

# Inside This Issue

Volume 56 • Number 3 • September 2004

## ARTICLES & REGULAR FEATURES

- 2 Editorial  
Whatever we think of representative democracy, it is fairer and more open than the perverted form of 'participatory democracy' that is gaining force in Australia. **Mike Nahan**
- 3 Why Profits Are Good  
An outstanding exposition of how countries grow rich and bring prosperity to the largest number of people— from the First World to the Third, it is called profits and free markets. **Roger Kerr**
- 6 Green Arithmetic and Doctors' Wives  
An analysis of some important electorates in the forthcoming election and how radical environment groups are influencing an important, prosperous middle-class group. **Christian Kerr**
- 9 Have Research and Innovation Failed Australia?  
'Picking winners' and foisting them on our universities may not be the way to create a vibrant and innovative economy. **Tom Quirk**
- 12 Discrimination Divas  
The media and feminists simply do not understand. Earning gaps between men and women have absolutely nothing to do with discrimination. Nowadays, women choose. **Janet Albrechtsen**
- 14 Participatory Democracy: Cracks in the Façade  
Active, 'participatory' democracy allows some lobbies and NGOs to get two undeserved bites of the cherry when it comes to influencing policy. **Gary Johns**
- 16 Triumph of the Swill  
Our television film reviewers fail dismally in their assessment of Michael Moore's film *Fahrenheit 9/11*. **Ted Lapkin**
- 18 The 'R' Files  
The rate at which public money is being spent for anti-business regulatory zealots is cause for alarm—just where and how is our money being spent? **Alan Moran**
- 20 Choosing and Reforming Schools  
Why is there widespread disenchantment with the state education system, and why do parents send their children elsewhere in spite of the extra costs? **Geoff Partington**
- 25 There are Votes in the Murray  
A close look at the politics of water in the Murray reveals something odd: why does everyone seem so keen to return water to a river that may not need it? **Jennifer Marohasy**
- 27 Who Can Insure Against the Climate?  
Believe it or not, insurers are trying to insure against acts of God. When it comes to climate, it seems that blame-shifting is more important than research and planning. **R.M. Carter**
- 29 Education Agenda  
Should the government fund private schools? As an election issue for Labor, this is a no-brainer. Just look at where students are going. **Kevin Donnelly**
- 30 Around the Tanks  
News from think-tanks around the world, courtesy of the Heritage Foundation's *The Insider* newsletter.
- 32 The Capacity to Manage Index: The Australian Petrochemical Industry  
Our latest Index gives the overall rating of the petrochemical industry in relation to other sectors as well as assessments for individual petrochemical companies. **IPA Work Reform Unit**.
- 34 Epstein on Epstein  
A recent visitor to Australia, the distinguished Chicago Law professor discusses some of his formative experiences and his classical liberal outlook on the world. **Andrew McIntyre**
- 36 Free\_Enterprise.com  
In their zeal to secure and promote human rights, some organizations tend to overreach, with some strange results as a consequence. **Stephen Dawson**
- 38 What's A Job?  
It appears that labour has at last become more aware of, and responsive to, the external market signals experienced by firms. **Ken Phillips**
- 39 Strange Times  
The weird, the wacky and the wonderful from around the world. **Compiled by IPA staff and columnists**
- 40 Letter from London  
There is quiet desperation in England. Blair is walking backwards and the Conservatives are getting nowhere. **John Nurick**

## SPECIAL INSERT

Good, Safe, Banned

**Professor Richard T Roush**

An edited version of his address to the annual HV McKay Lecture in Melbourne in August 2004.

- 23 Blackboys Tell An Interesting Story  
Recent research on that icon of the bush, the Blackboy, proves that 'muddled headed', Green-inspired fire-exclusion policies on vegetation are just that. **David Ward**

- 41 Patrick Morgan reviews *Culture of Fear: Risk-Taking and the Morality of Low Expectation* by Frank Furedi; David Robertson reviews *In Defense of Globalization* by Jagdish Bhagwati.

## BOOK REVIEWS

# REVIEW

**Editor:** Mike Nahan. **Publisher & Executive Director:** Mike Nahan. **Production:** Chris Ulyatt Consulting Services Pty Ltd.

