

From the Editor

MICHAEL WARBY

THE popular rejection of the republic proposal will probably confirm many members of Australian elites in their horror of citizen-initiated referendums (CIR). They will take it as further proof that you can't trust the people.

In fact, the experience shows why CIR is very much a good idea. How else can the people stop united elites forcing things on them they do not want? If the republican campaign showed anything, it showed how out of touch with popular sentiment so much of what passes for 'public' debate in the media really is: does anyone even begin to think that even 25 per cent—let alone 55 per cent—of commentary by members of the media supported a 'No' vote? Having media which too often fail miserably at reflecting the nation back to itself increases popular alienation and resentment. As the One Nation phenomenon showed, this creates rancorous feelings ripe for exploitation. If more issues were forced to the direct popular vote, we would have political outcomes much more in contact with popular feeling, with a consequent improvement in social harmony.

Many people take it as a knockdown argument against a directly-elected President that it would change the way we are governed. On the evidence of the referendum, much of the general public would regard that as a good thing: the creation of competing power centres would make government more tractable to popular will. Jeff Kennett's downfall was surely deeply connected to a feeling that Premier Jeff was no longer being held accountable. Parliament wasn't enough—particularly after Kennett gagged all his own candidates.

Some economic reformers are dubious about CIR because they think people will vote against reform. The proper response to that is that it will

simply force reformers to be persuasive. It was very conspicuous that Jeff Kennett had stopped trying to persuade, having developed a take-it-or-leave-it attitude to his government's performance. In the end, the voters left it (without embracing the alternative with any great enthusiasm). Kennett himself described politics as the longest job interview—yet he stopped doing the interview. The effort of persuasion is the effort of paying attention. A courtesy that the voters are most emphatically entitled to, and will punish if it is lacking.

There is a difference between preaching—what the pro-republican media did, what Paul Keating PM did—and persuading, particularly in politics. Preaching is about telling the people The Truth, on a take-it-or-leave-it basis, with the clear understanding that you are a horrible sinner and/or complete boofhead if you don't take it. Persuading is about connecting people's enduring values and sentiments to the issues of the day: successful persuasion is rooted in the concerns of those to be persuaded.

Which is why we should be so worried about our media culture and what was revealed in the republic campaign. An important role of the media is to bring people's concerns into the public arena. Yet, on a range of issues—environment, indigenous affairs, immigration, industrial relations to name a few—there is great conformity in media opinion, conformity often quite divergent from popular opinion. The republic is not an isolated example, merely a particularly flagrant one because genuinely consulting the people could not be avoided.

Journalists have always had some tendency to be captured by whoever is their most important source of stories: thus crime reporters generally report the police perspective; industrial relations reporters the union perspective; education



reporters the teacher union/bureaucrat perspective; environment reporters the green perspective, etc., etc. Modern journalism has discovered an even lower form of professional prostitution: reporting on the basis of what makes them appear 'kosher' in their attitudes to their fellow journalists—often in terms which implicitly or explicitly denigrate the values and aspirations of most of their fellow Australians.

If opinions become status markers, they become assets to be defended. This encourages conformity and intellectual sterility (since genuine debate makes the opinions contestable and thus not status markers); and dishonesty (since contrary evidence also undermines the opinions' role as status markers). A media culture pervaded by opinions-as-status-markers is a morally and intellectually corrupt media culture: one alienated from popular feeling and which will encourage popular alienation. Preaching and moral grandstanding will pervade it.

The republic campaign revealed these problems for all to see. If it is treated as just a one-off aberration, rather than evidence of much deeper underlying problems, Australian democracy and public life will be the poorer for it.

I P A

REVIEW

DECEMBER 1999

1

From the Executive Director

MIKE NAHAN

The Digital TV Rip-Off

IN the long history of blatantly protectionist decisions on the media, the Howard Government's decision on digital broadcasting takes the prize.

The decision will restrict competition in an industry dominated by media moguls. It will limit choice and increase costs to consumers. Most importantly, it will hinder access to new, converging technologies. All this to protect the existing free-to-air TV providers from competition.

The Government's digital decision, announced in March 1998, requires all existing free-to-air broadcasters to commence broadcasting digital TV in metropolitan areas by 1 January 2001—and in regional areas by 2004—while continuing to broadcast all material on the present analogue system to at least 2009.

To assist with the cost of shifting to a digital system, the Government lent each of the existing players, free of charge, 7 megahertz (MHz) of spectrum for digital broadcasting and allowed them to rent enough spectrum to continue the analogue system.

Ensuring the adoption of a common format and that all players change as soon as feasible and at the same time probably requires some regulation. Given the forced and costly nature of the conversion, an incentive in the form of free spectrum is appropriate.

The Government's gift-giving went far too far, however. One of the main benefits of digital technology is that it allows the broadcasting spectrum to be used more efficiently. Under the analogue system, a single TV channel requires at least 7 MHz of spectrum (with considerable further spectrum being needed as a buffer between channels). Under the standard definition digital system, a single channel requires only about 2 MHz of spectrum (with minimal spectrum required for buffers). The Government gave existing participants about 250 per cent more spectrum than was required to provide the existing service under a digital system.



The decision not only gave away a very valuable asset to corporate interests—worth at least \$600 million—but effectively locked out the entry of new competitors over the medium term. A pro-competitive decision would have been to give existing players 2 MHz of spectrum—enough to provide the current single channel—and then to have auctioned the remaining spectrum to existing players and new entrants.

The Government also mandated that the existing commercial free-to-air TV broadcasters adopt spectrum-hungry high definition television (HDTV)—something no other country has done—and prohibited them from providing multiple TV channels.

The ABC and SBS were again given special treatment. They do not have to adopt HDTV and can provide multiple channels—showing once again that government ownership leads to special treatment. Not that the commercial TV companies are too worried—the public broadcasters provide little effective competition and, more importantly, are willing to use their clout with government to help keep out new competitors.

The HDTV mandate will greatly limit the benefits to consumers of converting to digital TV. Consumers will receive only four channels instead of 12 or more. To receive the benefits of HDTV, consumers will have to buy a new HDTV set—which is expected to cost over \$8,000—and view material made using HD format. Yet, for the foreseeable future, there will be minimal content available in HD format, and few

people will be willing or able to fork out \$8,000 for a TV set.

Even consumers who choose not to buy an HDTV set but wish to access the digital system will be penalized. In order to receive a digital signal, an analogue set must be connected to a decoder. Whereas a decoder for standard definition digital format costs around \$500, the decoders for the proposed HDTV are expected to cost at least \$1,500 each.

Obviously few people will bother to convert to the digital system: most will simply continue to use the analogue system. This will, however, please the existing players. They already dominate the analogue system. More importantly, the analogue system keeps potential competitors at bay by wasting spectrum. The analogue system requires something like 350 MHz of spectrum—or 90 per cent of the available spectrum. Until the analogue system is phased out, there is very limited scope for new players or services.

The Government is now trying to add another protective layer by regulating the nature of 'datacasting' to prevent it from resembling broadcasting and so be a route for new entrants and for competition to the existing free-to-air and pay TV broadcasters. This will also prevent datacasters from providing services—such as Internet access—which consumers are likely to value very highly: indeed, from overseas evidence, more highly than TV services.

The protective layer proposed by the Government is so perverse that even a number of the commercial free-to-air broadcasters—such as Channel 7 and Jamie Packer—are beginning to have second thoughts. They are quite rightly concerned about becoming Antipodean oddities created by, and whose existence depends upon, the whims of government rather than the desires of consumers.

Thankfully, the deal is not stitched up and the Government is rightly being ridiculed for its decisions. The Productivity Commission has also mapped out an escape route.

The lesson is simple: we have to get government out of controlling the media and allow the market—and consumer choice—to rule.

IPA

REVIEW

Up and Down: The Rich, the Poor and Income Mobility

BRUCE HEADEY AND RUUD MUFFELS

Western societies are not 'layer cakes' where the rich stay rich and the poor stay poor. They are more like roller-coasters: people go up and down.

MOST people think that Western societies resemble a layer cake: the rich (the 'top' layer) stay rich, the poor stay poor, and the middle class stay in the middle. This is far from the truth. The best evidence we have ever had about Western societies is now becoming available from national economic panel surveys; that is, surveys in which large national representative samples are interviewed repeatedly over the years to find out how their lives, incomes and labour force experiences are changing.

The first of these huge surveys—the University of Michigan's Panel Study of Income Dynamics—began in the United States in 1968. The first ten years of evidence showed that despite annual poverty rates around 7–10 per cent, only 0.7 per cent had remained below the American poverty line every year, with 2.6 per cent being poor in eight or more years out of ten.¹ But many more were at risk of poverty than had ever been imagined. In those first ten years, just under a quarter of the population were poor at least once. Contrary to all previous impressions, it appeared that most poverty was short-term, that most families who enter poverty soon leave. The long-term and recurrently poor certainly existed but they were only about 5–6 per cent of the population, heavily concentrated in the black and Hispanic communities.

Things were much the same at the top end. The rich—very high-income earners—mostly did not stay rich, although they were a somewhat more stable group than the poor. It was tempting to conclude that it was easier to get rich than to stay rich.

Reactions to these findings were mixed. Many economists were unsurprised. From Adam Smith onwards they had claimed that capitalism promotes social and economic mobility. In Australia, advocates of making our labour market more like America's—of making it more 'flexible' and reducing union power—welcomed the Michigan findings (and later confirmatory results) as supporting their case.

Many sociologists and political scientists, on the other hand, regarded the findings with incredulity and scorn. They held a layer-cake view of society; they believed that deprivation is generally long-term, even inter-generational.

Contrary to all previous impressions, it appeared that most poverty was short-term

The Michigan results were subjected to harsh scrutiny. The sample was checked for representativeness—it passed with flying colours—and no-one could really lay a glove on the basic results, although over the last fifteen years some important additions have been made.

In Europe, one reaction was that maybe the results were correct for the United States—a less class-based, 'fron-

tier' society, which perhaps after all was as mobile as its celebrants claimed. But it was still confidently believed that Europe was different, that in Europe the layer-cake, or stratification theory of society, would prove to be correct. Panel studies began in two European countries (West Germany and the Netherlands) in 1984 and are now beginning to tell a similar story to the American panel.

In Australia we have no comparable panel but the Federal Government belatedly announced one this year. HILDA (Household Income and Labour Dynamics in Australia) is due to begin in 2000. A dollar to a cent that Australia will eventually be shown to be one of the most mobile societies of all.

SOCIAL STRATIFICATION THEORY—THE LAYER CAKE

Sociologists focus most of their attention on distributional issues; equity and inequality. (Economists tend to be just as one-eyed, focused mainly on efficiency.) The basic paradigm of much of sociology is social stratification theory, or the layer-cake view of society. This boils down to three basic propositions:

- (1) inequalities (including income inequality) are long-term;
- (2) inequalities of income, status, power, health etc are cumulative or mutually reinforcing (i.e. the same people have the best or worst of everything); and
- (3) inequalities are substantially due to family social background.

All three propositions are very much open to question, but the first is the critical one. After all, if inequalities turn out *not* to be long-term, they are unlikely to be highly cumulative and family back-

ground could not matter very much. The big panel studies now coming on flow tell us how long lasting inequalities are. This article concentrates on income inequality, but the panels also tell us about housing, health, social status and the distribution of employment.

THREE WELFARE-CAPITALISMS AND THREE NATIONAL PANELS²

The Swedish political scientist Gosta Esping-Andersen coined the term 'welfare-capitalism' to describe the main features of Western political economies³. He preferred 'welfare-capitalism' to just 'capitalism' in recognition of the fact that all Western governments tax and spend 30–60 per cent of GDP and spend more than half of the money on welfare broadly defined—social security, education and health. Esping-Andersen then went on to argue that there are essentially three main types of welfare-capitalist state. These three types of state promote much the same goals or values but give them different priority. Liberal welfare-capitalist states—such as the US and Australia—give priority to economic efficiency and growth, and aim to avoid work disincentives by restricting most welfare programs only to those 'in need'. Social democratic states, like the Scandinavian countries and the Netherlands, also give high priority to economic growth, but aim to drastically reduce poverty and income inequality. Conservative/corporatist welfare states, like Germany, France and Italy, give high priority to growth and to the maintenance of social stability, especially family income stability. Separate social insurance programs are organized for different sections of the community (public servants, blue- and white-collar employees), which are intended to provide incomes close to what is normal for the family when (e.g. due to sickness or unemployment) breadwinners are unable to earn their usual market incomes.

By sheer good fortune, the three countries which happen to have long-running economic panels have been more or less the best economic performers of their welfare-capitalist type in the last fifteen years. The US has had the highest economic growth per capita among liberal regimes and the Netherlands among social democratic regimes. West Germany has been the best performer of the large conservative/corporatist regimes⁴, although in recent years the costs of reunification have been substantial and the growth rate is now lower than two small corporatist

countries, Austria and Belgium. So the panel studies give us just about the three 'best cases' of welfare-capitalism, and provide an ideal comparison of regime performance.

The evidence in this article covers the decade 1985–94; these being the latest years for which all the panels are available.

It is widely believed that the US has outperformed all European countries economically in recent years, and this is often attributed to America's flexible labour markets and low welfare state 'burden'. Well, it is a good idea to be sure of one's facts before one tries to explain them. Table 1 shows that, in the 1985–94 decade, American economic growth

per capita was much the same as Dutch and German (although the German results, but not the Dutch, would look worse if more recent years were included). In the US, rising incomes have been concentrated at the top end of the distribution. In the Netherlands and Germany the gains have been much more widely distributed (Table 1).

The main international difference shown here is that, while only just over half of Americans were better off at the end of the decade than the start, about two-thirds of Dutch and Germans shared in the fruits of growth.

Now what about social mobility and income mobility in particular? It might perhaps seem obvious that the Ameri-

Table 1: The Fruits of Economic Growth 1985–94

	US (%)	Netherlands (%)	Germany (%)
Growth per capita over 10 years	17.2	19.1	17.4
Better off in 1994 than 1985	53.0	66.5	69.9

Sources: Per capita growth: OECD, *National Income Account, 1960–94*, Paris, OECD, 1996. Estimates of percentages better off in 1994: the three panel surveys.

Table 2: Income Mobility of Top and Bottom Quintiles (20 Per Cent) 1985–94: Disposable (Equivalent) Incomes

	US (%)	Netherlands (%)	Germany (%)
Per cent of those in top 20 per cent in 1985 who were in bottom half of incomes in 1994	14.4	28.8	20.7
Per cent of those in bottom 20 per cent in 1985 who were in top half of incomes in 1994	18.6	28.5	23.2

Sources: the three panels.

Table 3: Earnings Mobility of Prime Age Men (25–59): Top and Bottom Quintiles (20 Per Cent) 1985–94

	US (%)	Netherlands (%)	Germany (%)
Per cent of those in top 20 per cent in 1985 who were in bottom half in 1994	15.8	12.0	4.2
Per cent of those in bottom 20 per cent in 1985 who were in top half in 1994	8.1	23.4	9.4

Sources: the three panels. Only men in paid employment in both years are included

can liberal economy, with weak unions and a very flexible labour market, would foster higher rates of income mobility (sometimes translated as 'greater opportunities to get ahead') than more regulated economies like the Dutch and German. Again, the evidence fails to confirm what appears obvious to free marketeers. Tables 2 and 3 are based on

***The panel studies
give us just about
the 'best cases' of
welfare-capitalism,
and provide an
ideal comparison of
... performance***

dividing incomes into quintiles (bottom 20 per cent, second 20 per cent ... top 20 per cent). Table 2 looks at disposable household incomes (i.e. incomes after taxes and benefits) adjusted for household size.⁵ This gives the best picture of changes in material standard of living. Table 3 looks at mobility of individual (not household) labour market incomes and the analysis is restricted to what economists like to call 'prime age males'; men between 25 and 59 in their prime earning years. This restriction, while in some ways unfortunate, is conventional and avoids problems of exaggerating mobility by comparing people with vastly different work histories.

To avoid cumbersome tables, I have only printed results for people who began the decade in the top or bottom quintiles. These groups could be labelled the initially well-off (although not really the rich) and the initially poorly-off (although not exactly the poor). So the question answered in these tables is: 'What had happened by the end of the decade to people who started off at the top and bottom ends of the income distribution?'

Three results stand out—none of which could readily have been foretold. First, there is a high degree of mobility in all three countries. Second, the so-

cial democratic regime—the Netherlands—appears to have the highest rates of mobility, especially of disposable incomes. The conservative/corporatist regime—Germany—seems to display just as much mobility of disposable incomes as the American liberal market regime, although German male earnings are less volatile. Finally, in all three countries disposable incomes (standards of living) are even more volatile than labour earnings.

Family disposable incomes are highly volatile: the layer-cake view looks sadly wrong. Think of it this way: if incomes fluctuated completely randomly, half of those who started in the bottom quintile would finish the decade in the top half of the income distribution ... and vice-versa. In fact, in all three countries 18–30 per cent of those who start in the bottom quintile wind up in the top half, and 14–30 per cent of those who start at the top wind up in the bottom half. In the US and Germany, the well-off are a somewhat more stable group than the poorly-off, although in the Netherlands both groups are highly volatile. It seems clear that all three types of welfare-capitalist society are highly dynamic: very much societies in flux.

One reason the poor are a highly volatile group is that government benefits lift many families out of poverty. In the Netherlands, where government benefits are most generous, only 19 per cent of those who become poor (using the OECD's semi-official definition of poverty) are still in poverty two years later.⁶ In Germany, the comparable figure is 34 per cent. In the US, most people of working age who escape poverty do so through the labour market rather than with government help. Even there, however, only 43 per cent of people remain poor after two years. So most poverty in all these societies is short-term.⁷ In absolute terms, however, quite large numbers of people are persistently or long-term poor, and persistent poverty is gradually increasing due to long-term unemployment. To escape poverty, these people need labour market assistance, not just cash benefits.

