.m. 'Nuff said.

The upshot of all this is that if I need to get to the office by 9 a.m., I can take the train, which costs a total of £13.60 (\$37.10) and means leaving home at 7:10—or I can take the car, which costs £8 and lets me leave at 7:55. In the train, I can read the paper and may be able to buy a cup of instant coffee, although the track is



so uneven that drinking is hazardous and reading is tiring. The car gives me space, comfort, privacy, air-conditioning, the radio—and the time for all the coffee I want before I leave.

It's a no-brainer: like millions of other people, I drive my car and whinge about the traffic.

The Labour Party came to power last May promising an 'Integrated Transport Policy' to take care of people like me. We'd be so happy with trains and buses and bicycles that we'd be happy to leave our cars at home. Since in their final years the Conservatives had no transport policy at all, except privatizing the railways while they were still in power, most people felt that almost anything Labour did would have to be an improvement. (Rail privatization seems to be beginning to work, by the way, though many people will tell you different. We should see real improvements in two or three years.)

Last August, the new government duly issued a short, vague consultation paper, *Towards an Integrated Transport Policy*. It described the Government's objective as 'facilitating the mobility of the British people in an economically and environmentally sustainable framework', and said that continuing growth in road traffic was 'clearly unacceptable':

Forecasts suggest that in 20 years' time traffic levels will be between 36% and 57% higher than now, unless we change our policies and travel habits.

Responses to the consultation paper were to inform a transport review, leading to a White Paper on transport policy. Pending this, the Government froze almost all road-building projects, even those that were on the point of beginning construction. Not long afterwards, Deputy Prime Minister John Prescott, in whose portfolio all this falls, was visiting his electorate. On leaving, he ostentatiously set a good example by boarding the train for London—but unfortunately was seen to quit the train a couple of stops down the line, where his chauffeur-driven Jaguar was waiting.

The promised White Paper will be the first on transport for about 20 years, and I'd hoped to write about it this time, but it's running three months late (so far). There seem to be two main problems:

- First, serious improvement in public transport will require enormous investment. It may also require large ongoing subsidies. Neither of these are very attractive to the Treasury.
- Second, although even motorists support the principle of encouraging public transport and discouraging car use, the support tends to evaporate when they identify the specific costs and inconveniences they may face—and motorists have votes.

Over the last few months, the Government has floated proposals for 'admission charges' for commuters and shoppers driving into city centres—at the same sort of cost as a one-day bus or Underground pass; for a tax on commuter parking spaces—councils would be able to charge employers up to £100 (\$270) a year for each employee parking space; and a few others. Recently, it backed away from the urban access charges: it seems that the Prime Minister is so worried by the possible electoral consequences that the proposal will wait at least until after the next election. Exactly the same thing happened to Tory proposals for 'road pricing': the same thing under a more market-oriented name.

Labour budgets have continued

the Tory policy of increasing the duty on petrol 5 per cent per year above the rate of inflation, to go some way towards achieving the Rio targets for CO₂ emissions. (Labour policy on coal mining, power generation and non-road fuel taxes is incompatible with its CO₂ policy, but that's another story.)

It has long been conventional wisdom that road transport is not 'sustainable': that its benefits, including the tax revenue it generates, don't cover all the costs it creates: infrastructure costs (road building and maintenance), social costs (e.g. those resulting from road accidents), and environmental costs. This view is implicit in *Towards an Integrated Transport Policy*—but is it still true?

Last year, the AA (equivalent of the NRMA) commissioned a review of the evidence. In *Fair Payment from Road-Users*, David Newbery of the Centre for Applied Economics at Cambridge, an expert on transport policy, examines the estimates that have been made of the total costs of road transport. He concludes that in 1996/97 the cost was between £12 billion (taking the lower estimates of the various items and including a 6 per cent return on capital from a road system valued at £100 billion) and £21 billion (taking the higher estimates of all costs and including £9 billion return on capital). In the same year, vehicle excise duty and fuel tax together brought in £21 billion (\$57 billion).

Since then, fuel tax has increased, and a year's worth of old, polluting vehicles have been retired, to be replaced by a year's worth of new, cleaner ones, so revenue is up and costs are down. Road transport is already at least covering its total environmental and social costs and therefore meeting the practical test of sustainability. My car's emissions were checked when it was serviced six weeks ago; I shall drive to the office tomorrow with a clearer conscience. So, no doubt, will Mr Prescott, whose Jaguar, like the Queen's Rolls-Royce and Prince Philip's London taxi, now burns LPG.

John Nurick is a management consultant based in the South of England. From 1985 to 1990 he was editorial director of the Australian Institute for Public Policy, and he later edited newsletters reporting on the UK parliament and the European Union institutions.

IP A

Black and White

RON BRUNTON

Why Bother with Facts?

DURING a workshop we both attended in Sydney last November, Robert Manne and I discussed the 'stolen generations' issue. Manne conceded there were weaknesses with *Bringing Them Home*, the report of the National Inquiry into the Separation of Aboriginal and Torres Strait Islander Children from Their Families. But he also said that I should not publish an attack on the report, because it would provide 'the right' with ammunition they could use to dismiss the whole issue. What I should do, he told me, was to write a better history of Aboriginal child removals. 'Is that what you are doing?' I asked. 'Yes', came the unabashed reply.

I told Manne that his comments astounded me. It requires no great subtlety to differentiate the seriousness of an issue from the way it has been handled, and a report as shoddy and irresponsi-

If a public commentator knows that an acclaimed document on a major issue is fundamentally flawed, there can be no justification for silence

ble as *Bringing Them Home* should not be allowed to define how Australians see the child removals. If a public commentator knows that an acclaimed document on a major issue is fundamentally flawed, there can be no justification for silence. Certainly, unsavoury or undesirable people can use the criticisms for their own purposes. But even in socie-



ties far less free than ours, the truth has a way of revealing itself. And if a highly dubious report has been allowed to stand unchallenged for political reasons, people are more likely to reject everything associated with the subject of the deception when they come to realize that they have been misled.

Intellectuals who adopt an 'it may well be true, but you shouldn't be saying it' approach to controversial issues are also taking great risks with their own credibility. When Manne publishes his 'better history' on the 'stolen generations', can we really be confident that he will not omit important material that he fears might give succour to people he finds hateful?