**Designed by:** Colin Norris, Kingdom Artroom. **Printed by:** Pinnacle Printing, 288 Dundas Street, Thornbury VIC 3071.

**Published by:** The Institute of Public Affairs Ltd (Incorporated in the ACT) ACN 008 627 727.

Level 2, 410 Collins Street, Melbourne Victoria 3000. **Phone:** (03) 9600 4744. **Fax:** (03) 9602 4989. **E-mail:** ipa@ipa.org.au **Website:** www.ipa.org.au

Inside cartoons by Peter Foster [(03) 9813 3160] Front cover photo by John Carr

Unsolicited manuscripts welcomed. However, potential contributors are advised to discuss proposals for articles with the Editor. Views expressed in this publication are those of the authors and do not necessarily reflect the views of the IPA. **Reproduction:** The IPA welcomes reproduction of written material from the *Review*, but for copyright reasons the Editor's permission must first be sought.

# From the Editor

MIKE NAHAN

## PARTICIPATORY DEMOCRACY

One of the main planks of the Left's remaking of itself which has taken place over the last 30 years has been the promotion of what it calls 'participatory democracy'.

The concept appeals at many levels.

First, it is rhetorically correct. By combining the two motherhood concepts of participation and democracy, it provides its proponents the high moral ground. It also implies that the alternative, representative democracy, does not allow the direct participation of citizens.

Second, it is highly malleable. While the concept has a long intellectual tradition, it has remained undefined, with few institutional guidelines. As such, it was ripe for the Left to capture the idea and structure it to their advantage.

Third, after being ejected from the commanding heights of representative democracy, the Left needed to find a new political path and set of institutions with which to mould society to its image. Participatory democracy has been made to fit the bill.

Fourth, the problem with the old ideologies of the Left—socialism and communism—was that they were based on achieving explicit outcomes—high levels of economic growth, redistributing wealth and power, changing people from being self-focused to being focused on the greater good. These objectives were testable, the Left failed the test and were rejected at the ballot box. Rather than fundamentally changing their beliefs and aims, it sought to wrap much of their old ideology in a new, less testable and transparent, set of concepts and institutions. Participatory democracy, along with other planks of the Left's revival—sustainable development, social justice and peace—are sufficiently opaque to avoid testing and therefore to avoid clear-cut rejection.



Finally, by focusing on process rather than outcome, participatory democracy offers the much-desired opportunity for activists to turn their ideology into a long, and hopefully lucrative, career.

The Left's revitalization and, in particular, its development of participatory democracy has been hugely successful. Indeed, it has allowed erstwhile activists of the Left to become the 'new political establishment'. It is supported by many, funded by all, invited into the halls of power in parliament, the bureaucracy and the boardrooms, and is paid handsomely for doing so. The NGO sector—the main institutional purveyor of participatory democracy—has grown to become a global business with an annual income of \$10 billion. In fact, large NGOs, such as Greenpeace, World Wide Fund for Nature, Oxfam and World Vision, now provide much safer, longer and more lucrative career-paths than do government and business.

As argued by Gary Johns in this issue ('Participatory Democracy: Cracks in the Façade', page 14), while participatory democracy has deepened and extended access to political decisions for some, it has not done so for all. It has skewed the political process in favour of the organized, the political and the articulate: those best able to get their voices heard in the noisy, free-for-all of the 'participatory democracy' world.

While the NGOs—the political parties of participatory democracy—often claim to represent the unorganized, the inarticulate and the disadvantaged, they seldom do so in either a formal or informal manner. Few have many members or even seek the views of the people they claim to represent. Most, as Dr Johns explains, are nothing more than small groups of activists who share an ideology—an ideology which is often at odds with the values of the people for whom they claim to be acting. As such, they are both unelected and out-of-touch with their proclaimed constituents.

The 'participatory democracy' push has not been restricted to the formal political process, but is increasingly seeking, and getting, access and influence in the bureaucracy, regulatory bodies and in business. Alan Moran ('Funding the Consumerist NGOs', page 18) explores the growing tendency of regulatory bodies such as the ACCC to open their doors and their purses to groups who claim to, but do not actually, represent broader interests. Their impact, at least in the case of the ACCC, is perverting the fundamental character of the Commission. It is turning it from a neutral enforcer of the *Trade Practices Act* to a 'campaigner' for causes identified by activists—activists who for decades have been amongst the most vocal critics of market-based competition which the Commission was established to encourage.