The international comparisons in Tables 2 and 3 make it appear that the Netherlands, with its huge welfare state alongside its efficient economy, promotes considerably greater income mobility than the US—disposable income mobility appears nearly twice as high. There is more than one way of measuring mobility, however. Our tables show changes in people's *relative* positions in the income distribution. But the

American distribution is a great deal more dispersed (less equal) than the Dutch and German, and if one takes this into account by measuring income shifts as a proportion of median income, then it appears that American incomes are a bit more volatile than German and not much different from Dutch. Still, this is not to gainsay the evidence in Tables 2 and 3; both the relative change and absolute change perspectives are valid.

Family disposable incomes are even more subject to change than individual labour earnings because they are affected by family changes and government intervention, as well as the ups and downs of the labour market. People's labour earnings tend to keep rising until their early fifties and then decline towards retirement. Family changes—children, divorce, re-partnering—increase or decrease the number of mouths to feed. And the government intervenes by heavily taxing small well-off families and heavily supporting large poor families.

No panel study has ever followed a national sample throughout entire lifetimes. By extrapolating from panels and other surveys, it is, however, possible through computer simulation to estimate lifetime income mobility and hence lifetime income inequality. Many commentators would probably be aston-

***Over a lifetime, the
ratio of the top 10
per cent's income
to the bottom 10
per cent's income
... is only two or
three to one***

ished to learn that, over a lifetime, the ratio of the top 10 per cent's income to the bottom 10 per cent's in most Western countries is only two or three to one. This compares with an annual income ratio of ten or fifteen to one. So lifetime income distribution in our societies could be seen as already quite equal. ▶

INTERNATIONAL SIMILARITIES AND DIFFERENCES—POLICY IMPLICATIONS

Evidence from the US, the Netherlands and Germany shows that these 'best cases' (not typical cases) of welfare-capitalism have important similarities as well as important differences. Contrary to views quite widely held in Australia, income and labour earnings mobility are not a special feature of the US economy. All three countries have high rates of mobility. Also, all three countries have enjoyed fairly good and quite similar rates of per capita economic growth for most of the 1980s and 1990s. The US is not way ahead of the field, as is often claimed.

The two European countries do differ from the US in other respects. For at least the last 20 years, the fruits of economic growth have been much more widely and equally shared than in the US. In the US, barely more than half the population have become better off in this period. Large majorities have moved ahead in Europe.

The other big difference is in employment and working hours. But even here the favourable picture usually given of the US needs revision. It is true that American employment levels, for women as well as men, are higher than in Europe, and unemployment is lower than in most European countries (although not lower than in the Netherlands). But there is another side to the story. The typical American employee works his (or her) butt off. Americans average about 2000 working hours per year and only get two weeks' holiday.⁸ Dutch and German employees work only about 1400 and 1500 hours a year respectively (one quarter less!) and get four to six weeks' holiday. (The higher American hours of work also mean commensurately higher average incomes.)

Most people would probably feel that high levels of employment and low unemployment are desirable, but work is surely not such an unambiguous good that we can simply say, as presumably we would of income, 'the more the better'. America's flexible labour market should probably be credited with generating high levels of employment, but also with generating chronic overwork. Certainly, many Americans report in surveys that they wish they had more leisure and less work.

So, Australian advocates of an American-style labour market, some of whom are to be found in the Commonwealth Government, may be advocating a mixed blessing. The US economy

generates more employment but not higher growth than leading European economies. The fruits of growth are more equally shared in Europe and people have more leisure.

NOTES

- 1 Greg J. Duncan, *Years of Poverty, Years of Plenty*, Ann Arbor, Institute for Social Research, 1984.
- 2 Much of the material in this paper is drawn from Robert E. Goodin, Bruce Headey, Ruud Muffels and Henk-Jan Dirven, *The Real Worlds of Welfare Capitalism*, Cambridge, Cambridge University Press, 1999.
- 3 G. Esping-Andersen, *The Real Worlds of Welfare Capitalism*, Oxford, Polity Press, 1990.
- 4 Results in this paper refer to West Germany only, not united Germany. The panel has now been extended to East Germany but ten years of data are not yet available.
- 5 The income measure is so-called 'equivalent income'. Following OECD practice, household incomes are equalized by counting the first adult in the household as one unit, other adults as 0.5, and children as 0.3. This has the effect of adjusting for economies of scale in larger households. The procedure is somewhat arbitrary but is clearly preferable to making no adjustment and thus assuming that large and small households with the same income have equal standards of living.
- 6 Households are defined as poor if their equivalent income is less than half of median equivalent income in the society in which they live. Clearly this is a relative rather than an absolute definition of poverty.
- 7 An apparent paradox is that, at any given moment, a majority of the poor are long-term poor. The resolution of the paradox is that, the longer one remains in poverty, the less likely it is that one will escape. So, although most people who enter poverty leave within two years, the accumulation of long-termers is such that a majority of the poor are in this group.
- 8 OECD, *Employment Outlook*, Paris, OECD, 1998.

Bruce Headey is Associate Professor at the Centre for Public Policy, University of Melbourne.
Ruud Muffels is Professor of Economics at the University of Tilburg, Netherlands.

Musing...

The Meaning of Poverty

MICHAEL WARBY

'Poverty' has come to be a classic example of how different people use the same word in different ways. To most people, poverty involves some sense of genuine deprivation. That is what gives the term its bite, why it seems particularly shameful to be told that large numbers of Australians are living in poverty.

But 'poverty' has come to be a term of art, meaning an unacceptable level of inequality, thereby enlisting general sentiment against poverty in the argument against inequality. It is claimed that there is no real concept of absolute poverty, that poverty is always relative to the society in which it occurs.

Suppose you were told about a group of households of whom 72 per cent owned washing machines, 50 per cent clothes dryers, 20 per cent dishwashers, 98 per cent refrigerators, 29 per cent freezers, 98 per cent stoves, 60 per cent microwaves, 93 per cent colour TVs, 60 per cent VCRs, 7 per cent PCs, 78 per cent telephones, 50 per cent air conditioners and 72 per cent one or more cars. Would you call them poor? According to the official US definition of poverty they are—that is the profile of ownership by 'poor' American households in 1994. (And the US attempts to define 'poverty' in absolute terms as three times the income required to provide a nutritionally balanced diet.)

'Poor' Americans have a higher rate of ownership of most consumer durables than was the middle-class standard in 1971 with the exception of cars (US average 80 per cent in 1971), telephones (93 per cent) and freezers (32 per cent). Yet we are told that the American rate of poverty barely declined over that period.

Is this a usage of 'poverty' that connects in any way with the experience of, say, a Calcutta slum dweller?

Michael Warby is Editor of the IPA Review.

IP A

REVIEW

It's Official: Greenpeace Serves No Public Purpose

ROGER BATE

NO less a green haven than Canada has dealt the Dutch-based environmentalist group Greenpeace a massive blow to its credibility and fundraising efforts by denying it the charitable status it had sought for a decade. Revenue Canada, the tax-collecting arm of the government, has refused to recognize the new Greenpeace Environmental Foundation as a charity, saying its activities have 'no public benefit' and that lobbying to shut down industries could send people 'into poverty'.

By doing this, Revenue Canada has performed a useful service. Its decision has sent a strong signal to the world's green pressure groups that their tax and other benefits resulting from their status as 'charities' deserve reconsideration. Canada is the first country to implicitly recognize Greenpeace as the most successful of the multinational anxiety corporations. Whether any EU country has the guts to follow Canada's lead, and strip Greenpeace of its charitable façade, is, alas, another matter.

Greenpeace was launched in Vancouver nearly 30 years ago with an anti-nuclear 'Don't Make a Wave' campaign and was registered as a charity in 1976. Since then it has grown into a multinational, multi-million-dollar operation devoted to promoting green causes around the world. But in 1989, Greenpeace lost its Canadian charitable status amid concerns that it was not a true charity—that is, that it was not providing a discernible benefit to the public. As such, Greenpeace was no longer able to claim tax exemption on its revenues and donors could not claim deductions, which resulted in some donors switching to real charities that did give tax breaks.

The organization responded by setting up the Greenpeace Canada Charitable Foundation, legally (though not really functionally) distinct from Greenpeace. But according to court records made public in June by John Duncan, the Reform MP from British Columbia, the federal charities division found the group's activities 'have not complied with the law' on charitable organizations:

This opinion resulted from an audit which raised serious concerns about the charity's compliance with the Income Tax Act. The audit revealed that the charity had failed to devote all its resources to charitable activities ...

Of particular concern were the financial links between Greenpeace International and Greenpeace Canada. Hundreds of thousands of dollars were transferred between the organizations, which may violate Canadian laws on charitable activities. Officials were also concerned because the charity appeared to be a fund-raising conduit for Greenpeace, which is not permitted in Canada.

Whether any EU country has the guts to follow Canada's lead, and strip Greenpeace of its charitable façade is ... another matter

Consequently, the second Greenpeace venture lost its charitable status in 1995. The group launched a court appeal, which was dismissed in September 1998. But, by then, a new charity called the Greenpeace Environmental Foundation had sprung forth like the regenerated head of a hydra. Revenue Canada called the latest charity 'a convenient way to avoid the consequences' of its past troubled charities and declined to register the group. Greenpeace appealed against the decision but eventually threw in the towel.

Revenue Canada explains that preserving the environment is recognized as a charitable activity, but that the Greenpeace foundation does not qualify because its stated purpose is 'public aware-

ness'. According to a spokesman from Revenue Canada, this poses a problem since we have no evidence that the distribution to the public of a pamphlet on, for example, the destruction of forests (along the Amazon or the B.C. coast) or on the various pollutants emanating from smokestacks has any measurable impact on the environment.

It is widely believed, however, that the decision against Greenpeace has more to do with its extensive lobbying against Canadian forestry exports, than Revenue Canada's 'public awareness' issue.

Without charitable status, Greenpeace cannot offer tax receipts to its donors. The Canadian Greenpeace Charitable Foundation is already running at a loss (over \$250,000 in 1996-97 and slightly less last year), and non-tax exempt donations will be harder to come by in the future.

Greenpeace made light of the Canadian decision, however. 'I don't think Greenpeace is going to be made a charitable organization, and we seem to be doing okay without charitable status,' said Peter Tabuns, Greenpeace's Canadian executive director. Mr Tabuns can be sanguine about the decision since the financial dealings described by Revenue Canada suggest that Greenpeace's Canadian operations are increasingly being funded from its much richer European operation. Greenpeace world-wide receives over two-thirds of its funding from Germany and the Netherlands, and Canada does not appear on Greenpeace's summary chart of donations (but it does appear on the expenditure chart in recent years). Therefore, Revenue Canada's decision will not cause a big cut in Greenpeace's global coffers.

Nevertheless, Canadians seem less inclined these days to go along with Greenpeace crusades. In an effort to curtail Canada's lucrative logging business, activists placed a giant sign for Home Depot, the United States-based hardware giant, in a recently logged area, which they claim was ancient forest, north of Vancouver. The group then issued a statement calling Home Depot a 'major player in the destruction of the world's remaining ancient forests'. Such rhetoric no longer ▶

seems to appeal to Canadians since donations to the Greenpeace charity had fallen by 15 per cent in 1997, the last year of published financial records. Furthermore, many politicians who initially welcomed environmental sentiments have become inured to the scaremongering and have decided not to oppose the Reform Party's anti-Greenpeace stand.

There is plenty of 'clear blue water' between Canada and Europe, however. Greenpeace's European operations are far wealthier and receive the blessing of most of Europe's left-wing governments. Greenpeace has mounted its most successful campaigns in Europe, where politicians abhor confrontation with pressure groups and try to appease them as much as possible. French attitudes have softened since 1985, when their secret service blew up the Greenpeace ship *Rainbow Warrior* in Auckland Harbour. To be fair, European politicians are not given much support by business, which is becoming increasingly defensive, or the media, which thrive on scare stories.

Such official deference—the assumption that Greenpeace is always on the side of angels—looks increasingly out of touch. The recent Greenpeace campaigns against PVC plasticizers and dioxins in Belgian chickens did a disservice to the public in obscuring the scientific evidence and fomenting the kind of panic that harms the public good and hurts consumers in the long run, since it unnecessarily raises producer costs. It was hard to find a single news story that mentioned the concentration of the alleged contamination—a fundamental scientific point, if the allegations of a threat to human health were to have any validity. In fact, dioxin and other organochlorine compounds may cause cancer when fed to laboratory rats in massive concentrations, but have no observable effect on humans at the actual levels found.

Perhaps we will have to wait for Greenpeace-inspired environmental regulations to cause even greater European unemployment and unrest before our politicians follow the Canadian government's example. Environmental multinationals such as Greenpeace should be free to pursue their agenda in democratic society—but it's time governments stopped giving this particular lobby preferential treatment.

NOTE

This article originally appeared in the *Wall Street Journal Europe* on 22 July 1999.

Roger Bate is Director of the Environment Unit at the Institute of Economic Affairs.



Forestry: Beyond One-Liners

WILSON TUCKEY

WHEN politicians choose populism over good policy, they are rightly criticized. When they support good policy over populism they are accused of ignoring the 'will of the people'. This is the dilemma surrounding forest issues.

Forests and the products they provide are one of the few renewable resources that are also recyclable and biodegradable, posing no environmental threat in that process. World demand is increasing and the science of forest management has the history of many millennia to support its practices.

To set the scene, consider the following. Of all the wood consumed in the world:

- 54 per cent is consumed in cooking and heating fires;
- 28 per cent goes to saw mills; and
- 13 per cent to pulp and paper production.

Australians consume 20 million cubic metres per annum of forest products. We import 7.3 million cubic metres of that demand. Our major forest product exports are unprocessed wood because we have been unable to provide investors with the resource security necessary to develop processing facilities in our own country. The net dollar cost to Australia is around \$1.5 billion per annum when measured as a trade deficit.

That 7.3 million cubic metres of finished forest products represents approximately 20 million cubic metres of trees from other nations' forests.

Australians consume 175 kg per capita per annum of paper products, with 55 kg of that total represented by quality papers such as photocopying paper. 270 million Americans use 350 kg of paper per capita, per annum. The 1.3 billion Chinese in the People's Republic of China use 30 kg per capita per annum. Historical data show that consumption of forest prod-

ucts increases proportionately with the growth of per capita income.

In a recent ABARE report, *Forest Plantations on Cleared Agricultural Land in Australia*, some further significant figures were presented:

- based on studies of long-term demand and supply of wood, the average global consumption of wood, excluding fuel wood, will increase at about 1-2 per cent per annum over the coming decades;
- consumption is projected to increase from 1.7 billion cubic metres in 1995 to 2.3 billion cubic metres by 2045;
- the use of pulpwood is expected to increase by 90 per cent between 1995 and 2045 to 1.33 billion cubic metres; and
- engineered products, such as wood-based panels and glue-laminated boards and beams, are being substituted for solid wood products. World production of wood-based panels rose by 80 per cent over the decade to 1996-97 while production of solid wood products declined.

Clearly, people prefer wood for construction and decorative reasons. In the USA, the DIY hardware warehouse chain Home Depot achieves 15 per cent of its annual US\$30 billion turnover from timber products.

Australia has the third highest amount of forest per capita in the world—so we should be able to supply our own needs, provide sustainable value-added products for export and take some pressure off those forests in the world which are subject to threat.

Forests in Australia are ancient, the trees therein are not. A typical tall eucalypt will enter senescence at age 250 and will probably die completely by age 300, although, of course, there are particular trees which live longer.

The Australian eucalypt was not originally the dominant species in our ancient forest but has developed in an

environment of major disturbance, including relatively recent (in historical terms) Aboriginal burning. This history of development of eucalypts means that we can, and must, manage them with flexible and adaptive arrangements to conserve them properly. This includes reservation of some areas and active management and harvesting of others.

Europeans and other wood-using communities in both the Northern and Southern Hemispheres have developed techniques of tree harvesting to maintain a healthy forest while supplying society's needs. The evidence of their success is to be found around the world where such practices have been refined over thousands of years and healthy productive forests continue to exist. A striking example in Australia is most of the forests bordering the Pacific Highway from Sydney to well past Coffs Harbour. These are largely public forests managed for production and conservation over the past hundred or so years, seen by millions each year as they drive past.

The forested areas of the Earth have been reduced. This is the result of land clearing for urban and agricultural activities. Production forestry does not result in the reduction of the forest estate. In fact, the National Forest Inventory shows us that in Australia the area of forest is increasing. We have more forest now than we had a decade ago and we will have more forest in 10 years than we have now, even with a production forestry regime.

The fact that seems to escape many people is that a forest is a good place to grow a tree—and if cut down, they do grow back, though not if they are covered by concrete or asphalt.

Converting forest and trees to the products we humans require can be wasteful. We require rectangular shapes but trees persist in growing round and not necessarily straight. Trees become hosts to insects and fungi which rot their insides and they crack with old age. All this creates saw mill residues and forest rejects.

Past practice was to burn it until the world discovered that eucalypt fibre was the best for quality paper manufacture. Technology also delivered manufactured wood products using residues and waste. Suddenly we had an economic use for such waste called 'woodchips' for further processing.

THE VALUES OF FORESTS

Australia's forest products industry employs some 84,000 people and although, like all other industries, it has suffered job cuts arising from technology and mechanization, its contribution to employment in regional Australia is significant.

Contrary to popular claims, small to medium size sawmillers and contractors provide much of that vital regional employment. Big business is also involved in forestry, but increasingly in the plantations area.

In summary, Australian forests have been shaped by a high level of human intervention and prosper in that situation provided they are allowed to regrow. Their products are in increasing demand and those who harvest and process their products in Australia do so to world standards of

*The fact that
seems to escape
many people is
that a forest is a
good place to
grow a tree*

efficiency and sustainable practices, receiving practically no trade or tariff assistance.

To ensure that this industry and its valuable resource were properly administered, the then Federal Labor Government in 1992 produced a comprehensive policy that was subsequently endorsed by all State and Territory governments and successive governments of both persuasions.