And it is not just a matter of holding back information. After my booklet, *Betraying the Victims*, appeared last February, Manne's response suggested that he is even prepared to make false statements in the interests of what he sees as a necessary cause. In his column published in the *Age* and *Sydney Morning Herald*, Manne acknowledged the seriousness of my charge that there were grounds for suspecting that *Bringing Them Home* may have distorted the testimony presented to the Inquiry. But he claimed that my accusation 'is based entirely on a single piece of evidence'—the report's omission of information about Aboriginal support for incorporation into white society, especially in the manifesto *Aborigines Claim Citizen Rights*, written for the 1938 'Day of Mourning' protest against the 150th anniversary of white settlement. He then went on to state that my 'case collapses in an interesting way'. This was suppos-

edly because 'the Aboriginal manifesto was almost certainly, according to Craig Munro in his *Wild Man of Letters*, written by Australia's leading fascist intellectual, "Inky" Stephenson'.

In fact, I provided four reasons for suspecting that *Bringing Them Home* may have misrepresented testimony. In addition to the omission relating to Aboriginal support for assimilation, these were the manner in which the report dealt with the grounds for removal, the much more complex account of Aboriginal child removals that emerged from the Deaths in Custody Royal Commission, and the failure to provide necessary summary data relating to witnesses who appeared before the Inquiry. This was apparent to anyone who had read pages 6-9 of *Betraying the Victims*. There are only two possible explanations for Manne's false claim. Either he had not read the whole booklet he was denouncing—in which case he had no right to make a statement which, by its very nature, implied a complete reading. Or else he had decided to mislead his readers in order to protect *Bringing Them Home*.

Manne was also wrong to state that *Aborigines Claim Citizen Rights* was written by 'Inky' Stephenson, rather than Jack Patten and William Ferguson, the Aboriginal activists under whose name the pamphlet appeared. Even someone who thinks that *Bringing Them Home* 'is a great work', Dr Roderic Pitty, felt compelled to call Manne to account on this matter in a letter to the *Sydney Morning Herald*. In an apparent attempt to emulate the scholarly standards of *Bringing*

Them Home, Manne misrepresented his source and ignored all the other evidence of initial Aboriginal support for assimilation.

On the surface, the willingness of a respected commentator to take such a cavalier approach to the facts is puzzling. After all, the errors in Manne's column can readily be demonstrated, and do not depend on esoteric points of interpretation. The situation is similar with other critics of *Betraying the Victims*, such as Hal Wootten QC, who wrote a splenetic and very misleading review for *Indigenous Law Bulletin*, and Sir Ronald Wilson, who wrote articles which were published in Melbourne's *Herald Sun* and Brisbane's *Courier-Mail*. I have prepared a point-by-point refutation of these three commentators' criticisms, and this has been placed on the IPA's site on the World Wide Web, www.ipa.or.g.au.

The careless approach to the arguments and evidence relating to the 'stolen generations' issue taken by Manne and his friends is yet another instance of the degraded state of debate on Aboriginal issues. Provided you are arguing on the side of what the chattering classes can inappropriately represent as the 'interests of Aborigines', your peers will not hold you to the same intellectual standards that normally apply to the discussion of other matters. Critics are dispatched not by reasoned and factually-based argument, but by a combination of labelling, moral posturing and misrepresentations. Thus Manne seems unable to mention my name without informing his readers that I am from the 'right'. While this may bring him the benefit of promoting reconciliation with his former enemies by distancing himself from certain positions he once held, it is fatuous to claim that my views about Aboriginal or racial issues are 'right-wing' in any meaningful sense. And Wootten begins his review of *Betraying the Victims* with a lengthy recitation of the sufferings of those affected by forced child removals, which attempts to give the impression that the only decent approach to the issue is to sign Sorry Books, join the Sea of Hands, and protect native title from John Howard's depredations.

Fortunately, two delightful autobiographies by Aborigines

The Cost of Crossing Bridges

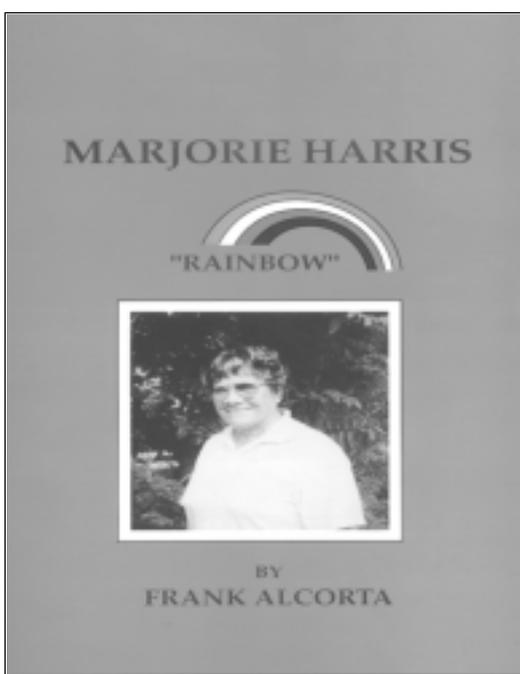
Dulcie Wilson



have recently been published which, amongst many other matters of interest, offer a different perspective on the 'stolen generations' issue from the one that has been presented over the last 18 months by followers of the Sir Ronald Wilson school of historiography. The first is by a 'stolen child', Marj Harris, the daughter of an Arunta mother and Irish father, who was born in 1930. Marg's mother unsuccessfully tried to kill her at birth, and she was told as a child by her Arunta relatives that she should go to her own people, the whites. (This book, titled *Marjorie Harris*, is available from Ms Harris herself, c/o Post Office, Howard Springs NT 0835 for \$16.95 plus \$3.00 postage). The second is by Dulcie Wilson, who is one of the Ngarrindjeri 'dissident women', and whose powerful article 'Telling the Truth' was published in the *IPA Review* a couple of years ago. Dulcie was not removed from her family, but in the conclusion of her book she devotes a couple of pages to the separations, stating that she is familiar with a number of instances where people she has known since childhood are falsely claiming to be part of the 'stolen generation'. Her book, *The Cost of Crossing Bridges*, is available from the publisher, Small Poppies Press, telephone (03) 9874 2719, for \$19.95 plus postage.

Dr Ron Brunton is Director of the Indigenous Issues Unit within the Institute of Public Affairs.