Although our formal democratic system has its weaknesses, and although there is a need to encourage greater direct participation in the political process, the representative system is far more democratic and open to all than the perverted form of participatory democracy that is gaining force in Australia.

TIP A

REVIEW

# Why Profits Are Good

ROGER KERR

**T**HE chief social role of business is to produce the goods and services that people need in their daily lives. By making better and cheaper products, and creating new ones, firms raise living standards and countries grow richer. Business is the wealth-creating institution of society.

I propose to examine this core function of business and set it against the backdrop of recent economic history. I take a very positive view of the primary role of business. In this I differ from those who believe that the alleged effects of globalization mean that business must accept new and potentially costly obligations.

Business is the instrument that has freed many people from mindless toil. Over the past 200 years it has transformed the way we live. It has expanded opportunities, unleashed advances in technology and even civilization, and has allowed countless individuals to apply their talents to achieve their own aspirations.

Competitive economies are organized in the interests of consumers, not producers. Consumers are the employer's employer. Firms respond to the demands of customers by keeping down costs and prices, and by timely innovation. They supply jobs and generate returns on the investments that savers make in them. Through competition, companies are forced continuously to give better value for the consumer's dollar.

On a practical level, one could say that business is just the ordinary stuff of life. It is about trading in the marketplace for mutual gain, as has happened from time immemorial. If firms do their job well and persuade

customers to part with their money, they will flourish. If they don't, they won't.

Ordinary the role of business may be, but boring it is not. It has produced amazing products from penicillin to Prozac, and from gramophones to iPods. As historian and journalist Paul Johnson has written, business is creative:

[T]his is a point often missed about the capitalist system. We have been taught to see it, particularly by Marxists and their contemporary successors, purely in financial terms ... But capitalism also involves starting from nothing, building vast factories, digging mines and launching exciting new products onto the market.

All of this ingenuity is a natural consequence of the central impulse of business—to achieve profits by delivering products at prices that at least cover their costs of production. Or, in common parlance, to make money. This is what people seek to do in their working roles every day. Teachers, for example, seek a return on their human capital just as investors in a firm seek a return on the financial capital they have contributed. Investors who don't care about the returns on their savings are rare creatures; so too are teachers who don't care how much they are paid.

Of course, money must be made honestly. Businesses must operate lawfully and ethically. Situations can arise in which directors and managers, and shareholders too, need to consider what it is right for a company to do, not just what is legally permitted or required.

To be successful, a business has to have regard to the views and interests of a range of stakeholders—

including consumers, employees, suppliers and the communities in which it operates. Even if it were true that shareholders are only interested in a company's bottom line, its profitability is sensitive to the firm's reputation among its stakeholders. Simply because of their size, large firms are more visible to the public and therefore more vulnerable than small firms to negative perceptions affecting their reputation. While a small firm in the fast food industry would seldom be attacked on the grounds that if you eat too much of its products you will become fat, that is precisely the basis of recent adverse publicity aimed at McDonald's.

So there is no argument that businesses have social responsibilities, as do other organizations such as partnerships, co-operatives, clubs, trade unions, universities, charities and churches in which people join together voluntarily to pursue common goals.

The only debate—and it is an important one—is about the specific roles and responsibilities we should ascribe to businesses on the one hand and governments on the other. Establishing and maintaining an open and competitive market economy is a matter for public policy. It lies outside the power of an individual business. Economic progress does not depend on a commitment by businesses to bring it about, but on the twin stimuli that a market economy provides: wide-ranging entrepreneurial opportunities and pervasive competitive pressures. It is governments that determine public policy, which includes creating the policy environment in which businesses must operate. ▶

In a forthcoming study, *The Role of Business in the Modern World*, British economist David Henderson looks back over the past half-century. He finds that the 'record of unforeseen economic achievement often goes unrecognized or undervalued'. He notes that, generally speaking, sustained high growth rates have owed little or nothing to direct foreign aid, to public-spirited conduct by large international firms, or to collective resolutions and initiatives on the part of 'the international community'. Instead, everywhere, 'the material progress of people, rich and poor alike, depends primarily on the dynamism of the economies in which they live and work' and the performance of businesses within them.