It is called the National Forest Policy Statement (NFPS) and one of the initiatives under that Statement is to conduct Comprehensive Regional Assessments leading to the development of Regional Forest Agreements. This RFA process has received \$200 million of Federal funding and substantial matching contributions from the States.

Of the Commonwealth funding, \$100 million was allocated to scientific research and a process of publi-

cizing and consulting with people in the respective regions. In anticipation that the RFA outcomes could affect harvesting levels, \$100 million was set aside to assist the industry to develop and adjust—this included the provision of compensation elements focused on business exit and worker assistance.

What does this RFA process do? It requires government action—through the formal Regional Forest Agreements signed between individual States and the Commonwealth—to provide for:

- a comprehensive, adequate and representative reserve system;
- an internationally competitive timber industry; and
- ecologically-sustainable forest management across the whole of the forest estate—including production areas.

The Agreements are developed following a rigorous scientific analysis of the environmental, heritage, social and economic values of each region. In terms of environmental protection, scientific advice was commissioned and considered resulting in a set of nationally agreed reserve criteria known as the JANIS criteria.

These criteria define the requirements for a comprehensive, adequate and representative reserve system for Australia. Their purpose is to provide an objective basis for ensuring the conservation of biological diversity and other values within the reserve system. These criteria include objectives to achieve reservation of 60 per cent of existing old growth forest and 15 per cent of the pre-1750 complete forest biodiversity.

The 15 per cent of pre-1750 biodiversity far exceeds the international level of 10 per cent of *remaining* forest established by the International Union for the Conservation of Nature (IUCN) and recognized by international conservation groups. That is, we have set ourselves and achieved a far harder target than that advocated by the green movement for all countries in the world.

Over the past three years, the Howard Government has delivered on the RFA process and is on track to finish RFAs for all major forest regions in Australia by the end of this year. Already six RFAs have been completed resulting in:

- a reserve system of some 5.4 million hectares across the 6 regions, equivalent to around a third of the whole geographic area of those regions; and ▶

- initial investment proposals of around \$100 million by private-sector businesses built on the certainty provided under the RFAs and potential industry development assistance.

These are tremendous outcomes. They deserve acknowledgment and recognition.

I ask myself the question why good bipartisan policy—well-backed by research and internationally acknowledged for its environmental credentials, delivering increased forest reserves, jobs, economic benefits and future potential—is still regularly attacked as meeting none of the above?

How could this be so, particularly in my home State of WA, which alone has failed to stick with the outcomes of its RFA?

The reason for this is twofold. In WA, there was a political situation where the Opposition in State Parliament abandoned its own policy stance in order to oppose outright the RFA. This has not happened in any other State to date.

The RFA was also opposed from within the Court Government with the West Australian Nationals publicly calling for changes to the RFA after its signing. So at the political level, the RFA in WA was undermined internally.

The politicians decided to respond to the will of the people. The people were influenced by a clever publicity campaign. As a result, Premier Court became the first example of a living heart donor. I have circulated articles on how the WA media were convinced to sell a package that totally lacked substance and which has resulted in considerable and unnecessary human misery—at least in so far as one RFA is concerned.

Retired Editor-in-Chief of *The West Australian* newspaper Bob Cronin, in his contribution in *The Australian* on 12 August 1999, presented his analysis of the forest debate by claiming that the opponents of the NFPS simply ran a campaign based on ‘one-liners’ and conflict. This, Cronin argued, is a most attractive scenario to modern-day journalism. He infers that green activists were at great pains not to confuse journalists with extensive detail or facts. Cronin said that the profession in WA bought the pitch and communicated the story.

The ‘one-liners’ included such claims as the RFA process was ‘fundamentally flawed’ recited on 3 Septem-

ber on 4QR by the new Democrat Senator Greig: a classic example of saying nothing but delivering a powerful message.¹

For television, it’s the last tree in sight falling majestically into an area of devastation to the whine of the chain saw.

For print and radio, how often does the statement, ‘we have too much salinity already’ go unchallenged when made in the context of the forest debate? When there is no salinity in our production forest nor any potential where regeneration occurs. How often does the statement ‘Australia has already had 126 fauna species become extinct’ go unchallenged when no extinctions have been caused by, or within, production forestry? The fox and the cat are the predators, not the chainsaw.

Kangaroos happily inhabit golf courses but apparently not a regrowth or clear felled forest

We hear that ‘birds and animals will not return to forest regrowth’. I live in the biggest clear fell in WA: it’s called the Perth metropolitan area. My block has two large regrowth Eucalypts that play host to a large variety of birds. Kangaroos happily inhabit golf courses but apparently not a regrowth or clear felled forest.

The most powerful myth is that the Australian tall forest is disappearing, whereas it is in fact expanding.

The last one-liner is allegations of secrecy. The RFA process is one of the most open and consultative processes conducted by governments where an enormous amount of material associated with the RFA process and the final RFA documents and maps are publicly available on the Internet and through the post. They are also consistent with each other in relation to the NFPS.

There is, however, a great challenge for all communication professionals to reflect on and to face. If you content yourself with the option of treating populist one-liners as gospel without adequate research and/or journalistic rigour, then the result will be economic and social misery for a large group of defenceless people whose only ‘sin’ is to work in a renewable industry which harvests trees—and then regrows them.

I make no apology for standing up for these industries and the communities that support them—particularly given the conflict and anguish that they have had to endure. The RFA agreements should be backed by Commonwealth and State legislation—such as Tasmania’s existing legislation and the Commonwealth RFA Bill passed by the House of Representatives. While the RFAs are about providing certainty to those involved in native forest businesses, this government is also delivering additional resources through plantations and farm forestry.

CONCLUSION

The forest products industry in Australia provides products in demand which range from disposable nappies to fine furniture. It uses a renewable resource and both the expertise and the political will exist to ensure that it will continue to operate in a sustainable fashion. It is actually increasing forest biomass whilst providing both economic and social benefits for present and future generations.

It offers opportunities of job growth and it is time that we stopped responding to slick unsubstantiated one-liners and started giving credit to the scientists who do understand their trade and advise governments with integrity.

To finish on a one-liner: ‘Forestry is the only resource sector where with good management we can have our own cake and eat it too!’

NOTE

- 1 In a different but contemporary debate regarding genetically-modified organisms, the parallel is ‘*Frankenstein Food*’.

The Hon. Wilson Tuckey MP is Commonwealth Minister for Forests and Conservation. This is an edited version of a speech he gave at the National Press Club on 16 September 1999.

I P A

REVIEW

Letter from London

JOHN NURICK

'Joined-up Government'

JOINED-UP government' is one of New Labour's favourite slogans. Everyone remembers joined-up writing, and a while ago someone coined the happy phrase 'joined-up thinking' to mean a degree of logic and consistency. From there to *talking* about joined-up government—policies and departments that worked with each other, not against—was an easy step. Like joined-up writing, however, it's easier to describe than to do successfully.

One area in which the Blair Government has made a start on joined-up policy is in welfare. As I've said, we are not getting the radical reform that the Government once promised; instead, we are getting good old British piecemeal change. Nevertheless, the Government is on the whole trying to make the changes—in both social security and taxation—mutually consistent, and to make low-paid jobs more attractive relative to unemployment benefit. Some of the changes—for instance to some disability benefits—are even what might be called 'courageous', because they involve withdrawing or reducing longstanding benefits and replacing them with more tightly-targeted payments.

In health, the record is more mixed. Before the election, Labour made the fundamental mistake of campaigning on 'waiting lists'—the number of people waiting for National Health Service hospital treatment. 'We will cut NHS waiting lists by 100,000' was a good slogan but is now an embarrassment. What matters is not how many people are waiting, but how long each of them has to wait. If there are a million people on the waiting lists, you can cut the number by diverting resources to the simple cases: for instance, by cutting back on hip replacements and fixing more ingrowing toenails—but if you do that, people have to wait longer in pain and disability for their new hips.

Alan Milburn, the new Secretary of State for Health, is more than smart enough to understand the 'waiting list' trap, so we can hope for more joined-up



policy in this area. One of his first initiatives was to appoint a respected specialist to report on ways of improving cancer treatment in the NHS. This was long overdue: cancer survival rates in the United Kingdom are among the lowest in the developed world, not least because there aren't nearly enough specialists to ensure that patients are seen quickly and treated correctly.

Transport policy is one of the areas where there is most need for joined-up government—a fact recognized by Labour's long-promised and long-delayed 'integrated transport policy'.

For example, consider the 'school run'. In the good old days, children walked or cycled to school, but nowadays an important element of traffic in the morning rush-hour consists of mothers (and to a lesser extent fathers) driving children to school. The proportion of children getting to school under their own power has plummeted in the last 25 years or so. With increasingly dense—and angry—traffic, and seemingly ever-growing fears for children's safety, many fewer parents are willing to let their children on the streets or on public transport alone. The provision of school buses, moreover, is still based on the Education Act 1944, which specifies that transport would be provided only to children under eight who would have to walk more than two miles to get to school, or older children who would have to walk more than three miles.

The amount of exercise children get has fallen too. There are more fat, unfit British children than ever before, and

people in the Department of Health and the Treasury are beginning to worry about the implications for health expenditure in 30 or 50 years' time. If the streets were safer for cyclists and pedestrians, more parents would let—or make—their children walk or cycle. There would be fewer cars ferrying children to school or sports or piano lessons, which would make the streets safer and less congested. What's more, the children would be fitter and the actuaries would be happier.

In fact, joined-up government means that transport policy now ought to be thinking about health policy decades hence. In practice, however, a recent, tragic train crash has shown how fragile 'joined-up government' is even without the time dimension.

Ten years ago, there was a bad train crash at Clapham Junction in South London, the busiest station in the country. Afterwards, the then Conservative government promised to implement the recommendations of the official inquiry, regardless of expense.

One of these recommendations was to install an automatic train protection (ATP) system throughout the network to prevent trains passing red signals. When it became clear just how much this would cost, the Conservatives backed away, and by 1996 ATP had only been installed on two lines, for evaluation.

In 1997, there was another serious crash, at Southall in West London, on Isambard Kingdom Brunel's line to Bristol and South Wales. Here again, a train had passed a red signal—while the driver was bending down to pack his kitbag ready for arrival in London. The train was fitted with ATP, but this was switched off. There was also an older system (which is fitted to all trains) which should have given the driver a warning horn when he passed the red, and then applied the brakes if he failed to respond—but this was out of order.

For legal reasons, the public inquiry into the Southall crash only began this summer, and it was still in progress in October when two trains again collided on the same line, killing about 30 people at Ladbroke Grove only a couple of

miles from the terminus at Paddington. This time, the train that went through the red did not have ATP, but the older system was working. The driver would therefore have received—and had to acknowledge—audible warnings as he passed each of two yellow signals and then the red, where he should have stopped. The signals were in order—and had in fact been examined and approved by the Health and Safety Executive a few months before.

It was a terrible smash. At least 30 people died, some incinerated when diesel fuel ignited. You probably saw the pictures in Australia on television or in the papers. It held the headlines here for days. The main lines to Paddington were closed for a fortnight, causing enormous inconvenience to London commuters.

Meanwhile, John Prescott, the Transport Secretary, announced that automatic train protection would be installed across the network, regardless—you guessed it—of expense.

Hang on a tick. This is the man who is meant to be delivering an integrated transport policy. At today's prices, ATP would cost £1 billion, perhaps more—or something like £17 million for every life it is estimated that it will save (before Ladbroke Grove, no passenger had died in a train crash for nearly two years).

In fact, 'joined-up government' and 'regardless of expense' can't go together. Joined-up government means *not* spending £17 million per life saved on ATP when there are many other investments that would save more lives for less money. In Mr Prescott's own domain, measures to make the roads safer for pedestrians would save more lives (by international comparisons, British roads are safe for drivers and passengers but dangerous for pedestrians)—and get more children walking to school. In the National Health Service, improved cancer services would certainly be much more cost-effective than ATP.

As I write this, people expect that a Transport Bill will be announced in the Queen's Speech opening the new session of Parliament in November. It will be interesting to see how joined-up it is.

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 later edited newsletters reporting on the UK Parliament and European Union institutions.

I P A

Radioactive Waste

ALAN P. MARKS

Whether we like it or not, we've already got it!

RADIOACTIVITY, THE MEDIA AND POLITICS

There is often media hysteria about radioactivity and radioactive waste. Emotive language implies irresponsible operators have casually abandoned leaking drums—undoubtedly rusty and disintegrating—in pristine natural surroundings in a national park! Naturally, *dumping* takes place upstream of an unpolluted, sparkling river or immediately above an artesian basin!

Late in 1998, the Australian media reported on a concept for an Australian repository for imported high-level radioactive waste (HLW) and spent fuel. The proponent was Pangea, an Australian company with British, Swiss and Canadian shareholders. The concept may be traced to ideas published by the Synroc Study Group which was established in the late 1980s at the behest of Senator John Button, then Minister responsible for the Australian Nuclear Science and Technology Organization (ANSTO) to investigate the commercialization of Synroc.

Synroc, an Australian invention, was developed jointly by ANSTO and the Australian National University (ANU), and funded by the Federal Government. It is a ceramic with strong retention for radioactive elements present in HLW. Reprocessing plants in Britain and France immobilize separated HLW in borosilicate glass. Synroc would perform similarly but with improved characteristics.

The Pangea story gave the public an impression that large volumes of imported radioactive waste would imminently arrive in Australia, leaving a hazardous trail before being *dumped*—note the emphasis on this word!—in an unsuitable location. Politicians of all parties quickly distanced themselves from this distorted proposition and dismissed any serious study of the concept.

Disposal of radioactive waste is an example of the stalemate often arising

from the intersection of science, technology and politics. Governments were once expected to analyse, assess and then act responsibly on a potentially controversial proposal. Today there seems to be more emphasis (though unspoken) on whether politicians would thus place their individual careers at risk at the next election.

But Australia already has radioactive waste. How is this so? Before answering this, we should clarify the difference between radioactive and non-radioactive waste.

WHAT IS WASTE?

Everybody knows what non-radioactive waste is (let's just call it 'waste'), it's that stuff we drop into bins and wheel out to the nature strip every week. The council's contractor collects it and takes it to the municipal *tip*. This domestic waste is literally *tipped* out of the truck, mingled with soil, and then left to decompose over a period of time. Governments have evolved regulations for municipal tips to safeguard the public and encourage the tipping process to be effective and efficient. There are other forms of waste, of both domestic and industrial origin, which cannot be tipped in this way. Some industrial waste can be very hazardous, containing metals and intractable chemicals that must be carefully and permanently isolated from the biosphere.

Radioactive waste, however, is beyond the experience of most people, partly because there is so little of it. It is also beyond experience because we usually cannot touch, taste or smell radioactivity, even if we can see the waste. Perhaps the undeserved reputation of radioactive waste is an inevitable consequence of its difference, since it can be detected with simple instruments in even smaller quantities than could be seen through a microscope. These 'simple instruments', however, are much less

REVIEW

common than, say, the ubiquitous mobile phone! Perhaps this implies that if something can't be detected by the human senses, it must automatically be feared and avoided.

Compared to other types of waste, the volume of radioactive waste is small, so that it is feasible to encapsulate it to prevent it from returning to the biosphere. Compare a clean warehouse full of sealed drums with the area and aroma of one municipal tip, or compare a 100 tonne steel and lead transport container on one railcar with a small mountain of fly ash.

AUSTRALIAN WASTE

Much of the radioactive waste generated in Australia originates at the laboratories of ANSTO at Lucas Heights. ANSTO operates the HIFAR research reactor, which generates radioactive waste—for example, in the fuel in which the chain reaction takes place, the filtration media that help to purify the circulating water and in other equipment used for research and production.

Production of radioisotopes used in medicine and industry requires reactor irradiation of target materials and subsequent processing of extracted isotope products. These operations generate radioactive waste, such as tissues, protective clothing, containers and residual liquids. The solids, containing minimal radioactivity, are compressed into steel drums for storage. Liquid waste may be solidified and mixed with concrete in a steel drum.

The radioactivity in the waste diminishes with time. When the rate of decay is rapid, storing the waste allows residual radioactivity to become so low that disposal is permitted as non-radioactive waste. Governmental guidelines cover this situation.

Some radioactive waste, however, takes many years to reach a non-significant level. This waste must be stored until a permanent method of disposal is available.

In addition to the Lucas Heights waste, radioactive waste is produced in varying quantities and types elsewhere. This includes industrial sources (for example, for industrial radiography) whose radioactivity is exhausted, self-illuminated signs (for example, 'Exit' signs), residues from nuclear medicine activities, and obsolete smoke detectors and alarms. The radioactive content of all of these, and others, even when no longer useful, requires storage and ultimate disposal which meets legal requirements.

Australia possesses radioactive waste by virtue of its place in the modern world and its citizens' preference for modern facilities and services. We have radioactive waste because we use radioactivity. We use it in science and medicine, in engineering and production technology and we use it in research and development. Without it, many diagnostic and measurement processes would become difficult or impossible. Many people have benefited from *nuclear medicine*, that is, the use of radioactive pharmaceuticals in very low concentrations for diagnosis. Some diagnostic tests would not be possible or require risky invasive procedures if nuclear medicine were unavailable. Many people are likely to benefit from nuclear medicine diagnostics over their lifetimes.

Surprisingly, most households in Australia contain radioactive material. The cheapest and most effective form of smoke detector—a required fitting in

**Radioactive waste
is beyond the
experience of
most people, partly
because there is
so little of it**

homes, hotels and offices—contains a small amount of americium, a radioactive element. When the detector becomes obsolete, it must be treated as radioactive waste and disposed of appropriately.

Australia is a supplier of uranium for nuclear electricity generation overseas. Hence Australia is also linked to the generation of radioactive waste in other countries.

LOW LEVEL WASTE

Most of the waste described above is called *Low Level Waste* (LLW). International standards for LLW disposal permit it to be buried in defined types of containers in shallow trenches in an appropriate environment. Note that the word *dump* does not describe this type of disposal!

Federal and State governments agreed in the early 1980s to seek a site for a National LLW Repository, but the process of selecting a site and establishing the Repository is yet to be completed. Test drilling in an arid region of mid-north South Australia is proceeding, however, and the Repository should be in operation within the next few years.