IPA



Compiled by Andrew McIntyre

FEMALE ANIMAL RIGHTS

Sheila Jeffries, lecturer in Politics at Melbourne University, is a well-known radical lesbian feminist. Her lectures are full of the silliness we have come to associate with the more extreme forms of feminism. In one, she explains the connection between animal liberation and feminism. Jeffries links female inferiority to male supremacy and domination over animals and nature. The imperative that males have to assert themselves and display their strength—and hence make their female counterparts feel inferior—is demonstrated in man's need to hunt, even when it is clearly no longer necessary to do so as a food source. The clincher in Jeffries' drive to demonstrate the pervasiveness of exploitative patriarchy is that most of the 17 to 70 million animals killed in United States science laboratories every year for experimental science are, you guessed it, female.

THE GRIM REAPER IS ALIVE AND WELL, STILL.

Years after the controversial Grim Reaper ads on television, there is still a perception that our average Jason and Kylie should still practise safe sex to protect themselves against AIDS (rather than other STDs, various strains of hepatitis, etc). Yet, not only has AIDS never really jumped across to the heterosexual population in any OECD country, it is actually in decline. Only four years ago, US Health and Human Services Secretary Donna Shalala warned that 'soon, because of AIDS, we might not have any Americans left'. Now, the latest Center for Disease Control and Prevention (CDC) publication, the *Morbidity and Mortality Weekly Report*, shows that the AIDS epidemic has peaked. This didn't stop Arthur Ammann—head of the activist American Foundation for AIDS Research—exclaiming, 'We've got a very serious situation in the United States', or James Loyce, chief executive office of AIDS Project Los Angeles, claiming, 'This announcement is a wake-up call to Americans that heterosexual AIDS is not a myth'. Another recent CDC report showed that female AIDS cases fell almost 2 per cent, female deaths from AIDS declined 10 per cent, and deaths

in the heterosexual transmission category dropped 8 per cent. In the interests of maintaining the myth that AIDS is an equal opportunity destroyer, à la the Grim Reaper ad, the regular press releases fail to mention that all the heterosexual increases in the US, where there are any, are entirely in the black and Hispanic communities. When it is discussed, as it has been in the most recent *Scientific American*, these facts of AIDS epidemiology are blamed on the systematic discrimination of ethnic, gender and religious minorities. Perhaps a little more concern with focusing messages on those at genuine risk, rather than playing politically correct games, might be appropriate.

THE COMPLETELY CUCKOO NEST...

A number of States in America are increasingly using mental institutions to keep sex offenders locked up after they have served their prison sentences. Critics say the answer to the need for additional confinement lies in longer prison sentences, not turning psychiatric units into prisons. Legal scholars also say this opens the way for civil commitment of many types of violent criminals who have trouble controlling their impulses. California's sexually violent predator law has resulted in 178 prisoners being transferred to a State mental hospital. But how do they make room for them? It's simple. Mental patients are reportedly being moved from hospitals to penal institutions.

ENVIRONMENTALIST POLLUTION

The recent showing on ABC of the television documentary *Against Nature* produced a lot of media pollution by smoking out all our ABC-viewing greenies with wood chips on the shoulders—notably Clive Hamilton of the Australia Institute who alleged the authors had radical communist links. Do the alarmed ones know that, by almost every measure, environment quality in Canada and the United States has dramatically improved in the last two decades? Overall, a consolidated index of environment quality showed improvement of 10.8 per cent in Canada, and 19.6 per cent in the United States rela-

tive to conditions in 1980. Levels of sulphur dioxide, nitrogen dioxide, carbon monoxide, particulates and lead have decreased considerably in both countries, and water quality in more than 90 per cent of the lakes tested in the US were good for overall use. Forests are increasing as growth exceeds harvesting (as is the case in Australia), and critical wetland habitat is not declining. Researchers attribute the improvement to the so-called 'wealth effect'. Perhaps we should tell Clive Hamilton.

EVEN MORE SMOKE (THAN FIRE)

Following the cover story in the last edition of the *Review* on the distorting effects of advocacy science, it was interesting to see that the Tobacco Manufacturers' Association in Britain felt the need to put in a full-page ad in *The Spectator* of 15 August, to counter the distortion of scientific findings by the anti-smoking lobby. John Carlisle, Executive Director of Industry Affairs, reported on a US federal judge's recent condemnation of the 1993 report by the US Government's Environmental Protection Agency (EPA) which had rated second-hand smoke as a 'class A carcinogen'. The EPA also claimed that passive cigarette smoke killed 3,000 people a year. Judge William Osteen rebuked the Agency, accusing their researchers of frequently shifting theories and selecting data they wanted in order to reach a pre-ordained conclusion. Similarly, in Britain, tobacco companies have won legal approval to seek a judicial review of a government report from the Scientific Committee on Tobacco and Health. Mr Justice Moses, in granting leave, acknowledged the report lacked 'much scientific rigour'. In response to the tempting claim from research which suggested a 24 per cent risk of lung cancer from passive smoking, the cancer specialist Professor Robert Nilsson of Stockholm University revealed this to be unsound. Apparently cancer types not even linked to direct smoking were included to support the case against passive smoking. The anti-smoking lobby appear to be on a very long learning curve.

IP A

Economics in One Page

MARK SKOUSEN

'What makes [economics] most fascinating is that its fundamental principles are so simple that they can be written on one page, that anyone can understand them, and yet very few do.'

Milton Friedman, quoted in *Lives of the Laureates*.

THE above statement by Friedman got me thinking: is it possible to summarize the basic principles of economics in a single page? After all, Henry Hazlitt gave us a masterful summary of sound principles in *Economics in One Lesson*. Could these concepts be reduced to a page?

Friedman himself did not attempt to make a list when he made this statement in a 1986 interview. After completing a preliminary one-page summary of economic principles, I sent him a copy. In his reply, he added a few of his own, but in no way endorses my attempt.

After making this list of basic principles below, I have to agree with Friedman and Hazlitt. The principles of economics are simple: Supply and Demand; Opportunity Cost; Comparative Advantage; Profit and Loss; Competition; Division of Labour. And so on.

In fact, one professor even suggested to me that economics can be reduced to one word: 'price'. Or, maybe, I suggested as an alternative, 'cost'. Everything has a price, everything has a cost.