Martin Wolf, the economics editor of the *Financial Times*, argues in his new book, *Why Globalization Works*:

The active force of profit-seeking business people exploited and drove the economic transformation, as it continues to do this day. It is they who choose the investments and make the technological innovations. The market economy is, as a result, the only human institution that generates a 'permanent revolution'.

There are those who oppose this 'permanent revolution'. I will look at two of the most common threads of this debate: the pot-shots often aimed at globalization and the argument for new forms of 'corporate social responsibility'.

The myths about globalization include the idea that it is a sudden, new development that has been forced on reluctant governments; that it has 'marginalized' poor countries; conferred undue benefits or new powers on multinational enterprises; deprived governments of the power to act; and created a need for new procedures for 'global governance'.

Contrary to assertion, the closer international economic integration

of recent years is not a new phenomenon. It was strongly in evidence over the century that ended in 1914, and though reversed between World Wars I and II, was clearly re-established, albeit with many limitations, in the decades following 1945. It did not assume a new character, nor create a radically new situation, in the 1990s.

Governments have made trade and capital flows freer in recent decades, and some of them have even made international migration flows freer, because they considered with good reason that this was in the interests of their citizens. But governments have remained sovereign;

---

***There is no argument  
that businesses have  
social responsibilities,  
as do other  
organizations such  
as partnerships, co-  
operatives, clubs, trade  
unions, universities,  
charities and churches***

---

they continue to lay down the rules for business operation, whether liberal or illiberal. They may voluntarily sign up to international agreements, such as those arising out of the World Trade Organisation, but equally they are free to reject or (subject to meeting procedural commitments) withdraw from them.

Globalization has brought gains to people in all countries, rich or poor, where market economies are sufficiently developed for business enterprises to be able to profit from greater economic freedom. In China, India and many other developing countries, moves from plan to

market have lifted millions out of poverty. The usual problem with the most backward countries is not too much globalization but too little.

The further liberalization of cross-border transactions has opened up new opportunities for enterprises to innovate and has strengthened the competitive pressures on them to do so. In this process, the primary role of business—as agents of change within a market economy—has neither been undermined nor put in question: to the contrary, it has been confirmed and reinforced. Multinational enterprises are under greater pressure than ever to perform.

Mistaken ideas about globalization have, however, helped fuel the argument for the adoption of 'corporate social responsibility' (CSR). Using the claim that 'the business of business has changed', advocates of CSR tell us that today's company should meet 'society's expectations' by pursuing the goal of sustainable development and thus consciously contributing to the public welfare. They also seek to impose on firms new obligations, such as 'triple bottom line' reporting, and the requirement to consult and negotiate with non-governmental organizations (NGOs) and other 'stakeholders'.

The term 'sustainable development' is problematical. Nobody is for 'unsustainable development'. But the idea that economic growth is the antithesis of sustainable development is flawed. Growth typically leads to improved environmental quality by raising the demand for it and providing the wherewithal to meet that demand.

The additional obligations proposed by advocates of CSR would be likely to raise the costs of firms and reduce shareholder value and national income. Firms adopting the doctrine of CSR have an incentive to ensure that competitors are forced to follow their example. This makes for over-regulation and a weakening of competition. Moreover, CSR requires companies to make highly debatable political judgements. By

diverting the focus of boards and managements from shareholder value maximization, it also allows them to escape accountability for poor financial performance.

Martin Wolf, in an article, *Sleepwalking with the enemy* (Financial Times, 17 May 2001) has pointed out that:

... behind the pressure to adopt social responsibility lies hostility to the profit motive itself. What is needed, critics argue, is to put 'people before profits'. The truth is the opposite. It is by seeking out opportunities for profit that business contributes to economic and social development. Competitive businesses are forced to seek new markets and employ previously under-used resources. In so doing they benefit their customers, their employees and the countries in which they operate.