Criteria for LLW disposal are based on the low level of radioactivity and the relatively short-lived nature of LLW. Location in an arid region reduces the risk of waste being disturbed by surface water. The risk is further reduced by the integrity of the containers and by use of an impervious lining to the trenches. Once full, trenches will be backfilled and the facility covered with a layer of earth and reinforcing material to maintain its overall integrity. After some years, there would be no further need for surveillance and the site would be fenced off and only occasionally inspected.

INTERMEDIATE LEVEL WASTE

LLW is not the only waste classification in Australia. At Lucas Heights and elsewhere there is *Intermediate Level Waste* (ILW), longer-lived and more radioactive than LLW. Examples of ILW are ion exchange resins used in water purification for HIFAR, and equipment used in the reactor and in other work with radioactive materials.

There are government regulations for LLW disposal, but there is nothing corresponding for ILW. International standards require underground ILW disposal, generally hundreds of metres below the surface in caverns excavated in solid rock in a region meeting other criteria.

The fundamental requirement for safe disposal of radioactive waste is minimum possibility of the waste moving by natural forces from the emplacement area over a period of time commensurate with the decay period or radioactive half-life. Other than major earthquake movements, the only mechanism is the presence and movement of groundwater. Site selection requires evidence that groundwater is absent or is essentially stationary over the relevant time scale. Hence geological evidence must be fully assessed for a candidate site.

Disposal of Australian ILW suffers from the smallness of the overall quantity and that identification and establishment of an ILW repository would be disproportionately expensive. The Fed- ▶

eral Government's response is only to propose that ILW should be stored, a facility being co-located with the LLW repository.

Another source of Australian ILW could be waste from HIFAR spent fuel. About half of this spent fuel will be processed in France. The small proportion of waste arising would eventually be returned to Australia, possibly as a concreted mass in containers. Many years may elapse before this waste is returned; there is no urgency at present to establish an ILW repository.

HIGH LEVEL WASTE

The third major classification of radioactive waste is *High Level Waste* (HLW), which is the residue from chemical reprocessing of spent fuel from nuclear power stations. Although unprocessed spent fuel itself is not strictly HLW, the two are often considered together; both have intense radioactivity requiring heavy radiation shielding and thermal cooling for some time after their removal from the power station.

Although waste from HIFAR spent fuel may be classified as ILW, there is no unanimity on the classification of separated waste from spent fuel, whether from power stations or research reactors. The nature of the waste is broadly similar in both cases. Waste from research reactors, if put in a concentrated form, would be more akin to HLW, and equally, if in a more dilute form, could be classified as ILW since the radioactivity would be long-lived and require radiation shielding but not cooling.

As Australia has no nuclear power stations, it has neither power station spent fuel nor HLW arising from it.

PANGAEA AND SYNROC

The Synroc Study Group's studies, published in 1991, included the idea of a repository for HLW immobilized in Synroc; this repository could be located in Australia or elsewhere.

Commercial use of Synroc is now more likely to involve the immobilization of specialized waste streams into which HLW could be divided in the reprocessing plant; this aspect is being examined in France and Japan. The USA has selected Synroc as a preferred wasteform for the immobilization of plutonium.

Pangea's concept is independent of the immobilization wasteform for HLW and is equally applicable to unprocessed spent fuel. The proposal is based on the ideal geological conditions for the disposal of radioactive waste that

exist in parts of Australia, as well as Australia's perceived political stability and maturity. Pangea also recognized that many overseas countries with nuclear power stations have had difficulty in obtaining scientific verification of chosen disposal sites. Large sums of money have been lost seeking such verification; often problems arose because the site had been chosen on political rather than technical grounds. Since capital costs of repositories are high, some countries are concerned that domestic disposal of relatively small quantities of HLW and/or spent fuel will be disproportionately expensive.

Pangea recognized the economies of scale of a central repository and also assumed there would be interest in Australia for the economic benefits arising from its integrated concept.

Radioactive waste has a great advantage ... the ability to detect its presence, even in minute quantities

Pangea proposed to build in Australia large numbers of one-hundred-tonne transport containers and specialized double-hulled ships to carry the transport containers from overseas. A rail link from a port to the disposal site would be required. Overall, these proposals could create significant numbers of long-term jobs and a financial benefit to Australia valued annually at some billions of dollars.

Other countries having difficulty in establishing repositories may welcome an international repository. This could provide recognition of Australia as a major contributor to disarmament through permanent disposal of immobilized plutonium from weapons stockpiles.

Pangea's proposals may have been prematurely disclosed, and caught some of its potential political supporters off guard, unable to admit publicly to any willingness to consider the merits of the concept. Whether anything will come

of the concept remains to be seen, and may depend on support from a potential beneficiary such as a State Government.

THE MESSAGE

Australia has radioactive waste, stored in temporary locations throughout the country. Eventually arrangements must be made for its disposal rather than leaving it for future generations. One exception: Western Australia recognized the need to manage its own waste and, several years ago, set up a small disposal site for both radioactive and intractable waste at Mount Walton East.

Ultimately the National LLW Repository will exist and will accept LLW. Only small quantities of LLW are generated in Australia. Once the initial backlog is cleared, the Repository may only need to be used infrequently to admit new waste, perhaps annually.

Disposal of existing ILW, and HIFAR fuel element waste when eventually returned, will be more difficult, due to the anticipated cost of an underground repository.

It is disappointing that Pangea's proposals seem to have been dismissed out of hand by nervous politicians, given the potential for the establishment of new industries and significant job creation. Why is there this nervousness? Has any politician declared his or her fear of the unseen radiation? Most of the dismissive statements rely on so-called 'policy' that Australia will not take radioactive waste from elsewhere: no plausible rationale for this policy has been given.

Radioactive waste has a great advantage over other kinds of waste, namely the ability to detect its presence, even in minute quantities and often at a distance. This powerful property in turn enables enclosure and containment of radioactive waste—or any other radioactive material—to be achieved and confirmed to avoid all uncertainty as to its status and safe management.

So what is the problem?

AUTHOR'S NOTE

This article is as non-technical as the subject permits. Note that the scheme of waste classifications LLW, ILW, HLW used here is only one of several alternative schemes. I used this one in the interests of simplicity and minimal technicality.

Alan P. Marks, MST Consultants Pty Ltd,
Brighton, Victoria.

IPAA

REVIEW

Legalizing Health Insurance

FELIX FREEMAN

IN this year's Budget, the Commonwealth Government announced the introduction of 'Lifetime Health Cover'. Like the 30 per cent rebate scheme, it is aimed at slowing or reversing the decline in private health insurance.

Critics, of course, claim that the rebate is pumping money (\$6 billion over 4 years) into the private system, at the expense of the public system. This has some ideological appeal, but is economic nonsense. As with education, private places (beds) can be provided more cheaply to the public purse, because consumers share the cost. So more money is in fact available per user to the public system.

But unlike education, health-care costs are not only large but unpredictable, discouraging use of the private system. Insurance is the obvious answer, so much so that almost no-one uses private hospitals without private health insurance. So the survival of private hospitals depends on viable health insurance.

There are two main problems with the viability of private health insurance:

- it is subject to 'community rating' (all customers pay the same);
- the government's own health 'insurance' system, Medicare, competes unfairly with the private sector.

The results are predictable. Imagine we had Medicare for cars. If you had a prang, you could go to a 'Medicar' garage, and have it fixed for nothing. But you'd have to settle for the salaried duty panelbeater. And if the car was still drivable, you might have to wait. People with private car insurance, on the other hand, could have panelbeater of choice, and faster service on small dings, for a standard premium. But they'd still have to pay an excess.

Who then would insure?

The wealthy might be prepared to pay more for choice, and to avoid having to drive around in a dented Mercedes. Inexperienced or reckless drivers who had regular accidents (who in the real world would pay higher premiums or excess, or be refused insurance) might also pay more to avoid the inconvenience of waiting for repairs.

Of course, premiums would go up. Then people would drop out, leaving the *really* bad, or really rich, drivers still in the insurance pool. So premiums would go up again. And so on.

Clearly a system where insurers could not charge higher premiums to high-risk drivers would be virtually unworkable. Yet this is what happens in health insurance under 'community rating'.

The new scheme of 'lifetime community rating' will work more like life insurance. The older you are when you join, the more you'll pay.

People who take out health insurance at or before age 30 all pay the standard rate, indefinitely. Others pay an extra 2 per cent for every year they're over 30 at joining, to a maximum loading of 70 per cent.

The approach was described in the Commonwealth Health Department's January discussion paper *Lifetime health cover: an unfunded lifetime community rating model for private health insurance*.

The paper proposed a slightly different cutoff age, 'age step', and maximum loading, but we are assured that this doesn't matter. Any of the numbers could be changed.

Now health insurance will be more like insurance. But not much more. Other factors affecting risk, such as drinking, smoking or exercise, are excluded. Even on age, all insurance companies must stick to the one formula.

You might think it simply didn't occur to Health Minister Wooldridge or his advisers to let the insurers set their own age rates. But you'd be wrong.

The paper does consider a 'free market option', if only as a straw man. It is dismissed with the claim that 'funds do not have the data to ... undertake the rigorous analysis needed to establish soundly based premium rates set in a competitive environment'. Health funds will 'chas[e] the market', producing 'volatile premium rates' and 'considerable consumer confusion'—the old arguments for price-fixing.

It is not clear, however, that governments have the data either, let alone that they have done the rigorous analysis. The figures used (and the statement that actual figures do not matter much)

sound more like someone has said 'how about 2 per cent a year over 30?'

But do they need rigorous analysis? After all, the Medicare levy doesn't go close to paying for Medicare, and no-one seems to mind. The Government doesn't have to break even, so does it need to get the sums right?

Well, yes. Even if one accepts that government businesses can run at a loss, here we are talking about setting fees for private businesses. Justice aside, the Government may not care whether insurers make a profit, but they will if the industry folds.

When they say that the funds don't have the data, they may be quite right. Life insurance companies employ actuaries to work out who's likely to die when, so they can charge premiums based on risk. But actuaries aren't needed for hospital cover. Community rating and reinsurance mean that there's no point to estimating risk. The Government has created the conditions where health insurers no longer act like insurers. Change those conditions, though, and they'll soon learn.

It seems that the Government may know that lifetime health cover is no more of an answer than the 30 per cent rebate was. They are talking about a range of other measures to prop up the industry:

- *Loyalty bonuses* to encourage long-term members;
- *Co-ordinated care and early discharge programmes* to increase control over patients' use of services; and
- *Simplified billing* to control the surprise out-of-pocket expenses faced by private hospital patients.

All of these may continue to arrest the decline, perhaps even stabilizing the ailing industry. But the Government created the illness in the first place. It regulated its premiums, and set up a publicly-funded system in competition with it.

Until this is changed, it is hard to see how there will ever be a viable insurance market in health.

Felix Freeman is a public policy analyst based in Canberra.

I P A

Assessing Finance Ministers

MICHAEL WARBY

ONE of the perennial problems of politics is that it is very hard to measure performance, whether of individual backbenchers or Ministers or of governments. We all make judgements about who we regard as good and bad performers, but these judgements are based on widely divergent values and limited information. Democracy may be, in Churchill's famous words, the worst form of government except for all the others, but it is still a very rough-and-ready process when it comes to judging performance.

Judging the performance of individual Ministers is particularly difficult. First, we have a system of Cabinet Government, so it can be hard to assess how much a particular Minister is responsible for the key decisions in his or her portfolio. Second, the effects of decisions can be long delayed or are otherwise of uncertain time frame. Third, Ministers have to operate in a general social, economic and technological context which may simply overwhelm, or at least obscure, how well or badly they are performing.

As a keen, and long-time, observer of the Commonwealth political scene, I can certainly nominate Ministers I think did particularly well and others who did particularly badly. I have little hesitation in nominating Senator Alston—the Minister for Communications, Information Technology and the Arts—as someone whose has made appalling public policy decisions. To quote an e-mail from a senior business journalist concerning the disgraceful digital TV decision:

I'm sure there have been worse policies, developed in the face of equally compelling evidence that they are flawed and destructive of the community interest, but I haven't encountered them.

I agree and have little to add. Except to say that the Minister's policy on Internet censorship has been similarly foolish. Yet it is hard to see how one could develop a systematic measure to compare different Ministers for Communications.

The prospects are better with economic portfolios. One could compare economic indicators under different Treasurers, though the operation of the business cycle makes such comparisons more than a little problematic.

There is one portfolio, however, where it is comparatively easy to develop a good indicator of performance. That is the Finance portfolio. The prime task of the Finance Minister is to manage Commonwealth Government finances. A prime indicator of good management is whether the Commonwealth is saving—taking in more in revenue than it is spending on recurrent expenditure (pensions, salaries, etc)—or not. For if the Commonwealth is not saving, then either assets are being sold or debt is being incurred to fund pensions and salaries: padding the present by selling the future. The general economic situation certainly affects budgetary performance, but saving in the Commonwealth general government sector (that is, excluding government business enterprises) certainly provides a fairly clear measure.

There have been seven Commonwealth Finance Ministers who have overseen at least one budget prior to John Fahey, the present incumbent: three Liberals (Lynch, Robinson, Guilfoyle) and four Labor (Dawkins, Walsh, Willis and Beazley). The following graph measures Commonwealth saving per Australian per year in office for all seven, allocating to them the year where they were responsible for the budget.¹ Per capita GDP growth in the same period is also provided as an indicator of the economic situation.

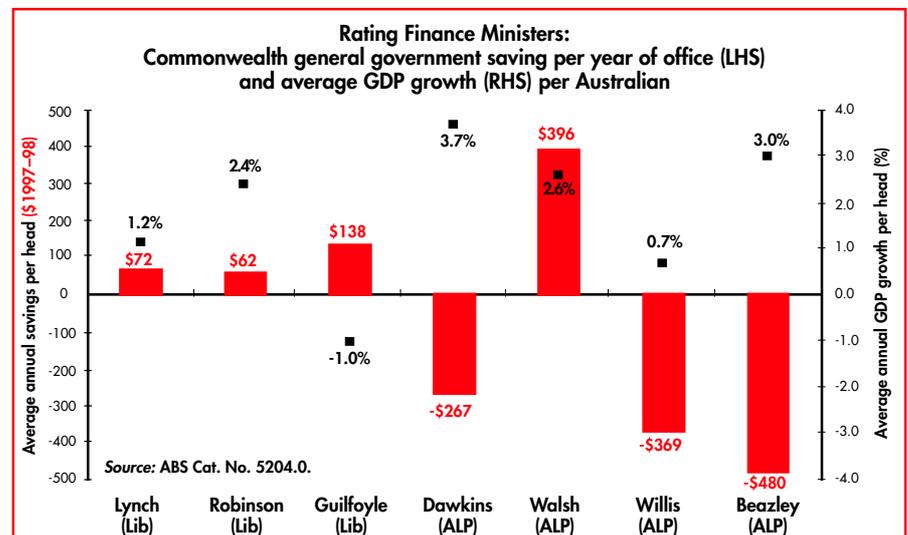
Several interesting points flow from this comparison. First, Peter Walsh is by far the best Finance Minister, showing a diligence in fiscal rectitude that puts him well ahead of his nearest rival, Dame

Margaret Guilfoyle. Second, there is no correlation between economic growth and Commonwealth saving performance (the actual correlation is -0.24, close to a perfect 0 correlation).

Third, no Liberal Finance Minister has been a net 'dis-saver' over the course of their time in office. Fourth, with the exception of Peter Walsh, every ALP Finance Minister has been a dis-saver; selling assets and increasing debt to fund recurrent expenditure—though to be fair to John Dawkins, he had to cope with the huge budget deficit left by the outgoing Fraser Government, coming out of a deep recession and the creation of Medicare which shifted much health expenditure from households to government.

Finally, the worst performing Finance Minister is the only one of the seven still in public life: the Hon. Kim Christian Beazley, Leader of the Opposition. Not only did he have the biggest average rate of dissaving—\$480 per year per Australian—but he also showed this startling level of fiscal laxity while experiencing the second-highest average economic growth rate. Australia was in economic recovery mode at the time, but that was no excuse for performing worse than his predecessor, who copped the full brunt of the recession of the early 1990s. Beazley's performance as Finance Minister bespeaks a man who has problems saying 'No'. Denial does not appear to fit his nature.

The graph also shows the tendency of the Commonwealth to increasing fiscal laxity, though Peter Walsh demonstrates



that there is nothing inevitable about this. It is interesting to consider why, with the exception of Peter Walsh, ALP Finance Ministers cannot seem to balance the books.

There is a clear institutional interest at work, due to the importance of public-sector unions and public-sector workers in ALP preselection and decision-making forums, creating a powerful incentive for ALP governments to be fiscally lax in order to protect the preselection base of ALP politicians.

This is clearly not merely a theoretical point. This conflict of interest effectively destroyed the Cain–Kirner Government in Victoria. Despite claims at the time (and subsequently by apologists), it is quite clear from ABS figures—and those of independent rating agencies like Moody's and Standard & Poor's—that assets were sold and leased, and money borrowed, to pay for salaries of public-sector workers. The massive overstaffing of the Victorian Education Department, for example, clearly represented publicly provided benefits to a special interest (teachers) important in ALP preselection forums.

This conflict of interest is also clearly currently operating in New South Wales, where the interest of public-sector unions and workers—as expressed in ALP party forums such as State Council—in the continuation of inefficient public provision is impeding the capacity of the Carr Government to deal with New South Wales' increasingly desperate need for new infrastructure.

Conflicts of interest are not themselves disabling, however. The question is, how do you deal with them? The answer has to be openness and accountability. How the Leader uses his moral authority also matters. There have been plenty of examples of ALP governments standing up to union and other ALP-connected interests: as NSW Premier Bob Carr and Treasurer Michael Egan have attempted to do over electricity privatization. Top-performing Commonwealth Finance Minister Peter Walsh, backed by Prime Minister Bob Hawke, certainly showed what can be done.