Additionally, sound economic policy is straightforward: let the market, not the state, set wages and prices. Keep government's hands off monetary policy. Taxes should be minimized. Government should do only those things private citizens can't do for themselves. Government should live within its means. Rules and regulations should provide a level playing field. Tariffs and other barriers to trade should be eliminated as much as possible. In short, government governs best which governs least.

Unfortunately, economists sometimes forget these basic principles and often get caught up in the details of esoteric model-building, high theory, academic research and mathematics. The dismal state of the profession was expressed recently by Arjo Klamer and

David Colander, who, after reviewing graduate studies at major economics departments around the US, asked 'Why did we have this gut feeling that much of what went on here was a waste?' (Klamer and Colander, *The Making of an Economist*).

This is my attempt to summarize the basic principles of economics and sound economic policy. (Suggested improvements are most welcome.)

ECONOMICS IN ONE PAGE

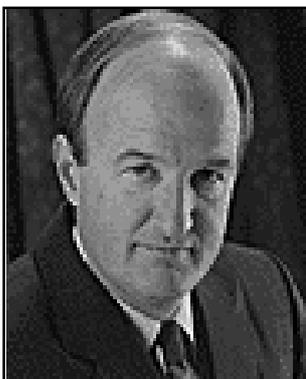
1. Self Interest : 'The desire of bettering our condition comes from us with the womb and never leaves till we go into the grave' (Adam Smith). No-one spends someone else's money as carefully as he spends his own.
2. Economic Growth : The key to a higher standard of living is to expand savings, capital formation, education and technology.
3. Trade: In all voluntary exchanges, where accurate information is known, both the buyer and seller gain. Therefore, an increase in trade between individuals, groups or nations benefits both parties.
4. Competition : Given the universal existence of limited resources and unlimited wants, competition exists in all societies and cannot be abolished by government edict.
5. Co-operation : Since most individuals are not self-sufficient, and almost all natural resources must be transformed in order to become usable, individuals—labourers, landlords, capitalists and entrepreneurs—must work together to produce valuable goods and services.
6. Division of Labour and Comparative Advantage : Differences in talents, intelligence, knowledge and property lead to specialization and higher productivity in some activities than in others by each individual, firm and nation. So it is rational for a doctor not to allocate her (expensive) time to cleaning

her office, even when she could do a better job than the cleaner.

7. Dispersion of Knowledge : Information about market behaviour is so diverse and ubiquitous that it cannot be captured and calculated by a central authority.
8. Profit and Loss : Profit and loss are market mechanisms that guide what should and should not be produced over the long run—by showing what is valued more than the resources it consumes, and what is not.
9. Economic Incentives/Disincentives: If you raise the cost (price) of an activity, you get less of it. If you lower the cost (price), you get more of it. So, raising the cost of crime will discourage criminal activity. Generous tax credits for higher education will encourage more people to go to university.
10. Opportunity Cost : Given the limitations of time and resources, there are always trade-offs in life. If you want to do something, you must give up other things you may wish to do. The price you pay to engage in one activity is equal to the cost of other activities you have forgone.
11. Price Theory: Prices are determined by the subjective valuations of buyers (demand) and sellers (supply), not an objective cost of production. The higher the price, the smaller quantity purchasers will be willing to buy and the larger the quantity sellers will be willing to offer for sale.
12. Causality : For every cause there is an effect. Actions taken by individuals, firms and governments have an impact on other actors in the economy that may be predictable, although the level of predictability depends on the complexity of the actions involved.
13. Uncertainty : There is always a degree of risk and uncertainty about the future because people are of-

ten re-evaluating, learning from their mistakes and changing their minds, thus making it difficult to predict their behaviour in the future.

14. **Labour Economics** : Higher wages can only be achieved in the long run by greater productivity; that is, applying more capital investment per worker. Chronic unemployment is caused by government fixing wage rates above equilibrium market levels.
15. **Government Controls** : Price-wage controls may benefit some individuals and groups, but not society as a whole. Ultimately, they create shortages, black markets and a deterioration of quality and services. There is no such thing as a free lunch.
16. **Money** : Deliberate attempts to depreciate the nation's currency, artificially lower interest rates, and engage in 'easy money' policies inevitably lead to inflation, boom-bust cycles and economic crises. The market, not the state, should determine money and credit.
17. **Public Finance** : In all public enterprises, in order to maintain a high degree of efficiency and good management, market principles should be adopted whenever possible: (1) government should try to do only what private enterprise cannot do; (2) government should live within its means; (3) cost-benefit analysis—marginal benefits should exceed marginal costs; (4) the accountability principle—those who benefit from a service should pay for the service.



Professor Mark Skousen is a US investment adviser and market commentator. He will be giving a talk at the IPA on 2 December. He can be contacted via his webpage at www.mskousen.com.

IPA

The 'R' Files

ALAN MORAN

Telstra and the Regulated Economy

THE EFFICIENCY DIVIDEND

Australia has been fortunate in seeing a great many of its publicly-owned businesses develop into very valuable assets. For most of the past 30 years, government-owned businesses, especially those protected by government-bestowed monopolies, were operated increasingly as worker-controlled employment providers. The gas, electricity, telecommunications and postal monopolies offered Spartan returns to their notional public owners.

Over recent years, there has been a push to place greater competitive pressures on these businesses. Competition policy reforms have made these businesses vulnerable to competitive pressures—had they continued in their previous mode of operation, they would have faced considerable loss of business and mounting financial losses. These competition reforms have been complemented by corporate reforms. Privatization, and its sibling imitation corporatization—establishing managerial structures with equivalent skills and similar incentives to maximize the business's worth as private firms—have transformed corporate dogs into aggressive tigers. These efficiencies mean dividends for all Australians in terms of improved real incomes and better services. Although much of this is unmeasurable in GDP accounting terms, the efficiencies have already been largely responsible for an estimated annual step-up in productivity of about half a percentage point.

TELSTRA AND ITS DEVELOPMENT

Telecoms are the jewels in the crown of government businesses in Australia and elsewhere. With Telstra, a moribund civil-service-run institution has been transformed into a \$70 billion colossus. Not only has sounder management been installed but the firm is at the heart of



the most rapidly developing arena of business activity. The explosive growth in telecommunications has forced a re-definition of the nature of the service. Such growth, and technological developments, have tended to confirm the convergence of computing and telecommunication services.