Economic profits reflect the difference between what consumers are willing to pay for goods and services and the costs of producing them. In a well-functioning market economy, enterprise profits are performance-related: they can only be earned by serving consumers in resourceful and innovative ways. Profits can thus serve as an indicator of each enterprise's contribution to the welfare of people in general. As such, profits and losses provide an indispensable economic signalling function. How well they serve this purpose depends largely on the extent of competition and economic freedom—they cease to perform the same role if they are due to subsidies, protection or exploitation of a monopoly position.

The American economist Thomas Sowell in his book, *Basic Economics: A Citizen's Guide to the Economy*, has responded to critics of the profit motive by saying that:

The greatest contribution that a business makes to the economy and the society is in producing the most goods with the least resources ... What matters is not the motivation but the results. In

the case of business, the real question is: What are the *pre-conditions* for earning a profit?

From an economy-wide perspective, David Henderson argues that the right preconditions are: a reasonably stable government that acts responsibly in matters of public finance and the control of the money supply, well-maintained property rights, and freedom for individuals and enterprises to control their own economic decision-making.

A key element is economic liberalization. Liberalization has two related purposes. First, it enlarges the domain of economic freedom for people and enterprises alike. Second, it furthers the material welfare of people in general. From a liberal

---

## ***In China, India and many other developing countries, moves from plan to market have lifted millions out of poverty***

---

standpoint, both purposes can be viewed as ends in themselves, while the first is also a means to the second.

The *Economic Freedom of the World 2004 Annual Report* showed that economically free nations achieved an average of 3.4 per cent per capita growth a year from 1980 to 2000, compared to 1.7 per cent for countries with middling economic freedom and just 0.4 per cent for 'unfree' nations. The results are even more startling for poor nations. Economically free poor nations had an average growth rate of 5.2 per cent compared to 1.7 for the middle group and 0.6 per cent for the least free group.

Let me therefore summarize the points I have been making, which

are essentially those in David Henderson's forthcoming book.

First, business is the wealth-creating institution of society. Its prime social role is to meet consumers' needs in the most efficient manner, and thereby raise living standards.

Second, it is the responsibility of governments to create an open and competitive economic environment in which business can make its most effective social contribution.

Third, alternative notions of corporate social responsibility should be rejected on the grounds that they are based on incorrect premises and would deflect business from its primary role. One of the mistakes of our time is to divert people or organizations from the good they do for society by performing their roles well and to assign them instead the problematical role of trying to do good directly.

Fourth, profits and losses serve an essential function in a competitive economy; generally speaking, they signal where society's resources can be put to best use.

And fifth, there is ample scope in most countries for further economic liberalization. Recent trends in the opposite direction here are worrying. As Henderson puts it:

Measures and policies that narrow the scope of markets and reduce economic freedom can do extensive harm. Not only do they act as a brake on economic progress, but they are liable to impair the quality of individual and social life. A well-functioning market economy gives people the freedom to act in ways that will make their lives more complete, as well as materially richer.

This is a reality that should be taken to heart by those who wish to see our prosperity continue.

*Roger Kerr is Executive Director of the New Zealand Business Roundtable.*

*This is an edited version of a speech given at The Insurance Brokers Association of New Zealand, Rotorua, on 13 August 2004.*

**I P A**

# Green Arithmetic and Doctors' Wives—The Election 2004

CHRISTIAN KERR

**W**HEN a newspaper with the popular—and populist—instincts of Sydney's *Daily Telegraph* claims a political tag as its own, poll watchers take notice. And so it was late in May, when political editor Malcolm Farr wrote about 'the doctors' wives ... the women the Government most fear'.

Who are they? 'They look and sound like Liberal supporters', said Farr, 'but this year they are considering voting Green—even Labor'.

When Parliament resumed at the end of the winter recess, Newspoll still had the Greens on six per cent. This was fifty per cent higher than the Nationals, who only managed four. The Greens thrashed their old rivals for the protest vote, the Australian Democrats, who just managed to rate one per cent.

The Morgan Poll results from the same period put the Greens in a stronger position. Morgan gave the party eight per cent, with the Democrats on 2.5 per cent and a mere 1.5 per cent of voters signalling support for the Nationals.

Where is the Greens support coming from, and what might it mean for the Federal election?

First, some matters of electoral arithmetic need to be looked at. The Australian Democrats have traditionally been a Senate party. Electoral Commission figures show that, in 2001, they won 7.25 per cent of the Senate primary vote, compared to 5.41 per cent of the first preference ballots in the House of Representatives.