NOTE

1. So Phillip Lynch gets 1976/77 and 1977/78; Eric Robinson 1978/79 to 1980/81; Dame Margaret Guilfoyle 1981/82 and 1982/83; John Dawkins 1983/84 and 1984/85; Peter Walsh 1985/86 to 1989/90; Ralph Willis 1990/91 to 1993/94; and Kim Beazley 1994/95 to 1995/96.

Michael Warby is Editor of the IPA Review.

IPA

Letting Go of Redundant Television Quotas

FRANCO PAPANDREA

DESPITE its many successes at home and abroad—and its deserved claim to being one of the most competitive in the world—the Australian film and television production industry is immensely paranoid about changes to quotas for Australian television content. Even the slightest hint of a change to the quota regime is sufficient to set off strident opposition from industry leaders. The most recent agitation in the industry follows a proposal for minor modifications to the quotas by the Productivity Commission.¹ Without any objective evidence to back up its claims, the industry would have us believe that the removal of what amounts to no more than two redundant quotas will spell the death of Australian programming on television. Is there any substance to the industry's claims, or are they the typical rhetoric of self-interested rent-seekers intent on protecting a privileged assistance status?

The industry is well practised at predicting doom and gloom, even in the face of overwhelming evidence to the contrary. A recent case in point is the industry's three-year pitched battle against recognition of New Zealand programmes for compliance with the Australian quotas when all the evidence indicated that recognition would have no significant impact.² But while, in the case of New Zealand programmes, the industry could at least argue that Aus-

tralian and New Zealand programmes reflect different cultures, not even that argument is plausible with regard to the changes proposed by the Productivity Commission.

THE QUOTA REGIME

As noted by the Productivity Commission, the rationale for Australian content policy is the promotion of social and cultural objectives, not assistance to the local industry (*Broadcasting Draft Report*, page 208). Commercial television has

always had an obligation to broadcast Australian programmes. Initially, it was required to employ 'Australians, as far as possible, in the production and presentation of programmes'. Quotas were first introduced in 1961 and were gradually expanded afterwards. Currently, they require at least 55 per cent of all programming to be Australian and mandate

The Australian film and television production industry is immensely paranoid about changes to quotas for Australian television content

specific sub-quotas for adult and children's drama, children's programmes and documentaries. Also, no less than 80 per cent of all advertising time must use Australian-made commercials.

How well have the quotas worked from the perspective of the community? A recent comprehensive study of Australian content regulation³ used a contingent valuation survey to estimate the value of the community benefits accruing from the regulation. While it concluded that the benefits were broadly commensurate with the cost of the regu-

lation, more interestingly it found that the benefits could be increased with a different composition of programmes. Although support for domestic programming was widespread, many respondents wanted a different composition of programmes. Large proportions wanted increases in documentaries, news and current affairs, and children's programmes. With respect to drama, respondents indicated a desire for more movies and fewer serials and series of the type encouraged by quotas. It also questioned the sustainability of quotas in a rapidly changing technological environment.

PROPOSED CHANGES NOT ENOUGH

The Productivity Commission's (1999) draft report on Broadcasting recommended the removal of the 55 per cent overall quota for Australian content and of the 80 per cent quota for advertising, but recommended retention of the specific quotas for adult and children's drama and documentaries. It also recommended retention of the current quotas for children's programmes, but with a reconsideration of whether all the quota for pre-school children programmes should be exclusively Australian.

The recommended removal of the overall content and advertising quotas are quite sensible proposals. Neither of these quotas is having any effect on the behaviour of broadcasters. The three commercial networks willingly exceed the quota levels by a substantial margin because it is profitable for them to do so. Much of the overall quota time is filled with popular programmes such as news, current affairs, sports, game shows and infotainment which cannot be substituted easily with imported programmes. Similarly for advertising, the driving force is the use of appealing commercials with which audiences can identify. The fact that a lot more than 80 per cent of all commercials are Australian provides a very clear indication that advertisers are using Australian commercials because they are effective and not because they are forced to do so by quotas.

If—as the industry would have us believe—broadcasters and advertisers are anxiously waiting to reduce Australian content as soon as the quotas are removed, why are they currently behaving irrationally by using substantially more Australian material than the quotas require them to? The answer, of course, is that broadcasters and advertisers are not acting irrationally. Their

interest is best served by maximizing profit. This is clearly evident with children's drama where more programming means more cost, rather than more profit, and so no more than what is required by the quota is transmitted. By freely choosing to exceed the overall content and advertising quotas, the broadcasters are obviously indicating that they earn more profits that way and

The recommended removal of the overall content and advertising quotas are quite sensible proposals

would continue to pursue those profits whether or not the quota is in place.

Australians want and get substantial Australian programming on commercial television. Much of that programming would be supplied with or without regulation. The inherent popularity and natural protection of domestic programmes such as news, current affairs and sports, will guarantee their screening on commercial television. The fierce competition to secure the rights to popular sporting events, for example, bears testimony to the value of those programmes to commercial broadcasters and has nothing to do with the quota regime. But not all domestic programming is attractive to broadcasters. Without regulation, for example, stations would be supplying few Australian children's programmes even though the community at large considers such programming to be particularly important and valuable.

With drama programmes we are faced with a dilemma. Although some Australian drama enjoys considerable support from audiences, a freely operating free-to-air broadcasting market will not usually take account of the external cultural benefits accruing to society. Consequently, drama would be unlikely to be supplied at the optimal level desired by society without some form of market intervention.

The Productivity Commission proposes the retention of the current drama quotas at least for the time being. Its report, however, raises serious doubts about the continued viability of the current quota system in a liberalized digital television regime and in a convergent media environment. Essentially, it says, the quotas will self-destruct in the not-too-distant future. Thus, the sting in the tail of the Productivity Commission's recommendations is not in the quotas it proposes to abolish, but in those it proposes to retain. Having raised doubts about the ongoing effectiveness of the quotas, it is somewhat disappointing that the Commission has not suggested an appropriate solution (it must be acknowledged, however, that the Commission has called for further inputs on this issue).

If we accept that domestic drama is essential to the enhancement of our cultural identity, then some form of assistance (that is independent of delivery platforms) will need to be developed to ensure its availability to audiences. Possible examples include production subsidies and direct provision of socially desirable programmes by the national broadcasters. The television production industry, therefore, rather than blindly opposing change to unsustainable quotas, would better serve both its own and the community's interests by engaging in constructive dialogue to develop an assistance package more suited to a changing media environment.

NOTES

- 1 Productivity Commission, *Broadcasting*, Draft Report, Ausinfo, Canberra, 1999.
- 2 Although the High Court ultimately ruled in favour of New Zealand programmes in early 1998, there has been no increase in their (negligible) use on Australian television. This was anticipated in Papandrea, F., 'Resolving Conflict Between Cultural and Trade Policies: The Case of Australian Content on Television', *Prometheus*, 16 (4), December, pages 69–79, 1998.
- 3 Papandrea, F., *Cultural Regulation of Australian Television Programmes*, Bureau of Transport and Communications Economics, Occasional Paper 114, AGPS, Canberra, 1997.

Franco Papandrea is Associate Professor of Communication, and Director of the Communication and Media Policy Institute, at the University of Canberra.

IPA

REVIEW

Letter on America

NIGEL ASHFORD

A Tax Cut Too Far?

THE biggest issue in American politics in 1999 is the US\$792 billion cut in taxes by 2009 proposed by the Republican Congress. This was in response to predictions that budget surpluses over the next 10 years will be over \$3 trillion. President Clinton has vetoed the tax cuts, describing them as irresponsible. He says that the surpluses should be used to save Social Security—the pay-as-you-go government plan for senior citizens—and to pay off the national debt. The White House also protests that the tax cuts favour the rich and threaten higher interest rates. Is he right?

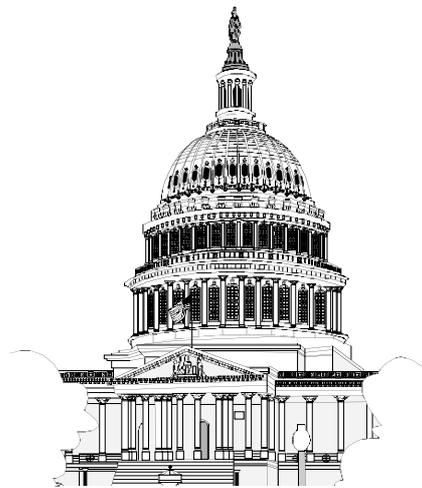
The main features of the Republican tax plan are:

- a 10 per cent across-the-board cut in the federal income tax for each of the five rates which range from 15 per cent to 39.6 per cent;
- the phase-out of the marriage tax penalty in which many married couples end up paying more tax than similar unmarried couples;
- abolition of the 'death tax' on inheritance, which forces many small businesses and farms to be sold rather than bequeathed to the next generation;
- a reduction of the capital gains tax by 25 per cent to encourage savings and investment; and
- increased tax incentives to save for retirement in 'IRAs,' that is, Individual Retirement Accounts.

How can these tax cuts be justified?

First, this money belongs to the taxpayers. They are only being allowed to keep what rightfully belongs to them. It does not belong to the Government, which gracefully allows you to keep some of it. Government is only justified in taking that which is required to provide for its necessary functions, and no more. Tax cuts are morally right because income belongs to the people who earn it.

Second, the successful economy of the late 1990s is a consequence of the long years of economic growth since 1982 following the Reagan tax cuts. Reducing taxes has a positive impact on the economy. This is hidden, however, by official statistics which are based on out-of-date Keynesian static models, which assume that every



dollar cut in the marginal rate is a dollar lost in revenue, and has absolutely no impact on the behaviour of the worker, the consumer or the saver. The model is mistaken: tax cuts mean growth.

Third, federal taxes are now taking 20.7 per cent of GDP, a peacetime record: the highest in the history of the USA apart from 1944/45 at the end of the Second World War. While defence expenditure has declined rapidly—as a result of the end of the Cold War—domestic programmes have continued to grow in the 1990s. Tax revenues will return closer to the post-war average under the proposed tax cut.

Fourth, if surpluses are left in the hands of government, it will simply spend it. As Senator Paul Coverdell of Georgia noted, 'This money is going to get spent. The question is who gets to spend it: the citizens who earned it or the President?' Restricting its revenue is the best means of limiting government.

What of Clinton's objections? Social Security is already protected with two-thirds of the surpluses being placed in a so-called 'lock-box' where it can only be used for Social Security. The best way to save Social Security in the longer term is to enable people to save for their retirement, which this tax bill does through IRAs.

The national debt will be decreased under the Republican budget by \$2.2 trillion by 2009. The debt has already declined from a high of 50 per cent of GDP to 41 per cent in 1999 because of budget surpluses arising from higher-than-expected revenues in a fast-growing economy. Continued surpluses and lower debt are more likely with tax cuts. Clinton is insincere when he claims to oppose tax cuts in order to use

the surpluses for Social Security and the debt, when his own budget proposed \$150 million of new spending.

The tax cuts are 'fair'. Those who pay the most will receive only the same proportion of tax cuts. Many of the poorest will not receive a direct tax cut because they do not pay federal income taxes. The top 10 per cent of taxpayers pay 62.5 per cent of personal income tax revenues. As Republican presidential front-runner George W. Bush contends, 'The people who pay the taxes are the people who are going to benefit.'

Tax cuts will not require a rise in interest rates because they will increase savings and a lower interest rate will yield the same after-tax return on investment. This was the experience of the Reagan years.

If anything, the tax cuts are too modest. Most are projected into the future, with few tax cuts in the next year. It will be 2003 before the tax cuts offset the impact of the Clinton tax increases of 1993. After 10 years, the Federal Government will still be taking more in taxes as a percentage of GDP than in 1988, the last year of the Reagan Administration. It amounts to a reduction of a tiny 0.6 per cent of GDP per year.

There are problems with the Republican budget—but they do not lie with the size of the tax cuts. Too much is targeted at special interests, designed to satisfy narrow interest groups and not the general public. Congress is already showing signs that it will not keep to its self-imposed spending caps, by designating predictable programmes—such as the national census mandated by the Constitution—as 'emergency measures'. Above all, this was a lost opportunity to provide a flatter, cleaner and simpler tax system. The bill therefore could be improved but there are few grounds for optimism.

Significant tax cuts that ensure a tax regime which takes from the people only the minimum necessary will require both a President and a Congress who believe that the people's money belongs to the people.

Dr Nigel Ashford is Senior Lecturer in Politics at Staffordshire University, England, and co-author of US Politics Today (Manchester University Press, 1999) and has written numerous articles on American conservatism.

I P A

The 'R' Files

ALAN MORAN

Alcohol Consumption: Community Cost or Benefit?

INTRODUCTION

Excessive alcohol consumption is clearly a social evil—as it can lead to premature death and injury through health effects, accidents and drunken aggression. In some cases, victims include those who were not themselves abusers of alcohol.

Yet alcohol consumption has many offsetting benefits. These largely comprise the value obtained by alcohol consumers over and above the price paid. Based on observation of the lengths to which a great many people will go to enjoy alcohol when it is forbidden or prohibitively priced due to regulation, the value consumers place on alcohol is far in excess of its price.¹ This has made taxes on alcohol particularly attractive to governments because consumption is relatively unresponsive to increases in price.

Alcohol spending in Australia is roughly \$12 billion, or 3–4 per cent of total consumer spending. From what we know of consumer preferences, the value of this consumption, over and above the money spent, is likely to be in excess of \$10 billion.

COSTS OF ALCOHOL ABUSE ACCORDING TO THE STUDIES OF COLLINS AND LAPSLEY

Academic researchers have attempted to estimate the costs associated with alcohol. In Australia, this work has been undertaken for the Department of Community Services and Health by two researchers, David Collins and Helen Lapsley. The researchers published major studies in 1991 and 1996,² which remain sources vested with authority regarding the costs of alcohol, drugs and tobacco abuse.

The 1991 study reported that abuse of alcohol costs the community some \$6 billion per annum (in 1988 prices). This was divided into \$3,250 million 'tangible' costs and \$2,780 million 'intangible' costs. The tangible costs cover loss



of life and injury, health care costs, vehicle damage and so on. Intangible costs included the value of lost life in terms of consumption foregone, and pain and suffering, additional to payments actually made.

The later study came to a radically different bottom line. Although the 'tangible' costs at \$3,147 million per annum were ostensibly similar, when disaggregated they were much different. One example of this was that the first study estimated that 30 per cent of consumption was wasted (which was valued at \$1.6 billion) due to it being consumed by addicts. In the second study, this 'wasted' consumption became only 20 per cent and was valued at only \$1.1 billion. On the other hand, road accident costs were markedly increased—from \$200 million to \$750 million.

With intangible costs, Collins and Lapsley's first study's estimate of \$2,782 million becomes only \$849 million in the later study. This is in spite of the fact that, in their first study, they said: 'These estimates must be treated with caution since they represent what we believe to be absolutely the minimum possible intangible costs'.

SOME ISSUES REGARDING THE COLLINS AND LAPSLEY FINDINGS

First, the distinction of consumption and production losses requires some explanation. A great deal of the production losses and the consumption losses are from the same bag of money. Income from working is consumed and, in the main, should not be counted twice. Only

a small part of the profit margin from production and the benefits which consumers obtain, over and above the price they pay, are additional to the value of production.

Second, the inclusion of pain and suffering is problematical because death is often painful whether or not from alcohol-related causes.

Third, Collins and Lapsley do not estimate the consumer surplus that people obtain from alcohol consumption—the benefit over and above the price paid. The notion is addressed in their work only in regard to the additional value of consumption that the deceased would have obtained, and in the denial of its relevance for the consumption of addicts.

Fourth, the data take inadequate account of the well-known therapeutic benefits of moderate alcohol consumption. Alcohol consumed in small quantities is now firmly established as having a protective effect in preventing heart disease. The authors accept this but they use data³ that grossly understate the impact by discounting the beneficial effects for people over the age of 59 years. It is inconceivable that a sharp change in bodily receptiveness could occur at a particular age. Accordingly, while some gradual change—which may not be a tapering effect—could take place, it is implausible for the preventive effect to 'fall over a cliff' at age 60.

Table 1 re-works the data to show the 'medicinal' properties of alcohol consumption for persons over the age of 60 years as well as for those under 60.

COSTS OF RISKS WILLINGLY ACCEPTED VSTHOSE IMPOSED ON OTHERS

In addition to these and other deficiencies, the cost estimates include both those falling on the consumers themselves and those that fall on others as a result of the consumption. Those costs that fall on individuals engaged in the activity should not be counted. The individual makes a trade-off between the benefit which he or she obtains from the activity and the costs both in terms of the price paid and any other disadvantages its consumption might bring.

REVIEW

Table 1: Estimated deaths caused or prevented under two assumptions

Age Group	Protective effect ends at 60 years			Protective effect does not end at 60 years	
	Total Deaths Caused	Deaths Prevented	Net Deaths	Deaths Prevented	Net Deaths
0-4	42	-	42	-	42
5-9	27	-	27	-	27
10-14	26	-	26	-	26
15-19	221	2	219	2	219
20-24	309	3	306	3	306
25-29	228	6	222	6	222
30-34	200	15	185	15	185
35-39	213	46	167	46	167
40-44	261	82	179	82	179
45-49	271	145	126	145	126
50-54	354	232	122	232	122
55-59	509	443	66	443	66
60-64	604	1	603	745	-141
65-69	601	3	598	951	-350
70-74	666	4	662	1,273	-607
75-79	622	4	618	1,457	-835
80-84	541	3	538	1,284	-743
85+	657	4	653	1,671	-1,014

Source: *The Quantification of Drug Caused Morbidity and Mortality in Australia, 1988*, part 1, table 3.28, page 199.

Source: Re-calculation based on similar methodology

The true cost of alcohol abuse, based on re-estimates which count the cost only where it impacts upon parties other than those consuming the alcohol (or those with whom the consumers contract), is \$380 million rather than the \$6,027 million estimated by Collins and Lapsley in their first study and \$4 billion in their second. These costs are swamped by the consumer surplus of perhaps \$10 billion as well as the \$2 billion-plus representing taxes paid at an average wholesale sales tax rate of about 70 per cent compared with a top rate of 32 per cent applied to other goods.