Telstra's various services in telecommunications have been categorized as follows:

Market Segment	1997 (\$bn)
Local including access	4.4
National long distance	3.0
International	2.0
Internet, Pay-TV, Data and Text	3.2
Mobile	3.2
Value Added/Other	2.0
Directories	1.0
Equipment Sales	0.7
Total Market	19.5

Source: Derived from *Report to Minister*, Gregory Sidak, 30 June 1998.

Some 40 per cent of revenue is from Internet, pay-TV, data, text and value-added services which scarcely existed a decade ago. These are the areas that will increasingly dominate the business.

REDUCING THE REGULATION OF TELECOMMUNICATIONS PROVISION

Telstra's monopoly positions are steadily being eroded. Having enjoyed a legislative monopoly until 1991, and very limited competition until 1997, Telstra remains the dominant market partici-

pant. There are several ways of measuring this. One measure has Telstra with 99 per cent of the local-access network. Yet, on another measure, private telecom companies other than Telstra and Optus earned \$7.5 billion—equivalent to 25.6 per cent of the total Australian market in 1997. And that year marked a rapid transition to increased competition. Between July 1997 and March 1998, the number of competitors to Telstra increased from one in fixed services and two in mobiles, to over a dozen.

Local access remains a problem. It is both unprofitable and dominated by Telstra. One reason for this is a regulated price that is too low. This means that other providers cannot profitably enter this part of the market (and Optus has experienced difficulty delivering voice telephony through its pay-TV network).

The profitability of fixed-price local calls is being reduced by the relative increase in local call duration due to the increasing use of the Internet to download data. Even so, there is likely to be increased competition once Optus becomes operative and as a result of increased laying of optical fibre by firms like WorldCom and the electricity businesses.

Henry Ergas¹ contrasts the very light-handed approach to telecommunications regulation in New Zealand with that in place in Australia. He concludes that New Zealand has got the better outcome. It has done so at quarter of the cost to the public purse. According to Ergas, Telecom New Zealand has achieved much faster productivity gains than Telstra. Some of this he acknowledges is a catch-up and it is also true that Telstra has been inhibited in achieving management downsizing by political constraints. Ergas demonstrates that NZ prices are now lower than those in Australia. He also concludes that Telecom has lost market share no more slowly than Telstra.

WHAT IS TO BE DONE?

A combination of voices ranging from John Quiggin, on what would traditionally have been called 'the left', to Bob Katter, on the traditionally-defined right, want to keep Telstra under public ownership (AFR, 30 July, 'Give us back our phones'; 21 July, 'Nationals calling for decency'). In Quiggin's case, his ideological preferences are cloaked in claims that the taxpayer would be better off owning rather than selling—arguments which, if correct, would justify a far

broader nationalization of firms. Katter and others in the Nationals/One Nation camp see much more pragmatic advantages of a nationalized Telstra. These stem from the supposedly greater susceptibility of government-owned firms to political pressures for them to act in non-commercial ways. Fuel has been inadvertently added to these claims by work which demonstrates a higher penetration of phones in Australia than in the (higher population density, privately-owned) US system.

While Telstra remains under government control, its commercial approach is hostage to parliamentarians and pressure groups seeking special deals

The central reason for privatizing Telstra is to have it compete with other businesses without the privileges and disadvantages of government ownership. Right now, it is the disadvantages of that ownership that loom largest.

While Telstra remains under government control, its commercial approach is hostage to parliamentarians and pressure groups seeking special deals. Of course, such special deals stick additional costs onto other users. If rural Australia gets below-cost phones, urban Australia pays. The rural subsidy with Community Service Obligations (CSOs) means an annual cost to Telstra of \$251 million (1996/97); half-promises by Minister Alston through the Review of Digital Services would mean a beefing-up of existing services to rural Australia at a subsidy cost of perhaps a billion dollars or more per year—though a Telstra spokesperson has estimated upgrading all lines across Australia to high-speed ISDN digital data service level as costing \$26 billion.

Introduction of this enhancement would mean that we are already paying the penalty for government meddling in telecommunications policy. The carrot of a forced phase-out of the analogue system to persuade Vodafone to estab-

lish its system was another such measure. The superior features of analogue for some uses mean that it will almost certainly be around well beyond the year 2000 date scheduled for its termination. Vodafone will demand, and doubtless obtain, compensation.

What is required is to get Telstra's ownership out of political control. It might be most sensible to undertake the parallel process of selling-off Telstra and, at the same time, retiring debt. Serendipitously, the excesses of government spending would be almost cancelled out by the sale of the asset that has been built up. But the political complexion of the Senate means that such an approach is not now possible. Hence a fallback position is needed.

The next-best approach is to return half of Telstra, free of charge, to its rightful owners, the individuals that make up the Australian community. This would allow people as individuals to make decisions on the ownership of Telstra—they could hold, sell or accumulate shares. With all Australians on the electoral roll allotted an equal number of shares, the Government would be handing back to each of us \$3000 worth of wealth that it holds in custody. Such an approach was successfully followed in some East European privatizations and in AMP's recent demutualization.

A 'demutualization' approach for half of Telstra would, with the sale of the remaining 16 per cent, also allow a considerable contribution to CSOs. The sale of 16 per cent would bring in some \$12 billion, which would easily fund the current rural subsidy as it has an annuity value of about \$2 billion (of course the strengthening of the rural links along the lines foreshadowed might swallow up all the sale value).

The central issue with Telstra is to achieve real, which is to say private, ownership rather than continuing with the political football of public ownership.

NOTE

- 1 Ergas, H. 'Telecommunications Across the Tasman: A Comparison of Regulatory Approaches and Economic Outcomes in Australia and New Zealand', in Megan Richardson (Ed.), *Deregulation of Public Utilities*, University of Melbourne, 1996.

Dr Alan Moran is the Director of the Deregulation Unit within the IPA in Melbourne

IPA

Book Reviews

Yes, But

Marlene Goldsmith reviews

Civilising Global Capital: New Thinking for Australian Labor

by Mark Latham

Allen & Unwin, 1998

Civilising Global Capital is a Procrustean book: on the one hand, a thorough and thoughtful attempt to grapple with the realities of globalization and market economics; on the other, an attempt to trim and even hack these realities to make them fit Labor ideology. Latham faces the same constraint as all serving politicians, of how to be both intellectually honest and politically loyal, simultaneously.