The Greens, in contrast, received 4.94 per cent of Senate primaries

and 4.96 per cent in the Lower House.

These voting patterns, tied with their increased vote, mean that the Greens' preferences will be more influential than the Democrats' in shaping the outcome of the House of Representatives results and deciding who will win government.

Since the last election, the Australian Democrats have lost a leader and disintegrated. Simon Crean has become the first Labor leader to be dumped without ever contesting an election and his party has embarked on the Latham experiment. Electoral redistributions have also occurred in Victoria, Queensland and South Australia.

Using these new boundaries and the 2001 primary voting figures, it appears that the Greens' ten strongest seats are Melbourne, Sydney, Grayndler (NSW), Batman (Vic), Melbourne Ports, Kooyong (Vic), Denison (Tas), Richmond (NSW), Wentworth (NSW) and Franklin (Tas).

Of these, Richmond is the only rural or regional seat, and it includes the hippie havens of the New South Wales north coast. Franklin is semi-rural, but most of the electors live in the Hobart suburbs on the Derwent's eastern shores.

Batman, in Melbourne's northern suburbs, is the only genuinely blue-collar electorate on the list. Sydney, Grayndler, Melbourne Ports and Melbourne are fashionable and rapidly gentrifying. Denison takes in Hobart's poshest parts, while Wentworth and Kooyong respectively rate third and fourth highest on the list of

electorates ranked by relative socioeconomic advantage prepared by the Parliamentary Library from the 2001 Census.

Indeed, Wentworth and Kooyong and Dennison—and much of Sydney and Grayndler and Melbourne Ports and Melbourne—take us back to the doctors' wives. Who are these people? Farr explains that these women come from comfortable families created by high-income husbands.

The 'doctors' wives' are not seriously troubled by financial pressure and have plenty of time to think about other issues. They have opposed the Government's border protection policy and cannot forgive John Howard for Tampa. Now they are angry over Australia's presence in Iraq. They are appalled by the atrocities committed on Iraqi prisoners and believe Australia has been tarnished. Like most Australians they didn't want us to sign on for the war and now they are ready to punish the Government.

Farr specifically warns that their backlash could be felt in seats such as Wentworth, and adds that the doctors' wives could also influence Senate contests, with the Liberals the losers.

So why will they vote this way? The 'Power' edition of *The Australian Financial Review Magazine*, published at the end of July, may have some answers.

The figure at the top of its Cultural Power list was, and remains, invisible—the young woman whose sexual assault allegations against members of the Canterbury Bulldogs

Rugby League Club sparked off a re-thinking of sexual mores throughout organized sport and in the wider community.

Then, at number two, was the Australian Greens leader, Senator Bob Brown.

He was propelled there by an unlikely pair of experts, according to the *AFR*—Robert Manne, the conservative, turned bleeding heart, Professor of Politics at La Trobe University and Max Moore-Wilton, a friend of John Howard's, former head of the Department of Prime Minister and Cabinet and now Sydney Airport Corporation CEO.

Manne offered this view:

Outside the economy, some people think—and maybe they are part of the elite—that the country has not gone well in the last few years with regard to things like indigenous matters; the republic; multiculturalism; refugees; the environment. I'm one of the people who think that this period will be seen, when it is understood, to be a backward-looking period in our history where all the possibilities of the seventies, eighties and nineties have been squandered. In so far as there is anyone who stands for at least part of that vision, it's Bob Brown.

Moore-Wilton was more succinct: 'I actually think Bob Brown should be there. I think the Greens are a rising force, not a declining force'.

Canberra Gallery veteran Michelle Grattan observed in *The Age* just before Parliament resumed that 'the politics of the grand gesture will be on show in Election 2004'.

But why, in a time of prosperity, are presumably well heeled, well educated voters planning to cast protest votes?

An intriguing explanation comes in the form of a paper published in Britain in February by Civitas, The Institute for the Study of Civil Society, entitled 'Conspicuous Compassion: Why sometimes it really is cruel to be kind'.

Its author, Patrick West, postulates a fascinating hypothesis that explains the motivation of the 'doctors' wives' and many Green voters. His thesis is simple: he claims that we live in an age of conspicuous compassion.