SOME CONCLUDING COMMENTS

Battered by heavy taxation and possibly reflecting life-style changes, alcohol consumption in Australia and most other countries has been declining for a number of years. This decline has been accompanied by a reduction in alcohol-related accidents.

For society, the issue is how to ensure that any costs are internalized—sheeted home to those who cause them—as comprehensively as possible. The essence of law is to ensure this, recognizing that many activities in which people engage have a capacity to impose costs on others—driving cars being a good example. In the case of alcohol, arguably out of a concern to provide compensation for some of the spillover effects (but probably more out of a perception that demand is relatively unresponsive to tax-induced price increases), high taxes are already paid.

NOTES

- 1 Consumer surplus is the term economists use to describe this excess.
- 2 Collins, D.J. and Lapsley, H.M., *Estimating the Economic Costs of Drug Abuse in Australia*, Commonwealth Department of Community Services and Health, Canberra, 1991; *The social costs of drug abuse in Australia in 1988 and 1992*, Report prepared for the Commonwealth Department of Human Services and Health, 1996.
- 3 Holman, C.D.J., Armstrong, B.K., Arias, L.X., Martin, C.A., Hatton, W.M., Hayward, L.D., Salmon, M.A., Shean, R.E. and Waddell, V.P., *The Quantification of Drug Caused Morbidity and Mortality in Australia*, Commonwealth Department of Community Services and Health, Canberra, 1998.

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



It follows that the best approach to evaluating any product on a society-wide basis is to exclude the self-inflicted losses of consumption or value of life from any of the calculations.

The market process is the framework on which efficiency is best generated. This requires people being free to choose the goods and services on which they spend their own money. Those reject-

ing the outcome of this process, which involves the individual weighing the costs and benefits personally incurred are, in effect, saying that people are irrational. The implications of such a rejection are equally damning to the operations of democracy as they are to those of commerce.

In Table 2, the categories are re-classified according to this framework.

Table 2: Reclassification of Costs under a Market Framework (\$ million)

	Original C&L estimate	Nature of costs	Estimated true externality costs: original	Estimated true externality costs: C&L revised
Legal & Court	14	Mainly External	14	47
Insurance admin	26	Internalized	-	-
Accident Investigation	10	External	10	15
Losses to Others	3	Mainly External	3	-
Vehicle Damage	139	Internalized	-	-
Traffic Delay	21	External	21	73
Net Production Costs	801	Internalized	-	-
Health Care	581	Treated as External	581	145
Mortality Costs	2687	Include only External	282	100
Alcohol Consumption	1651	Internalized	-	-
Total	6027		896	380

Black and White

RON BRUNTON

A Headless State

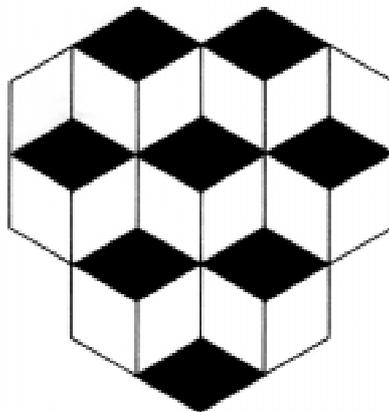
THE recent referendum on the republic was not one of the high points of Australian political debate. Both sides showed themselves ready to resort to shabby arguments and overwrought warnings, demonstrating that they did not trust Australians to make intelligent and informed decisions.

The 'No' case indulged in the pure humbug of presenting politicians who claimed that politicians cannot be trusted to choose a president, a tactic which can only serve to strengthen the electorate's already excessive suspicion of their kind. Apart from the question of why such an argument should not be invoked to prevent politicians from making decisions on more serious issues, many of the same individuals were happy to stick with the present system in which politicians have effectively been choosing the governor-general for nearly 70 years.

The people promoting the 'Yes' case were no better, with their shameless attempts to invoke the cultural cringe by pretending that the rest of the world would laugh at us if Australia remained a constitutional monarchy. This line continued after the referendum, with eight superannuated diplomats writing in the *Australian Financial Review* that 'overseas' the result would be seen as 'a sign of second-class status', and expatriate academics plaintively asking how they could explain the result to their colleagues.

Although I do not believe that it is an urgent matter, I would like to see Australia become a republic, because a hereditary monarchy offends against the principle that all people are born equal. In this respect, I agree with Labor Senator Robert Ray, who argued some time ago that 'republicanism represents a further assertion of democracy'.

Clearly, there are going to be difficulties with any course of action, and there will be substantial constitutional problems with any change to a republic which could bring about major changes to the way we are governed. But as a republic does seem inevitable as well as



desirable, it is appropriate to cast the debate about possible models very widely. From this perspective, it is worth asking whether Australia really needs to have a head of state at all.

Virtually all the arguments about a possible republic hinge on symbolism, the kind of statement about our nation that we should be presenting to ourselves and to the world. Given the very widespread commitment to egalitarianism in Australia, a republic without a head of state, would be an appropriate expression of the national ethos. It would be an assertion that the Australian people are sovereign and equal, and that no-one should occupy a symbolic position above them.

A headless republic would offer the ultimate minimalist model, clearly avoiding the danger of an elected presidency becoming an alternative and destabilizing source of power. The likelihood that politics could be effectively insulated from presidential elections is slim. And in any case, even if the most apolitical entertainer or sporting identity were elected president, he or she would still have opinions on a range of topics—and probably less understanding than former politicians of the need to refrain from expressing them at inappropriate occasions.

Obviously mechanisms for resolving occasional political crises involving the appointment and dismissal of governments and the proroguing of Parliament would be required. These could be dealt with by the judges of the High Court, thus formalizing and extending a situa-

tion where any head of state would almost certainly seek advice from the Chief Justice in such circumstances. While this may raise fears about the politicization of the Court, the scope for creative determinations of the kind that the Court has engaged in during recent years would be limited, and the very fact that it was dealing with matters of partisan politics would be likely to act as a strong constraint. Giving the High Court such a role would also make more symbolically explicit the fact that our polity must be grounded in the rule of law.

Ceremonial duties such as opening Parliament or major national events could be handled differently. We could revive a selection process used in the pioneering democracy of ancient Athens, which chose several positions by lot. A national lottery could be established to select people to carry out a head of state's ceremonial duties for a week or a fortnight. This would proclaim to the world the egalitarian nature of Australian society and aspirations.

Of course, such a system would occasionally produce people who were totally unsuitable for one reason or another. But such problems would not be insuperable. They could be obviated by requesting responsible institutions and community groups to provide lists of appropriate candidates, and by the discreet screening of people selected in the lottery before any public announcements were made. (There would probably need to be some provision preventing those deemed unacceptable from pursuing the matter through the courts or tribunals.)

Among other benefits, ceremonial figures chosen by lot would be ideal for receiving visiting dignitaries from communist countries such as China or Vietnam. The visiting comrades would come face to face with the representatives of a real people's republic. And Australia could return to the position it held at the turn of the century, when it was widely seen as one of the most progressive countries in the world.

Dr Ron Brunton is a Senior Fellow with the IPA.

IPA

REVIEW

Feedback from the Daintree

WALTER STARCK

A contributor takes some recent IPA publications a little further

VENTURE CAPITALISM

In his September *IPA Review* article entitled 'What Makes Silicon Valley Great', Mike Nahan commented on some of the apparent factors involved in the success of venture capitalism in Silicon Valley. While the factors mentioned are undoubtedly important, attempts to emulate them elsewhere have not been markedly successful. What is missing elsewhere is a unique element not apparent to outsiders and taken for granted there so as to seem ordinary and unremarkable, thus invisible, to those involved.

This special element involves an attitude: an open, enthusiastic, positive approach to consideration of new ideas which are not one's own. Enthusiasm itself is not common in the general population but it is almost a defining characteristic of successful entrepreneurs. Even so, it is normally reserved for their own ideas, not those of others. Humans rarely take good advice, even when they need it and seek it. They do, however, readily emulate the success of others. 'Monkey see, monkey do', is a cardinal rule of primate behaviour.

When presented with a new idea from another person, the normal reaction is to find possible objections, then dismiss it. This is a natural, no risk—no effort, comfortable solution. Somehow, somewhere, sometime in the past in Silicon Valley, an entrepreneur came to a great realization. Other people often have good ideas and supporting them can make oneself a lot of money. Of course there is risk. Anything new involves unknown risk but if you choose carefully, hedge your bets and play the odds by backing multiple chances, the wins can substantially outweigh the losses.

The key is to approach possible difficulties as problems to be avoided or solved—not as excuses to not do anything. An enthusiastic, positive, problem-solving attitude is readily recognized—and even contagious in face-to-face dealing—but is not so apparent from a distance, nor is it nearly so easy to consciously adopt a new attitude as

it is to subconsciously absorb one. Trying to emulate the outward forms of Silicon Valley without taking on the attitude is like trying to sing a song from the words but without the tune.

In time, successful behaviour spreads, but if we wish to speed up the process we should send some of our venture capital people to the Valley to absorb their attitude and perhaps bring some of theirs here to further seed the infection.

***This special
element involves
an attitude: an
open, enthusiastic,
positive approach
to ... ideas not
one's own***

DEFECTIVE MEDIA PRODUCT

I have read with interest Michael Warby's review of the ABC [IPA Backgrounder *Whose ABC?*]. This situation touches upon a problem perhaps even more serious than the distortion of open public debate of national issues. As Michael Warby points out, the ABC, and indeed the media in general, tends to present a middle-class, left-wing, academic bias. When this is combined with their tendency to focus on conflict, controversy, sensationalism and blame, the distortion is compounded.

Unfortunately, the Asian media have very few reporters here producing their own independent views of Australian affairs but instead rely almost entirely upon an assessment of events as

reported in the Australian media. It is hardly surprising that a picture of a racist, arrogant, anti-Asian society presided over by an insensitive, incompetent government should emerge.

Some of the more egregious recent examples which come to mind are: the Papuan fruit fly hysteria; the Hanson phenomenon; illegal boat people events; arrest of the CARE workers in Serbia; and sundry aspects of the East Timor crisis. In such situations, events of minor import may be elevated to headline status and presented in the worst possible light. Innocuous statements are regularly taken out of context and interpreted in a false or extreme manner. Erroneous information, which could easily be checked, and even deliberate fabrications are reported as factual. Individuals are harmed, businesses damaged, and Australia as a nation is slandered. News is not so much reported as it is created.

Freedom of speech is not freedom to defame, lie and deceive. It certainly isn't for individuals, so why should it be for the media? We already have appropriate laws to deal with such behaviour, all that is needed is to apply them. When false information is presented as news—either by intent or lack of reasonable diligence—the mandatory remedy should be the same as for any other defective product. The defective one should be replaced with a good one in the form of a free reprint of the publication or rerun of the programme including free rerun of associated advertising.

Such a remedy would not have to entail horrendously expensive and lengthy litigation but, like product recalls, could be required immediately upon establishment of the relevant facts and errors. It would only take one or two instances and we would experience a wondrous improvement in the honesty of our media.

Dr Walter Starck is a sometimes scientist, explorer, writer, filmmaker, inventor and businessman who has lived in the Daintree rainforest for the past 20 years.

IPA



THOSE DAMNABLE PARAGRAPHS 51 (V) AND (XVIII)

Writing in support of one's political and economic beliefs is very satisfying, but I still have to earn a living. It is rare that the subject upon which I mostly write—home entertainment equipment—touches upon the matters of interest to readers of this journal. But there is indeed a convergence.

The first is the vexed question of Australia's digital television standards. At the time of Federation there was no such thing as broadcasting. Yet somehow, through a peculiar application of the Australian Parliament's power under paragraph 51(v) of the Constitution to legislate in respect of 'postal, telegraphic, telephonic, and other like services', the electromagnetic communications spectrum has fallen into the ownership of the Commonwealth Government.

As with all things in the property of governments, an unseemly tussle has developed between all the different 'stakeholders'. The three commercial television networks sought the new digital spectrum for themselves and, being good corporate citizens, also for the ABC and SBS. The new technology, however, threatened to allow each to transmit several channels instead of just one, gravely worrying pay-TV operators. In the 'best interests' of the consumer, the Government has decided that the existing five free-to-air networks will be the only ones allowed to broadcast digital television, and that the three commercial ones will only be permitted to broadcast high-definition signals.

Now a high-definition TV signal provides a nice picture—with 1,080 lines instead of our existing 585 lines—but at the cost of using the same amount of spectrum as perhaps three 'standard definition' digital channels of the kind now rapidly being adopted across Europe. So the commercial stations won't, as it happens, offer increased competition to pay-TV's multichannel capabilities. The Government has kindly prom-

ised the commercial stations several years' protection from new competition.

This has the stakeholders—both free-to-air broadcasters and pay-TV—pretty happy (except that Channel



Seven would like the option of going standard definition and providing multiple channels). All are united in demanding heavy regulation of other likely digital broadcasters: the major newspaper companies that are seeking to engage in 'datacasting'. The sought regulation is to stop datacasting from resembling broadcasting by prohibiting 'too much' video footage.

Hayek suggested in *The Road to Serfdom* that failing regulation leads to further regulation—itself destined to fail—in order to overcome the original failings. Thus, it is of interest that one of the commercial stations argues that datacasting should not become like television because of cross-media ownership laws. Newspaper companies being able effectively to broadcast video would be unfair, it says, because television proprietors are not permitted to own newspapers. The cross-media ownership laws are designed, as we have all been assured, to provide increased diversity. Oh, well.

Of course those other stakeholders—the consumers, in whose interests all these manoeuvres were purportedly being conducted—will have no say in the matter. Perhaps they would like the very much less-expensive standard-definition television sets. After all, the stand-

ard-definition digital signal will provide a great improvement in quality for most viewers, and be compatible with European broadcasting (US high definition uses a different system). And standard definition would allow us to have nine to twelve free-to-air commercial channels instead of just three. But to allow choice would mean deregulation, and we can't have that, can we?

As now seems to be an Australian tradition, only one body seems to look out for the broad interests of all Australians. That body is the Productivity Commission. Its draft report on broadcasting extensively covers this issue, and many others, and can be viewed at:

<http://www.pc.gov.au>

PERPENDICULAR IMPORTS

In *The Fatal Conceit*, Hayek expressed reservations about the value of copyright laws. In Australia, those laws' greatest impact seems to have been to divide Australian literary and music markets between different industry players, rather than foster literary and musical creation. In belated recognition of this, in recent years, the Government has moved to permit, in limited circumstances, importing of foreign-produced books and CDs. In the latter case, there can be no denying that prices to Australian consumers have reduced and that diversity has increased.

The digital age has developed new opportunities for both copyright-breakers and copyright-holders. For the latter, various electronic schemes to make copying works difficult have been implemented. But the former are slippery characters, answering each technological protection with a technological crack. The Australian Government has proposed to amend its *Copyright Act* with the *Copyright Amendment (Digital Agenda) Bill* to outlaw the sale of goods and services designed to overcome technological copyright protections.

The new consumer format for movie distribution is the Digital Versatile Disc (DVD), a CD-like disc that

has up to 27 times the digital storage capacity of a CD. I commend the format to readers. The picture and sound qualities are superb. But there is a problem with DVD.

The major US movie studios frequently release movies at different times around the world. They were concerned that with this new high-quality home distribution format, people in countries—such as Australia—who routinely get a new movie release several months after its US debut would import DVDs from America and watch them at home before they hit the big screen. So an electronic Region Coding system was built into DVD. Under technology licensing agreements, electronics manufacturers will only sell in a particular country DVD players that can play only those DVDs carrying the appropriate region code. In Australia that is Region Code 4. In the US it is Region Code 1.

This justification began to seem somewhat wobbly when movies such as *One Flew Over the Cuckoo's Nest* and the 1960 classic *Psycho* were released, all bearing region codes. As I write, there are 486 Region 4 titles and somewhat over 3,500 US ones. Close to a dozen Australian movies are available on DVD in the US, but these cannot be played on Australian DVD players and have not yet been released here.

Naturally a small but vibrant industry has arisen, modifying Region 4 DVD players so that they will play DVDs from anywhere in the world, most particularly Region 1 DVDs. These alterations are threatened by



the proposed legislation. Pending the legislation, the Australian subsidiaries of US movie producers have been vigorous in stopping Australian retailers from importing Region 1 titles from the US.

The legislation is before the House of Representatives Standing Committee on Legal and Constitutional Affairs. My submission on these issues, along with submissions from many others on various aspects of the legislation, may be viewed at the Committee's home page:

<http://www.aph.gov.au/house/committee/laca/index.htm>

PROTECTING THE US CONSUMER

We in Australia have *Choice* to help us pick the best television set. In the United States there is *Consumer Reports*. How well do such publications do? Do they, indeed, stand up for the consumer as stoutly as the Productivity Commission?

Some claim not. The *Consumer Distorts* Website publicizes issues where *Consumer Reports'* declarations of superiority or inferiority have been disputed—sometimes through the courts in the form of libel actions—or are otherwise just plain wrong. While not directly relating to *Choice*, it seems clear that the general orientation of the US and Australian journals is similar. And anyone familiar with products covered by a specialist press will be thoroughly aware that *Choice's* determinations are sometimes not entirely satisfying. Look at:

<http://www.consumerdistorts.com>

Allied with *Consumer Distorts* is *Junkscience.com* which publishes critiques of the many ludicrous claims made in certain environmental quarters. The most recent *Junkscience* report is of the discovery of low levels of dioxin in ice cream produced by the green US maker Ben & Jerry. Go to:

<http://www.junkscience.com>

MANNKAL ECONOMIC EDUCATION FOUNDATION

In the 1950s, a young man working in his father's mining supply business in Kalgoorlie discovered free enterprise thinking through, of all things, the packing of machine parts imported from the US. The packing was pages from *The Freeman*, published by the Foundation for Economic Education. That young man was Ron Manners, long involved with the Institute of Public Affairs.