His courage (particularly in the Sir Humphrey Appleby sense of being politically rash) is demonstrable. A few examples: 'The path to national economic sovereignty will not be found ... in reductionist critiques of so-called economic rationalism.' (4) 'Indeed, no society has found a better way of facilitating growth and generating wealth than by holding out personal incentives and the profit motive.' (38) 'Whereas in its origins unionism was a force for economic change and progress, it has now fallen into the habit of opposing change in its contribution to most issues.' (85) 'A recurring theme in this book is the need for government to abandon its assumption that 'one size fits all' in the making of social provision.' (xxxix. Not a misprint—the introduction reaches xliii. We're into serious Roman numerals here.)

Reading such comments, this Liberal felt comfortably at home. While there is the occasional obligatory sideswipe at the Howard Government or the Liberal Party, Latham's fundamental thesis reads like the Liberal Party platform: a defence of individual incentive and economic rationalism; criticism of the operation of the union movement; recognition that too-high tax will cost jobs, as global capital flees; acceptance that the big-govern-

ment nanny state has failed, and respect for the individual and scepticism about the capacity of state planning. (xxxvi)

And as Tim Shaw might say—wait, there's more. Latham treads perilously close to calling for voucher systems in education and health, although he carefully avoids the V-word. He abandons the traditional Labor equality-of-result call for equal outcomes in education, in favour of 'an education environment within which the innate qualities of each individual are developed to their maximum skill and cognitive potential.' (237) His method for achieving this is a form of charter schooling, with freedom for schools to develop their own individual charters, and with strong competition between schools, including closing down schools 'which fail to add value to the learning capabilities of their students' (243). Presumably, students and parents would be allowed the freedom to choose the school most suitable to their needs, or such a system would be meaningless (how would the poor schools be revealed, other than by customers voting with their feet?), but Latham does not make this clear. At the adult, tertiary level, his 'learning accounts' (248), entitlements allocated to individuals, are simply vouchers by another name.

He calls for a similar 'policy devolution' in health care, with each citizen being paid a 'risk-rated capitation amount' to cover their health care needs. (305) Patients could then pool their vouchers (whoops—risk-rated capitation amounts) into mutual funds. The goal is for individual empowerment, and the establishment of a demand-side market.

Then there is his critique of welfare based on 'behavioural characteristics' such as gender, culture and race (164): the welfare state has lost legitimacy and public support, as well as becoming overloaded, as '[c]ommon ground has collapsed into a contest of targeted entitlements.' (162) Latham skims over the role of Labor in creating these entitlements, although he does admit that 'the ALP needs to abandon its segmentation of policy based on the behavioural characteristics of life.' (192) His credibility is considerably dented, though, when he attempts to blame divisiveness and 'wedge-

issue politics' (167) on the Howard Government. It was community anger over the previous government's wedge-issue segmentation politics that, as much as anything, brought the Howard Government to power—an anger that we are still seeing in the response to Pauline Hanson's calls for welfare based on need not race, and to her attacks on multiculturalism.

Again, Latham is courageous in confronting the realities of a Labor migration policy that resulted in one in four migrants remaining on welfare five years after their arrival, and that added to the stresses of urban underclass neighbourhoods (250).

In short, Latham's thesis is the need to replace big government and mass welfare with individual empowerment, equality of result with equality of opportunity. Welcome to the Liberal Party, Mark! But not so fast—the problem is not with the thesis, but in how he applies it. What he wants is more of the same, or in his words, a social democracy that is not 'vulnerable to the small government agenda of the political Right.' (191)

Establishment of demand-side markets in education and health may not be cheap, depending on the generosity of the government voucher—and Latham's scheme sounds very generous. There is no attempt, for instance, to address the problem of middle-class welfare: entitlement is for every citizen. So, how is it all to be paid for, in an economy where too-high taxes will drive investment capital overseas? Latham's answer is a progressive expenditure tax (PET)—a GST on steroids. Like the GST, it is levied on consumption, but unlike the GST, the level of the tax depends on one's expenditure per annum.

One has to look deep in the back of the book, in Appendix III, to find the details of this tax, and they are not pretty: on an annual expenditure of \$40,000, the marginal tax rate would be 400 per cent. So you want to buy groceries? Quadruple the bill—and that's just the tax. An interesting result of such punitive taxes for high earners would be the massive brain drain Australia would experience, with those capable of earning high incomes (and trained to that capability by Latham's generous higher-education

vouchers) looking for less punitive pastures overseas. It is not just capital that can flee in the era of globalization.

In spite of his disavowal of the nanny state and recognition of individual need, Latham cannot quite bring himself to trust individuals to make their own choices. So his 'devolution paradigm' is half-hearted: he sees citizens 'aggregat[ing] their entitlements into self-governing units of public administration' (301). Of course, this would solve his dilemma of what to do with all the public servants whose jobs might otherwise disappear with the empowerment of individual citizens. To give him his due, he also sees such units as a way of building trust and co-operation, those necessary building blocks of civil society. However, as coercion is the least likely way to produce these civic virtues, the success of Latham's plan would depend considerably on just how far he was prepared to empower—trust—the individual. Latham's thesis throughout the book is built on the failures of the state, yet the solutions he proposes are ultimately statist: he cannot accept the consequences of his own arguments.

In his words, the devolution paradigm 'recognises the limits of state control and coercion, while also rejecting the primacy of the individual as an answer to social needs and the logic of collective action.' (299) In a century when the logic of collective action has brought us governments from Nazism to Communism and the failed welfare state, one wonders what it takes to destroy faith in such a system. Nor will such 'logic' bring trust, as Latham argues. A society and its government need a healthy respect for the individual before that individual will reciprocate with trust: the insecure don't trust.

Apart from the many disjunctions in the book arising presumably from the attempt to be both intellectually honest and politically loyal, there are a number of arguments which do not stand up. For instance, Latham criticizes Australia for not having developed 'the voluntary networks of civic life' (283). Had he grown up in the country, as I did, he would never have made such an assertion. Even in urban Australia, there has been a flourishing network of community organizations, from Rotary clubs to rosegrowers. Such community networks are now in decline across the developed world (although bushfire brigades and other organizations are still a fundamental feature of rural communities), but our history cannot be reduced to a 'bi-polar' dichotomy between 'State paternalism and mateship

bonding' (283). That is too simplistic by half.