Immodest alms-giving may be as old as humanity—consider the tale of Jesus rebuking the self-exalting Pharisee—but it has flowered spectacularly of recent. We are given to ostentatious displays of empathy to a degree hitherto unknown. We sport countless empathy ribbons, send flowers to recently deceased celebrities, weep in public over the deaths of murdered children, apologise for historical misdemeanours, wear red noses for the starving of Africa, go on demonstrations to proclaim 'Drop the Debt' or 'Not in My Name'. We feel each other's pain. In the West in general, and Britain in particular, we project ourselves as humane, sensitive and sympathetic souls. Today's three Cs are not, as one minister of education said, 'culture, creativity and community', but rather, as commentator Theodore Dalrymple has put it, 'compassion, caring and crying in public'.

West is no old man despairing the decay of his culture. Instead, he is a 30-year-old cultural historian. His thesis is that these 'displays of empathy do not change the world for the better: they do not help the poor, diseased, dispossessed or bereaved.' Instead, he writes: 'Our culture of ostentatious caring concerns, rather, projecting one's ego, and informing others what a deeply caring individual you are. It is about feeling good, not doing good, and illustrates not how altruistic we have become, but how selfish'. He continues:

This phenomenon is not some harmless foible. Outlandish and cynical displays of empathy can bring about decidedly 'uncaring' consequences. In terms of the Third World, 'dropping the debt', may not help starving Africans at

all. It may make their lives worse by rewarding their kleptocratic governments, freeing up their budgets to buy more guns to perpetuate their pointless wars ...

I believe that conspicuous compassion ... is a symptom of what the psychologist Oliver James has dubbed our 'low serotonin' society. We are given to such displays of empathy because we want to be loved ourselves. Despite being healthier, richer and better off than in living memory, we are not happier. Rather, we are more depressed than ever. This is because we have become atomized and lonely. Binding institutions such as the Church, marriage, the family and the nation have withered in the post-war era. We have turned into communities of strangers ... No wonder we are given to crying in public.

This, surely, offers an explanation for the doctors' wives in the leafy suburbs and the trendies in the luxurious new apartment blocks rising amongst the former industrial lands and decaying terraces and workmen's cottages in seats such as Sydney and Port Melbourne.

But what of the seats where the Greens score the lowest vote?

They are Capricornia, in Queensland, Calare, Chifley and Gwydir in New South Wales, Maranoa, Wide Bay and Kennedy in Queensland again, New England in NSW, Mallee in Victoria and Makin in South Australia.

All but Makin and Chifley are rural or regional seats. Chifley, in Sydney's outer west, has the highest proportion of people aged between five and 14 and the second highest proportion of one-parent families with dependent children. At number 71 out of 150, Makin, out of these, is the highest ranking seat in the Index of Relative Socio-Economic Advantage. Calare and Capricornia come in at numbers 51 and 52 respectively, followed by New England at number 38. The rest are in the bottom 25 per cent. ▶

Wide Bay, the area of Queensland coast around Maryborough and Hervey Bay, is the inverse of Wentworth. It comes in third from the bottom, not third from the top. It contains the highest proportion of families in the nation with a weekly income below \$500 and lowest national family median income, just \$608.

The voters and residents of Makin are getting on with life. They live in the growth corridor of Adelaide's north-east, and aren't doing too badly with a median family income of \$932 a week. That may be why they don't vote Green.

The problems and preoccupations of the people of Chifley must be shaped by the suburbs of the Mt Druitt public housing estate it encompasses. These clearly exclude matters Green. And what of the other 10 electorates, the rural and regional seats where Bob Brown's vote is lowest? Victorian Farmers Federation's Paul Weller has some answers.

'Bob Brown's Greens political party represents farmers' biggest threat,' he told the VFF annual conference in July. 'The Green movement is very powerful. It is able to influence the metropolitan media and political decisions. Prime examples of this are the decision to commit more environmental water to the Snowy and Murray rivers.'

The Murray provides the perfect micro example of impacts of Green whim. The Council of Australian Governments has decided to increase environmental flows to the river by 500 gigalitres under the Living Murray First Step decision. This is only a third of the volume originally proposed, but local communities and irrigators are already disputing Murray Darling Basin Commission claims that the move will cost \$17.9 million annually.