In the decades since, he has kept alive the vision inspired by the Foundation and last year established an Australian version, the Mannkal Economic Education Foundation. Visit him and it at:

<http://www.mannkal.org>

The Foundation for Economic Education is at:

<http://www.fee.org>

FEEDBACK

I would welcome advice from readers on any other sites of interest to *IPA Review* readers. E-mail me on scdawson@iname.com.



Compiled by IPA staff, columnists and consultants ...

THE AWARD FOR BEST TAG LINE GOESTO ...

All editors have the same problem: what headline do you give a piece? The November issue of *Monash News* shows that biology can provide great titles. In it, one can read all about Dr Andrea Taylor's work on the effects of habitat fragmentation on the northern hairy-nosed wombat: a serious matter but one that provides an irresistible opportunity for any editor worth their salt. The tag line for the piece?—'Sex and the single wombat'.

PRAISE THE COWS AND PASS THE BUCK

There is no problem that government can't make worse. 20,000 or more cows live in the streets of Delhi. Foraging is very difficult for them—cows have been found with up to 50 kilos of plastic bags in their intestines. So, since the cows are sacred and can't be killed, the Indian government has set up *gaushallas*, cow retirement homes. The government hires cow catchers to catch stray cows and take them to the *gaushallas*. The cow owners rely on them for milk, however, so they pay bribes to get their cows back—on to the streets. So all the government has managed to do is send cow owners broke and employ people to do useless tasks.

If the problem were approached like a business, they would set up cow stalls with fodder and charge a small fee for use. But that would be too, well, business-like.

Something Indian government is notoriously not.

A BORE NOT IN WOLF'S CLOTHING

Feminist author Naomi Wolf has been hired as an adviser, originally for \$15,000 per month, to Vice President Al Gore's Presidential campaign. Wolf, whose controversial work has focused on women as sex objects, has reportedly advised Gore to:

- 1) speak from the heart;
- 2) dress in more reassuring earth tones; and
- 3) change his image from 'beta male' to 'alpha male'.

Gore's spin: She's a 'valued adviser' who helps him connect with women and

youth. Sceptics' spin: She's a 'liability' whose presence proves that Gore is no alpha male. The *IPA Review* spin: It's bad for Gore whichever way, as nobody even thinks he is having an affair with her.

SAME OLD, SAME OLD ...

Veteran journalist David Barnett used to call the *Australian Financial Review* the only business paper in the world which hated its readers. AFR journalist Geoffrey Barker's writings about economics certainly show him to be a Bourbon of the Left, who has learnt nothing and forgotten nothing. Quoting Marx on the 'idiocy of rural life' (and completely misunderstanding Karl's point, which was about cultural impoverishment) Barker (*AFR* Monday, 16 November) says

the same liberal laissez-faire economic policies that helped to create Disraeli's Two Nations have helped to widen the urban-regional divide in contemporary Australia. Hence even conservatives argue for equity to ameliorate the impact of deregulation, market forces and competition policy.

But surely 'agrarian socialism' has had a long tradition in the Australian bush.

Barker's tired old 'markets-bad, government-good' line never quite gets around to mentioning things like falling resource prices, how better roads and cars make towns that are located according to the speed of bullock drays no longer viable, or how the IR system's imposition of urban-set wage rates on rural areas (which have higher transport costs and lower shelter costs) increase rural unemployment. He certainly never mentions the fiscal pressure of the rising welfare state leading to a collapse in government saving and investment and forcing a rationalization of services, or the long tradition of highly wasteful government expenditure on picking rural winners that failed. No, no, it is all the fault of those nasty economic rationalists. And—despite the fact that from 1990 to 1997 the Commonwealth Parliament passed more pages of legislation than it did from 1901 to 1980 inclusive—our *laissez-faire* times.

As a point of historical fact, *laissez-faire* saw England become much less

unequal at the end of the nineteenth century than it had been in the eighteenth. But Barker is a good Canberra Press Gallery journalist: never let the facts get in the way of a display of one's own prejudices and ostentatious moral concern. Of course, if it is not actually grounded in evidence, how real is such concern?

MEANWHILE, IN ACADEME ...

But Barker is in good company. The preceding Friday (12 November), the *AFR* had run an extract of a speech by Professor Stuart Macintyre, Dean of the Faculty of Arts at the University of Melbourne. Professor Macintyre is one of our most eminent historians. He bemoans various modern trends, particularly in the labour market, and says

we need to allow that the market has failed and stop penalising the victims of that failure with a doublespeak that talks of balancing rights and responsibilities and places increasing restrictions on public support of those in need.

Where does one start with this nonsense? Observing that replacing the market has failed far more egregiously in the command economies seems almost too easy. We can move on to note that the Australian labour market is one of the most highly regulated among OECD countries and—except for some mild winding back under the Howard Government—has become increasingly more regulated over the last 25 years.

Then we note that government expenditure on health, education and welfare has expanded enormously—from 11 per cent of GDP when Whitlam became PM to 22 per cent now—helping to push taxes to a peacetime record of 30 per cent of GDP. One wonders how this huge growth is going to be contained *except* by increasing restrictions on provision?

But Professor Macintyre only has to ostentatiously parade his moral concern, he does not have to check his facts, or grapple with the problems that our policy makers have to face. Life is so easy, wrapped in one's own virtue in the ivory tower.

New National Gun Laws— Are They Cost Effective?

All the great and good told us that the national gun laws were a great idea.
Just like the republic. But what are the facts?

JAMES B. LAWSON

THE Port Arthur massacre of April 1996 provoked new laws and the destruction of 600,000 guns at a cost to the taxpayer of \$500 million. The indiscriminate mass destruction of the legally owned property of tens of thousands of honest citizens is unprecedented and was done without any prior inquiry. Prime Minister Howard promised a 'safer society'. Is it working? The public is entitled to know the essential facts.

BEFORE PORT ARTHUR

An extensive study of the changes in the gun laws of England and Wales over six decades found no correlation between legal gun ownership and violent crime, and that gun accidents and gun suicides showed a steady decrease, although non-gun suicides steadily increased. Violent crime was lower prior to 1903 when there were no gun controls in Britain at all. The study also presented evidence that the abolition of the death penalty coincided with an increased willingness of *professional* criminals to resort to violence in pre-planned robberies.¹

Professor Richard Harding studied the Australian situation up to 1981. Harding found that about 10 per cent of the population were gun owners, averaging two guns each, and that 26 per cent of households had one or more guns. At that time, 40 per cent of murders involved guns. Harding also found, however, no correlation between gun availability and *total* suicide, although there is a correlation with *gun* suicide rates.²

Following dramatic mass public shootings in the 1980s, the National Committee on Violence (NCV) found that macro-social factors predisposing to a violent society are high levels of poverty, a wide gap between rich and poor and deteriorating social support services.

For individuals, the single most important predictive factor was a prior history of violent behaviour. Other factors were poverty, unemployment, poor education level and alcohol abuse. Not surprisingly, Aboriginals are at greater risk than whites, with a murder rate up to 13 times higher than white Australians. Similar risk factors applied to victims.³ These findings were subsequently replicated in the 1996 study 'Indicators of Aggressive Behaviour', carried out by the Australian Institute of Criminology.⁴

The NCV made numerous recommendations, particularly concerning which types of firearms should be permitted and these subsequently formed the basis for the new laws. No evidence

An extensive study ... found no correlation between legal gun ownership and violent crime

was provided that such restrictions would, however, actually reduce death or crime rates. The NCV did *not* advise arbitrary mass confiscation of legally owned guns. NCV *did* recommend that:

Programs and policies for the prevention and control of violence should be subject to rigorous independent evaluation and provision for such evaluation should be incorporated in the design and budget of

the program in question

The Committee also added that:

Good intentions, warm feelings and trendy ideas—are not a sufficient basis for the expenditure of public funds. Measures ... should not be blindly embraced without careful provision for their evaluation and eventual dismantling in the event of unsatisfactory performance. Australia simply cannot afford to waste money on ineffective ventures.

The National Homicide Monitoring Program found that guns were used in only 20 per cent of murders, knives being the commonest weapon. About 70 per cent of murderers were unemployed, had prior criminal records and were drunk at the time of offence. Aboriginals were greatly over-represented. Similar findings applied to victims. Suicides accounted for 80 per cent of gun deaths. Handguns were used in only 4 per cent of murders. Hence, removing all legal guns could only prevent a maximum of 20 per cent of suicides and 5 per cent of murders, assuming that there was no method substitution. Total legal handgun destruction could prevent only about 1 per cent of murders, assuming that sawn-off long guns were not substituted. Other AIC studies showed that the total murder rate had hardly altered since 1915, although the percentage due to guns fluctuated up to a maximum of 40 per cent. Gun accidents had declined steadily since 1915.

US criminologists also found no correlation between legal gun ownership and crime. Murder was commonest in the group with fewest legal guns—black inner city teenage males, who had a rate eight times higher than their white counterparts. Most murderers had prior convictions which would preclude legal gun ownership in either Australia or the US. Racial differences in domestic murder disappeared after correcting ▶

for poverty. Allowing for racial differences, adjoining US States and Canadian Provinces had very similar homicide rates in spite of the 10-fold greater numbers of handguns on the US side of the border.⁵

Moreover, lawful defensive gun use was found to be two-to-three times more common than criminal misuse. Criminals were rarely shot, the mere threat by the armed victim usually being all that was necessary to forestall the attack. Victims who resisted by threat or use of a gun were injured only half as often as those who did not resist at all or used other means. Shooting as a means of suicide was only marginally more effective than hanging, drowning or car exhaust gas.⁶

Most murders occur between family members and acquaintances. Violent criminals also have, however, family and friends and, in most domestic murders, there is a long history of prior sub-lethal criminal violence. The FBI definition of acquaintance includes drug users and dealers, prostitutes and clients and members of criminal gangs—not the sort of ‘acquaintance’ most of us have.

SO WHAT?

While the buy-back would reduce the number of legally-owned guns, any objective review would have raised serious doubts about whether it would succeed in reducing suicide and violent crime. As ‘success’ was never defined in writing at the outset, anyone is free to make up their own definitions of ‘success’ and change them whenever they wish. This makes objective evaluation difficult!

SINCE PORT ARTHUR

The Australian Bureau of Statistics reported a 3 per cent increase in murder for 1997 and an 11.5 per cent decrease for 1998, giving a total two-year decrease of 8.5 per cent. This is, however, within the normal range of annual fluctuations as shown by AIC figures over the 20 years 1975 to 1995. Armed robbery increases were 44 per cent and 20 per cent, for a total increase of 72 per cent. The AIC reported in May 1999 that total gun deaths had indeed decreased, but this was almost entirely due to a continuation of the trend of decreasing gun suicides.

Total suicides increased, largely due to hangings and car exhaust gas inhalation. While total murders decreased, gun murders increased slightly. The massive armed robbery increase involved relatively more knives, but fewer guns. This may not be beneficial. While knives may

be less dangerous, robbers are more likely to use them and the two effects largely cancel out.

By contrast, the FBI and US Department of Justice found that the much-criticized USA had an 8 per cent decrease in its murder rate and a 17 per cent decrease in armed robbery for 1997-99, for no increase in taxes and no confiscations at all. This occurred in spite of a steady increase in legal gun ownership. In 1998, Professors John Lott and David Mustard of the University of Chicago published data showing that murder and violent crime rates decreased in those US States allowing law-abiding citizens to carry concealed defensive handguns. Mass public shootings began to decline immediately and almost vanished about five years after such laws were enacted. According to anti-gun dogma, violent crime should have increased.⁷

Australia is also frequently compared with Japan. Japanese gun ownership is about 2 per cent of the Australian level, but their murder rate is about 60 per cent

The total murder rate had hardly altered since 1915 [while] gun accidents had declined steadily

of ours and their suicide rate is almost double that of Australia and the US. Japan also has the death penalty, but does not have trial by jury.⁸ Those who urge us to adopt Japanese gun laws do not mention this.

The AIC Director is now on record as stating that criminals will neither register nor surrender their guns.⁹ No political party has any plan for controlling criminal misuse of firearms.

WHAT NEXT?

It is particularly important that we do not allow ourselves to be stampeded into hasty action. The AIC states that it will take at least five years to fully assess the effects of the buy-back: that is, we will have to wait until mid-2003.¹⁰ Regard-

less of this, some activists advocate an ongoing campaign of emotional media manipulation to prepare the public to pay for the next round of confiscations, particularly of handguns,¹¹ even those these account for only four per cent of murders. There are strong rumours that the necessary legislation has already been drafted and will be implemented at the first excuse that occurs after the 2000 Olympics.

CONCLUSION

The experiment has been done and we must now evaluate the results. We must take the necessary five years to determine what effect our \$500 million buy-back has actually produced, before any further spending of taxpayers' funds. Preliminary results are not encouraging.

NOTES

- 1 Greenwood C., *Firearms Control. A Study of Armed Crime and Firearms Control in England and Wales*, Routledge & Kegan Paul, London, 1972.
- 2 Harding R., *Firearms and Violence in Australian Life. An Examination of Gun Ownership and Use in Australia*, University of Western Australia Press, 1981.
- 3 National Committee on Violence, *Violence: Directions for Australia*, Australian Institute of Criminology, 1990.
- 4 McDonald, D. and Brown, M., *Indicators of Aggressive Behaviour*, Australian Institute of Criminology, August 1996.
- 5 Centrewall, B., ‘Race, Socioeconomic Status and Domestic Homicide’, *Journal of the American Medical Association*, Vol. 273, No. 22 pages 955-8, 14 June 1995, ‘Homicide and the Prevalence of Handguns in Canada and US’ *American Journal of Epidemiology*, Vol 134, No 11, pages 1245-60, December 1991. Kopel, D., *Guns: Who Should Have Them?*, Prometheus Books, 1990.
- 6 Kleck, G., *Targeting Guns: Firearms and their Control*, Walter de Gruyter, 1977.
- 7 Lott, J.R., and Mustard, D.B., ‘Crime, Deterrence and the Right to Carry Concealed Handguns’, *Journal of Legal Studies*, January 1997. Lott, J.R., *More Guns Less Crime*, University of Chicago Press, Chapter 4 and pages 100-102.
- 8 Kopel, *op. cit.*
- 9 Station 5RN South Australia, ‘Life Matters’, 11 March 1999 at 9:05 am.
- 10 *Firearms Related Violence*, AIC Paper 116.
- 11 Chapman, S., *Over Our Dead Bodies: Port Arthur and the Fight for Gun Control*, Pluto Press, 1998, pages 1, 5.

Dr James B. Lawson is a medical practitioner with an interest in public health aspects of firearms legislation. The author welcomes comments or questions at lawbb.melbpc.org.au

IPA

REVIEW

Book Reviews

Ideology and Self-interest: A Little Refresher

Gary Johns reviews

The Great Divide

by Katharine Betts

Labor without Class

by Michael Thompson

This Tired Brown Land

by Mark O'Connor

Here's a curious combination: Katharine Betts' book *The Great Divide* about the cultural gap on immigration policy between Australia's new elite and the rest of society; Michael Thompson's about the gentrification of the ALP, *Labor without Class*; and Mark O'Connor's *This Tired Brown Land* about an alleged suppression of the population debate by the politically correct. These provide fertile ground for a little refresher on two great pillars of politics: ideology and self-interest.

Betts suggests that, in the absence of any actual rational argument in favour of high immigration there has to be another explanation for its acceptance among the group she calls the new intellectual elite. The explanation is that the policy became an ideological badge of membership of the elite, a concept she labelled 'ideological correctness'. The appeal was not to the rational consequences of the policy but to the cosmopolitan, anti-parochial values much sought by the educated middle class. As sensible as the idea that we should be open to the world is, it does not, on this occasion, excuse the blind allegiance to the policy. The ideological position of the elite when combined with the self-interest of the ethnic lobby—and the latter's apparent ability to corral votes, which made them very attractive to politicians—was a sure winner. The combination held out against the clear majority of the electorate for quite a while. This is a very good insight into the twin pillars at work. In this case, two clear minorities out-voted the majority and ignored the public interest.

Betts also describes the takeover of the ALP by a middle class which eschews an

interest in the economic needs of the old working class and pursues a New Left agenda of the new social movements: women, ethnics, blacks, gays and greens. The only trouble is the New Left chose the vehicle of the Old Left, the ALP. Essentially, this is Thompson's lament. He wants Labor returned to the blue-collar classes, to the issues of wages and the concerns of women at home. In this case, the one organization is stuck with two very different ideologies, two very different sets of interests.

Thompson's difficulty is that, while the history of the ALP may be all blokes, ballots and booze, there is no reason it should not now be sheilas, consensus and chardonnay. The ALP is what its members (well, the more articulate of them) say it is. It is also a vehicle to attain government; so it needs to deliver to group interests on either real or ideological grounds wide enough to get elected. It also cannot reveal to one constituency the losses implied in the victory for the other. It's all supposed to be win-win politics. It needs to be pointed out, for example, that an attempt to have 52 per cent of Labor seats set aside for women—all of whom will be middle-class workers—will absolutely ensure the further demise of the interests of women at home. Thompson is right in this respect: it is only a certain kind of woman who took over Labor.

The logical conclusion to Thompson's analysis is that Labor should split in two as has occurred in New Zealand, except that here it would be the Democrats and Labor instead of Alliance and Labour. A proportional voting system for the House of Representatives would almost certainly see this come to pass.

As it is, the single-electorate system makes for strange bedfellows: like big ugly, bruising trade unionists, often male, and simpering human rights lawyers of any gender or persuasion, sitting side by side in caucus. The ideology and self-interest of each are a million kilometres apart, which perhaps explains why Kim Beazley hasn't struck a blow for sound policy in four years as Leader of the Opposition. His difficulty is that the rationale for solidarity—a singular self-interest driving a singular ideology—just doesn't exist. For Labor, new ideologies and interests are forcing out old ones, but not completely. Beazley has too many masters, but he's not alone in that dilemma.