Again, Latham uses John Rawls' theory of justice to defend his big-spending welfare policies. This argues that, ideally, resources should be allocated behind a 'veil of ignorance'—with the allocators not knowing whether or not they would benefit—and should be distributed equally, unless an unequal distribution is to everyone's advantage (152-154). Apart from the slight inconvenience that the veil of ignorance can never be more than theoretical or at best partial, the problem with Rawls is that his theory is a justification for all the sorts of 'segmentation' that Latham argues against elsewhere: discrimination on the basis of group and behavioural characteristics. And where to stop? As the American Steven Landsburg has demonstrated in his refutation of Rawls (*Fair Play: What Your Child Can Teach You about Economics, Values, and the Meaning of Life*), the logical consequence of Rawlsian theory is to tax arbitrary traits that are reliable indicators of earning power—for example, maleness and height. Then again, as I am female and short....

Yet these criticisms and others should not discredit Latham's enterprise. The book is a rich mine of ideas. Some of them may be fool's gold, but there remain many seams to be exploited, and the overall result is an enrichment of political debate in Australia. I still have hope for the author: anyone who can say things like 'most forms of competition, be they economic or social, are underpinned by active co-operation and social interdependence' (292) and 'the state ... needs to get out of the habit of telling people what to do' (304) is surely ripe for recruitment to the Liberal Party.



The Hon. Dr. Marlene Goldsmith MLC (NSW) is author of *Political Incorrectness* (Hodder & Stoughton, 1996) and Executive Director of the Menzies Research Centre.

I P A

The Right Error

Michael Warby reviews

Global Spin: The Corporate Assault on Environmentalism

by Sharon Beder

Scribe Publications, 1997, 288 pages

This is a vile book. It is also a very revealing book. It conveys quite nicely the self-righteous authoritarianism, the distrust of pluralism, the near monomaniacal reduction of complex questions to a single perspective, the overweening confidence in one's own presumptions and perspectives which is such a striking feature of much of the 'green' movement. The tone of Dr Beder's book is that she and like-minded people are proponents of a truth so self-evidently correct that those who disagree or demur are not only wrong, they are also completely illegitimate and have no right to put their point of view in any effective way. The old Catholic doctrine that error has no rights is alive and well and living in the green movement.

Despite being written by an Australian engineer and academic from the University of Wollongong, the book largely concentrates on American practices and cases. In part, this is clearly meant as a warning—on the John Kenneth Galbraith view that the advantage of living on the same planet of the US is that you know what will happen to you in about 20 years' time—an example being the denunciation of Australian think-tanks as 'clones' of pernicious US and UK models (pages 83-92). It is also a natural genuflection towards the country which has been the main source of inspiration for 'progressive' politics since the 1960s—despite the reflexive anti-Americanism which has become so much a part of Australian Left and 'progressive' culture. But then, American 'progressives' are themselves anti-American. Finally, America throws out a mass of relatively easily accessed data—it is just easier to look at American cases.

The latter point is not only a matter of the greater transparency of American governance—the separation of powers, the presumption of citizen authority and weak party structures promote much more openness of government as politics becomes much

more an ongoing, vote-by-vote, process of persuasion—but the greater activism and willingness to cite general principles characteristic of American politics.

Beder takes the reader through a tour of the various techniques that American business and other groups have used to counter environmentalist pushes for more regulation and bans. Some of these techniques certainly represent fairly robust uses of the American political and legal system. But then, so does much of what the environmentalist movement gets up to—but the question of environmentalist tactics is not something the book concerns itself with at all. It is so easy to paint one side of the debate as completely wrong and wicked if one does not bother to examine the other side at all.

The perspective that underlies the book's commentary is a very simple, indeed simplistic, one. On one side is wisdom and altruism—the environmentalists—whose public policy prescriptions must simply be adopted. On the other side is greed, ignorance and stupidity—business and their dupes—who misuse political and legal processes to oppose the people of wisdom and light so that they can continue to rape the planet for their own short-term gain.

In talking about the Wise Use movement Beder says 'Why do environmentalists bother if there is not really a problem? ... most environmentalists have nothing personal to gain from environmental regulation and can therefore legitimately argue that they are concerned with the common good. Few Wise Use Movement members or supporters can make the same claim' (page 54). The idea that the people best able to make decisions about proper uses of resources are those with no direct involvement in those resources is not one that the experience of our century has been very kind to. As for the alleged virtues of altruism—there were plenty of altruistic Nazis and Leninists; people prepared to make great sacrifices for what they perceived were higher ideals. Neither movement was in anyway redeemed by this. Indeed, one could argue that that idealism increased their appeal, allowing them to do much more damage.

The Error Has No Rights mindset shows up again and again. For example, '[c]orporations have utilized think-tanks and a few dissident scientists to cast doubt on the existence and magnitude of various environmental prob-

lems, including global warming, ozone depletion and species extinction' (page 91)—the use of the word 'dissident' is no doubt utterly un-ironic, alas, and shows a complete misunderstanding of the scientific process.

Woe betide anyone who crosses the sacred boundary between righteous environmentalism and wicked business '[t]here are numerous examples of activists who now work for the industries they once opposed. For example, Paul Gilding, formerly executive director of Greenpeace International, does consultancy work for big business and bodies such as the Queensland Timber Board.' (page 132) The forestry industry no less! How could he? Fortunately '[n]ot all environmentalists are so willing to capitulate to corporate agendas; it is normally the more conservative groups that will cooperate' (page 133). The blighters. Of course, any sugges-

The tone of Dr Beder's book is that she and like-minded people are proponents of a truth so self-evidently correct that those who disagree or demur are not only wrong, they are also completely illegitimate ...

tion that there could be common grounds and common goals is completely out of the question. This is a crusade of good versus evil, with no shades of grey.

The preference for political mechanisms over market mechanism is quite clear—'A market system gives power to those most able to pay. Corporations and firms, rather than citizens or environmentalists, will have the choice about whether to pollute (and pay the charges or buy credits to do so) or clean up' (page 104). '[T]he market, far from being free or operating efficiently to allocate resources in the interests of society, is dominated by a small group of large multinational corporations which aim to maximize their private profit by exploiting nature and human resources.' (page 105). The gross economic and environmental failure of the command economies is an experience

which has clearly passed this alleged concerned citizen entirely by. Such wilful ignorance of gigantic human tragedies should be the subject of scorn but is, alas, perfectly respectable in many quarters.

As is the case with many promoters of the belief that politics is the path to nirvana, Beder is perfectly capable of documenting what she regards as bad practices—such as movement of officials to and from PR and lobbying firms—which have clearly become staples of the political process, without in any way lessening her faith that massive government intervention is far and away the best mechanism for dealing with any problem with which society might be confronted. The problem is not with politics, it is that bad people get involved. If politics became the domain of good people pushing good policies—if we got 'the hogs out of the creek' (page 243)—then all would be well. Markets, on the other hand, are irredeemable. It is amazing what intellectual sludge can be hidden behind articulate language.

Mind you, corporate executives can read the book with profit—stripped of the tendentious commentary, there are actually quite a few good tips about dealing with environmental issues and activists. The main lesson, however, is provided by that commentary—the lesson that many environmentalists have a mindset that fundamentally does not accept business as legitimate: that not only is not willing to 'make a deal', but which regards such dealmaking as literally supping with the devil. Only by being prepared to defend the fundamental legitimacy of business—and free debate, and pluralism—can such people be effectively opposed.

Beder's denunciation of use of language and catchphrases to deprive environmentalists of the moral high ground is richly ironic, given her linguistic hatchet-job on those who disagree with the environmentalist agenda as she conceives it. As she says 'Propaganda is often associated with dictatorships. However, in a 'free society', where official bans on free speech are not tolerated, it is necessary for those who would rule to use subtle means to silence threatening ideas and suppress inconvenient facts. (page 121). Indeed.

Michael Warby is editor of the IPA Review and has written articles and papers on environmental issues.

IPA

The Evil Empire Strikes Back

Kevin Donnelly reviews

Going Public: Education Policy and Public Education in Australia

edited by Alan Reid

Published by Australian Curriculum Studies Association (ACSA) in association with the Centre for the Study of Public Education at the University of South Australia, 1998. 120 pages. Price: \$35.

As readers would well realize, the Australian education system, especially schools, has undergone significant change over the past five to ten years. Beginning with the reforms introduced by Dr Terry Metherell in NSW, carried on by the Kennett Government in Victoria and taken up federally by Dr David Kemp, school systems have been dramatically reshaped.

Reforms include introducing State-wide testing and making schools accountable for their performance, devolving power to individual schools and giving parents greater flexibility and choice when choosing a school. The belief was that the education system suffered from 'provider capture' and that something needed to be done to reduce the influence of teacher unions and centralized bureaucracies.

Have these reforms helped or hindered the work of schools? Is the public education system in crisis and, as result, is there a danger that Australia's social fabric is beginning to unravel? According to the contributors to *Going Public: Education Policy and Public Education in Australia*, the answers to these last two questions are clearly 'yes'.

The Preface suggests that the recent changes threaten 'the survival of the public education system itself' and Eva Cox, in her Foreword, argues that social capital and the common good are being undermined because 'education is moving towards being a private consumption item rather than a public good'.

The aforementioned quotations set the context for the remainder of the book, which presents a range of chapters analysing current policies, identifying their impact on schools and putting forward political strategies to 'enhance

the social democratic values that lie at the heart of progressive aspirations about public education'.

The one good thing about the ACSA book is that the Editor is brutally honest when he states, in the Preface, that it is 'unashamedly, a partisan book'. There is no pretence that the book is balanced and impartial and, in fact, there is an admission that the contributors were chosen because they would adhere to the party line. This explains why the contributors are made up of the usual suspects—including left-wing, postmodern and feminist academics and teacher union *apparatchiks*.

Given the pedigree of the contributors, there should be no surprise about the arguments developed. Attempts to make schools more accountable and answerable to parents and students are condemned as a free-market ploy to destroy the public system and 'residualise' government schools. Attempts to support parents' choice about schooling is seen as undemocratic, divisive and socially unjust.

Contrary to mounting evidence about declining standards and the failure of schools to educate properly, the crisis in literacy and numeracy is a manufactured one that governments are using to justify reducing funding and, once again, to attack state schools. The so-called 'crisis in the basics' is also used, we are told, by governments to convince the public that teachers are not doing their jobs.

Instead of supporting all students and schools fairly and equally, conservative governments—and the wealthy and powerful groups on which they depend—are only concerned with bolstering the position of elitist, wealthy, non-government schools. Forgotten is the fact that the overwhelming majority of non-government students attend schools in the Catholic system—a system which in no way can be described as elitist, or awash with funds.

Contributors to the ACSA book also argue that arrangements by the Federal Government to ensure that funding follows students, if they move from the government to the non-government system, is a calculated plan to destroy state schools. Contrary to the fact that, if students opt out of the state system then the recurrent costs of the system will be less, the ACSA book argues that State and Territory departments of education should be financially rewarded for losing market share.

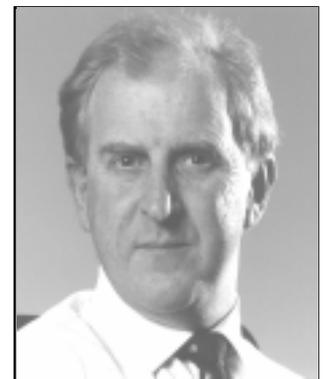
Given that the Australian Education Union (AEU), in the words of the

book's editor, offered 'moral and financial support' for the publication, it is not surprising that Chapter 10 presents a defence of the teacher union and a critique of conservative governments. Dr David Kemp is singled out for wanting to 'marginalise the AEU' and the argument is put that we can only have effective government schools if the AEU is allowed to regain its once privileged position.

To achieve this, the chapter argues that conservative governments must consult with union members and accommodate the demands of union executives—in part because 'education unions have generally remained independent of party politics'.

Ignored is the reality that the teacher unions over the last 20-or-so years have been closely associated with the ALP. Not only does the AEU contribute money to the ALP through its affiliation with the trade union movement, it is also currently undertaking a marginal seats campaign to unseat the Kennett Government in Victoria.

Over the last 10 to 12 months, a coalition has emerged to attack recent changes in education and to defend state schools against the supposed dangers of the market. The irony is that this alliance of teacher unions, left-leaning academics and Labor Party spokespersons are, more often than not, the very people who controlled schools during the 1970s and 1980s—the very time that parents were voting with their feet and deserting the government system in preference for non-government schools. The alliance's distaste for parental choice and consumer power is entirely understandable.



Dr Kevin Donnelly is Director of a Melbourne-based consulting group, Education Strategies. He consults to both government and non-government organizations.

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REVIEW