Labor set out to capture the new social movements 25 years ago. No surprise then that they, in turn, captured it! In the absence of the earlier ideology of socialism, the demise of working-class solidarity, and the fall in numbers of those who identify as working class, what else was Labor to do? The fact that it has succumbed to the interests of a new class intent on saving the world for themselves is neither here nor there for non-Laborites. That Labor remains a vehicle for group interests can hardly be a cause for complaint by those who want it to pursue other interests. The important part is: what are they saying and how are they trying to justify it? Criticism is only valid if either the policy outcomes are manifestly wrong or the means of garnering support for certain interests—for example, stacking branches—is wrong. In regard to the latter, there are no better masters than our trade union leaders and their university-educated protégés.

O'Connor's complaint is as perverse as Thompson's is misplaced. It is that Australia's booming population is destroying the environment and that discussion of this has been stifled by the politically correct. While he is on Betts' side when criticizing 'fashionable commentators on immigration drift[ing] with the tides of ideology', as an environmentalist, he is surely also in the new class. There is a difference between claiming that a debate has been 'suppressed', and losing a debate. O'Connor appears to claim the status of the politically incorrect, yet he does not face headlines that scream 'econocide' at him in the same way that they scream 'genocide' against the politically incorrect in Aboriginal matters, or 'racism' on immigration matters. While I have some sympathy for O'Connor's environmental analysis, I have none for the claim that his message is unheard. He just needs to do a lot more convincing.

There seems to be some gamesmanship going on here. If you can't win the argument or attach yourself to the fashionable elite, then you claim that you are a victim. That is the pot calling the kettle black when it comes from a member of the elite. Nor can one complain if one's favourite vehicle for one's favourite values is overtaken by events. The only thing to be done is to go to the heart of the matter and ask the key questions: whose interests are being served by the policy or

ideology proposed and whose are not? When someone claims the high moral ground and implies that you are bad if you do not agree—not just that you are wrong or have different and equally valid values—then you have to be prepared to say ‘humbug!’.

That is the job of the IPA, helping to sort the humbug from the truth no matter how fancy the wrapping.

PUBLICATION DETAILS

Katharine Betts, *The Great Divide: Immigration Politics in Australia*, Duffy & Snellgrove, Sydney, 1999, 426 pages, \$19.95.

Michael Thompson, *Labor without Class: The Gentrification of the ALP*, Pluto Press, Sydney, 1999, 118 pages, \$19.95.

Mark O'Connor, *This Tired Brown Land*, Duffy & Snellgrove, Sydney, 1998, 335 pages, \$19.95.

The Hon. Gary Johns is a Senior Fellow of the IPA.

IP A

Black Truths

Hal Colebatch reviews

The Story of Black History

by Roy Kerridge

Claridge Press, 72 pages
[Most easily obtained through
www.amazon.com]

Roy Kerridge is that most annoying of commentators on a controversial subject—one who actually knows what he is talking about. There is probably no white writer with a more intimate and informed knowledge of how English black communities really function. He was raised by a black family and grew up in black London where his stepfather was secretary of the ‘African League’ and editor of *The African Voice*.

While this book is mainly about the English experience, its lessons are important for Australia and all other Anglomorph countries with flourishing multiculturalism and race-relations industries.

It is difficult for libertarians to say that anything should be compulsory reading, but *The Story of Black History* should surely be obligatory for anyone who wants to make a constructive contribution to, or

say anything informed about, race relations today. It is particularly recommended to certain of the buffoons in clerical collars who might like their words on race relations to have some constructive content or at least some relationship to the facts.

It cuts a devastating swathe through cant and politically-correct lies, though it is alarming and depressing in its revelations of just how deep institutionalized lying has now gone, and of the extent to which black people are being pressured to live in a mythology of falsehoods. Though the implications are chilling, and one may—and should—feel outrage at the perversions of truth documented here, there is a kind of appalling fascination in the intellectual and historical rot that Kerridge turns over and exposes.

One of the major points which *The Story of Black History* makes is that real black history is not a monolithic thing and, despite the patronizing assumptions of race relations and black history industries to the contrary, black people in Britain are not anything like a single, homogeneous mass. The heritages of African and Caribbean migrants are quite different. So are the cultures of, for example, Jamaica and Barbados. Nor is the experience of blacks in Britain and America the same, though British blacks are now under the overwhelming cultural pressure of Hollywood mythology. Kerridge recalls growing up in black London:

The Trinidadians soon allied themselves with Creoles from Sierra Leone, West Africa ... the few Jamaicans we met seemed very odd fish, with their baffling allegiance to God, Queen and Commonwealth ...

Kerridge asks why, if it was true that blacks were brought to Britain to do the jobs that whites didn't want, as ‘black history’ claims, were working-class whites not overjoyed to see them, and did not greet them with cries of: ‘Here, take my job!’

He continues:

As I remember it, from my schooldays in the ‘African League’ every boatload of West Indians that arrived in Britain was met by eager con-men from West Africa or Trinidad out to fleece and bamboozle the newcomers ... My friend Virginia Farmer ... spent her first night in London shivering on a station bench as she ‘waited for the man to come and tell me where to live and get me a job’.

Apart from the complexities of West Indian and black American culture, Africa is not—how odd that one should be need to be told this!—one country with one

language or set of customs. Kerridge points out, in regard to the mythical ‘Africa’ which exists as a kind of country of the mind:

Until recently, the ‘African language’ proclaimed by ‘African Americans’ was Swahili, an Arab-pidgin used originally by slave traders operating from Zanzibar. The language (never learned, but often quoted) accorded well with the general ‘pro-Islam’ slant of the New Africans. Now, after thirty years of glorifying Arabs and Islam, the neo-Africans have at last become dimly aware of the vast Arab involvement in the African slave trade.

Yoruba is replacing Swahili as the ‘African language’ ...

Hollywood and American television add another layer of fantasy and distortion.

Kerridge is a brilliantly economical writer, and one of the feats of this small book is to indicate just how complicated real black history actually is. Sophisticated neo-Africans, he points out, disown as ‘low’ the genuine African traits which are still to be found in some black American communities. How ashamed they would be of the black American pastor who greeted him in Louisiana with joy as

A man from England, home of our mother-church, the great Church of England!

Whites who commiserate with blacks over the legacy of slavery may provoke nothing but embarrassment.

The products of the ‘black history’ industry do not seem helpful preparation for life. Rather, it seems an engine for incultating paranoid fantasy. The result of false mythologizing is layers of confusion that can shade into outright madness. There is, for example, the weird history/cult of Nubianism. This seems to have little to do with the real black Kushite kingdom which had some important interaction with Pharoanic Egypt, including supplying a Pharoanic Dynasty. It claims rather that

Nubians are super-beings made in Africa in ancient times by immortals from space adept in arts of genetic engineering, wrongly called God.

There is something terribly wrong when this nonsense seems to be practically beyond criticism and has actually attained a kind of academic status.

I can attest to his from personal experience: while I was in Britain recently, a television programme was screened in which a ‘black history’ academic solemnly informed us that Cleopatra was black. Not only is there not a shred of evidence for this (Cleopatra was a Ptolemy, of a Greek dynasty installed following Alexander the

Great's conquest of Egypt), but at least one contemporary writer paid tribute to her 'white breasts'—and she can hardly have been two-tone.

Kerridge points out that:

Knowing no history, the white English cannot counter-attack the diatribes of Nubian historians, since for all they know the Nubians are telling the truth.

Much of what he writes has devastating implications about the teaching of all history today.

Nation of Islam literature printed in America and distributed in Britain admonishes against eating foods associated with American slave-mythology, such as 'deer, possums, coons, turtles or hominy grits', which few British blacks would be inclined to eat anyway. One bizarre result is that many black (like some white) British schoolchildren now quite literally do not know what country they are living in. When taught by Nubianism and Nation of Islam that 'the white man is the devil', the effect on some blacks:

instead of making them ferocious [is to make them] feel timid and nervous in the presence of white people.

This stuff is, in short, a form of abuse and damage to the people who are subjected to it.

Kerridge writes with wit and grace as well as knowledge, making this book in its way delightful as well as horrifying. By writing and publishing *The Story of Black History*, he and Claridge Press have performed a brave public service, and not only blacks should be grateful.

Hal Colebatch is a writer and lawyer living in Perth.

IP A

Prize-winning but Patchy

Victor Prescott reviews

Geography for Global Citizens

by B. Parker, K. Lanceley, D. Owens and R. Reeves

Macmillan Education Australia:
Melbourne, paperback, 1999,
350 pages, \$34.95

This geography textbook was written for use by students in years 9 and 10. It consists of twelve chapters organized into three sections. The first general section

(70 pages) comprises two chapters. The first chapter explains what geography is and what geographers study, very briefly introduces maps and physical landscapes, discusses skills such as using an atlas, drawing maps and field sketches, and raises some global geographical issues such as threatened habitats, access to fresh water, land rights and urban growth and decline.

The next chapter entitled 'Global environments and communities' considers landforms, plate tectonics, geomorphological processes, weather and climate, ecosystems and food webs, communities, and the skills of drawing and interpreting graphs and using the Internet.

The second section (169 pages) reviews five major environments: tropical rainforests, deserts, mountains, coasts and polar lands. The chapters are of equal length and generally review physical processes, climate, biogeography, environmental management and significant problems. Sprinkled throughout the chapters are references to acquiring skills such as finding places and showing heights on a topographic map, drawing a cross-section and interpreting photographs. The third section (105 pages) treats five themes in chapters of varying length. The themes are urban growth and decline, access to fresh water, changing climate, the impact of tourism and global citizenship.

All the chapters have a common format. On the first page, students are told what they will be able to do when the chapter has been carefully read. The various parts of the chapter are separated by a test called 'knowledge and understanding' and suggestions for activities, and the chapter generally concludes with case studies. Various sections are labelled with icons referring to 'Geographic issue', 'Global citizens' and 'Skills'. The book is profusely illustrated with diagrams, photographs, boxes, maps, highlighted quotations and cartoons. It concludes with a five-page glossary and a very short index of two pages.

The book's strengths are the numerous case studies, some of the illustrations, the references to Websites and the raising of geographical issues such as access to water, deforestation and possible climate change. The weaknesses are the other illustrations, the lack of detail in some of the core sections of physical geography, the flimsiness of instruction in some skills, the failure to provide balance on some issues, the absence of references to some major geographical issues and the lack of references for assertions and some figures.

I found the huge number of illustrations a distraction from the text and plainly several were not worth a thousand words. The text might have been designed for readers with a very short attention span; there are generally three or four different coloured items per page competing for attention. The items labelled 'Did you know?' are sometimes trite ('Did you know that other names used for mountains are alps, highlands and peaks.' page 143) and sometimes inaccurate ('The Arctic and Antarctic are in darkness for six months of the year.' page 210). Figure 4.47 shows existing deserts and areas at risk of desertification. Since it carries no source it was presumably drawn by the authors. It fails to show the Namib Desert in south-west Africa, the Gibson Desert in western Australia and the Taklimika Shamo and Peski Muyunkum in central Asia, and, incorrectly, shows a desert in the northern Shandong plain adjoining the large gulf called Bo Hai [sea] where the delta of the Huang Ho [Yellow River] is located. This map also shows a large area around Darwin at risk of desertification.

Some sections of the introductory chapters seemed too superficial for students in years 9 and 10. For example, there is no statement that parallels represent the angular difference with the plane of the equator. In the glossary, latitude is defined as 'distance from the equator'. The international date line is given as an example of a meridian (page 14) when it is no such thing. Erosion is defined as '...the wearing away of the land surface as rock particles are removed by wind, running water and ice' (page 44) without any recognition that much erosion occurs as a result of these transporting agents being armed with fragments of rock. That becomes clear for wind and water later in the text (pages 116 and 150). Chemical weathering is introduced at page 149 without any reference to the weathering and erosion of limestone. The terms 'limestone' and 'karst scenery' do not appear in the glossary or the index. A surprising omission seems to be the lack of any formal connection between maps 1.34 and 2.28 which show the global distributions of physical environments and climates respectively.

The treatment of some skills seems superficial. The discussion of skills connected with maps (pages 5 and 16) makes no mention of isoline, dot or choropleth maps. The skills section devoted to research (page 69) notes that you can learn how to acquire information and verify its accuracy but there is no explanation of the techniques you can use to verify the

accuracy of information. It would have been worthwhile to urge students to use a range of diverse and unconnected sources, listing for them the best gazetteers, atlases and encyclopaedias and warning, for example, against the uncritical acceptance of government statistics from dictatorships. The reference to interpreting photographs is much too glib and air photos, which are a prime source of information, are treated in quarter of a page (page 188). Then, having told the students that the colour red on an infrared air photo of Monterey Bay usually means living vegetation (page 189), there is no explanation of the red blotches in the sea. The skills connected with conducting a survey of people's opinions or activities fails to explain the methods by which a representative and adequate sample can be identified or the need to avoid loaded questions. As I write this, I have a vivid memory of how Sir Humphrey persuaded Bernard to give two opposite answers to the merits of conscription in less than five minutes.

In some instances, it was possible to detect a lack of balance which might have been entirely accidental but which might deceive some students. For example, the examination of the marked adverse effects of logging in the Solomon Islands (pages 92-4) does not sheet home responsibility for the damage to corrupt governments in that country. There is an astonishing question on page 139 which seems to raise an unnecessary, indeed ridiculous scare. The students are asked :

- Who would have the 'right of ownership' to the desert lands?
- Will the superpowers of the world try to take them over when they run out of land?
- What about the rights of traditional owners of the land?

It would be very interesting to read the answers which the authors might give to that series of questions.

The prospect of mining in Antarctica in the future is raised (page 221) after referring to the possible depletion of the world's mineral resources. But there is no discussion of mineral price changes if depletion occurs nor of the relative costs of mining higher-grade deposits in Antarctica and lower-grade deposits in, say, North Africa or Central Australia. Then it is noted that there is an agreement by the most powerful countries that no mining will take place in Antarctica for fifty years from the early 1990s (page 230). The analysis of global warming raises the important question 'will there be benefits for some and problems for others?' (page 291). This is a question that most green

activists avoid or dismiss because the answer might be inconvenient. Alas, no answer to the question is provided but there are seven gloomy predictions about global warming (page 295).

Turning to issues that are not treated, the most obvious concerns the oceans. It is odd that students are told that the oceans occupy 71 per cent of the earth's surface (page 58) but there is no major section on the oceans. There is no reference to the remarkable enclosure of the oceans by extended claims to exclusive economic zones 370 km wide that have reduced the area of the high seas by one third since the 1960s. The statement that the air we breathe, the oceans and the polar lands are known as global commons because they are not owned by any particular country (page 336) is well wide of the mark. Countries own the air space above their lands and territorial waters and they own the seas within 370 km of their coasts. The Arctic polar lands are owned by Russia, Norway, Denmark, Canada and the United States, who also collectively own about half the Arctic Ocean. There are claims to most of Antarctica and claims could be made to seas within 370 km of the continent. How is it possible to discuss coasts (Chapter 6) without reference to the closely related continental margin, where most of the world's fishing industry operates and where large quantities of oil, gas and some minerals are extracted?

It is disappointing that there is no reference to the sources which I imagine the authors consulted in preparing this book. It is also unfortunate that there are some figures and maps where the sources have not been shown: they include Figures 7.24, 7.46, 8.6, 8.27, 9.3, 9.4 a and b, 9.6 and 9.7.

This book was the overall winner of *The Australian's* 'Awards for Excellence in Academic Publishing'. In presenting the award, Senator Lynn Allison—who represents the Australian Democrats—described the book as 'technologically with-it', noted that it was about woodchipping, logging, mining, dams, foreign aid, tourism and exploitation, and that 'It is subversive but it is objective. From a parliamentarian's perspective it is ... a serious book about politics' (*The Australian*, 9 June 1999, page 39).

The OED definition of subversive is 'having a tendency to subvert or overthrow' and the relevant definition of subvert is 'To undermine the character, loyalty or faith of a person'. It seems unlikely that this book will produce a generation of radicals struggling to protect the world's environments from perceived deteriora-

tion or misuse and to improve the lot of unfortunates at home and abroad. It appears to be rather a comfortable statement about thoughtful planning before development occurs, sympathy for indigenous people, the poor and hungry, people deprived of human rights and women and personal responsibility for rubbish.

At levels 9 and 10, students should be exposed to the realities of political geography. For example, in the final chapter there are bland statements about the aims of the United Nations and the World Trade Organization (pages 342-3) without any comment on the United Nations' continuing abysmal failures in Africa that started with the independence of Zaire in June 1960 or any reference to the way in which the major economic powers can avoid the discipline of the World Trade Organization if it is deemed in the national interest. If the aim is to make students global citizens they should be given an indication of the total number and scale of problems facing the world that are included in the scope of political geography. It might be expected that any list would not be confined to the matters recited by Senator Allison. It might also include civil wars in Africa, Sri Lanka, parts of Indonesia, Afghanistan and the Balkans; oppressive regimes in the Middle East and parts of Asia; the plight of new countries cast adrift without proper preparation by the disintegration of the Soviet empire or Yugoslavia or by Portugal's irresponsible decolonization of overseas territories in 1975; the corrupt plundering of national treasuries which has impoverished some states; the scourge of HIV-AIDS along the major transport routes from Uganda to Zimbabwe which has left many families consisting of only children or grandparents and children; the dreadful activities in various continents which have spawned the new term 'ethnic-cleansing'.

I recommend that geography teachers should obtain an inspection copy of the atlas and consider carefully whether they are prepared to ask their students to purchase it for use throughout Years 9 and 10. There is also a Teacher disk which I have not seen that costs about \$72.95. Enquiries can be made to following telephone numbers: Victoria and Tasmania, 03 9825 1025; New South Wales, 02 9719 8944; South Australia and Northern Territory, 08 8362 2640; Queensland, 07 3391 5391; Western Australia, 08 9470 9930.

Victor Prescott is Professor Emeritus of Geography at the University of Melbourne.

IPA

REVIEW