The Living Murray Local Government Alliance, a group of nine local governments in north central Victoria and south central NSW, covering 35,473 square kilometres and home to 161,095 people, commis-

sioned modelling of its own by La Trobe University's Centre for Sustainable Regional Communities.

'Water', as the report states, 'is the economic lifeblood of the region'.

The Centre's modelling found that a 500 GL increase in environmental flows through reduced allocations would cost the region just over \$100 million. Some 752 jobs would be lost, mainly from agriculture and

---

***All this, not because  
of evil economic  
rationalism, but  
because of conspicuous  
compassion. How many  
other little groups  
of communities face  
similar threats from  
the Greens?***

---

manufacturing, but also from the retail, hospitality, transport and storage, and property and business services sectors. If the water was sourced by purchases from the market, however, output would be reduced by some 4.6 per cent and lead to the loss of 3,288 jobs across the council areas, a drop of five per cent.

The final evaluation was familiar. It said that the impact of any of these eventualities would be serious in regional centres, particularly those engaged in agriculture-related value-adding activities such as food processing, but may be 'terminal' for a number of rural towns in the region. The report continued:

The flow-on effects to every sector in an economy have been demonstrated above and reductions in rural towns could be expected to take many of them below the critical mass sufficient

for a sustainable future. Losses of key sectors such as banking or petrol retail businesses will often be enough to force residents to travel to larger regional centres and change their shopping habits to the detriment of local businesses. Falling populations can also lead to the loss of a number of services such as schools and hospitals, thus further threatening the viability of the smaller towns.

Employment opportunities for younger people, even in the regional centres, would be expected to diminish further until few or no employment opportunities will force nearly all young people to leave the region and exacerbate existing trends of ageing populations in these areas, thus threatening the long-term sustainability of the region.

All this, not because of evil economic rationalism, but because of conspicuous compassion. How many other little groups of communities face similar threats from the Greens?

In his speech, the VFF's Paul Weller warned how radical environmental groups must be made accountable for the positions they take. 'There is a role for the media in this, too', he said. 'The Greens have got off too easily for too long in the public debate, with feel-good statements. It is no longer good enough for journalists just to report what Bob Brown says. Journalists should critically report the Greens' policies and potential impact in the same way they do for the major parties.'

But what do they do when those parties are off chasing Greens' preferences? What happens when those preferences make the difference between government and opposition? In the age of conspicuous compassion, what comes first—the needs of country communities or the feelings of doctors' wives?

*Christian Kerr is a postgraduate politics student, political commentator and former federal and state Liberal ministerial adviser.*

**I P A**

**REVIEW**

# Have Research and Innovation Failed Australia?

TOM QUIRK

**O**VER the last 20 years, we have been invited to get up early to stand on the summit of innovation and watch the sunrise industries rise.

The road map has been laid out for us. Australia has a perceived *market investment failure* because it has spawned so few high technology businesses—a consequence of low business research and development expenditure compared with many OECD countries. Industry does not do enough, so governments—both Federal and State—must help. Universities and research institutes are to be the vehicles to carry the load. The start-up ideas are to carry Australia to an increased standard of living and protect us from the decay of our present economic base.

Our policy-makers consider our universities 'golden geese'. The golden eggs of technical innovation are expected to hatch and grow to be new, high-tech and dynamic businesses. The process is called research and development (R&D) or sometimes, 'industry policy'. Further, our universities are expected to help solve important issues of the day, such as global warming.

Yet, after many years of effort, what has been accomplished? Within the OECD, Australia has remained in the lower third of business expenditure on research and development for the last sixteen years. But, despite this failure, the country has enjoyed dramatic and sustained economic growth.

Could it be that all our hand-wringing to the siren's song of R&D

has been completely beside the point? We have had endless repetition of the theme, but could it be that none of it—including the apparent failures of university or commercial R&D—has anything to do with the real economy in Australia?

## SOME FACTS

In 2001, the total R & D expenditure for Australia was 1.53 per cent of GDP with the business contribution at 0.72 per cent of GDP. The equivalents for Finland were 3.40 per cent and 2.40 per cent.

Are we in trouble? No, the explanation for the difference is structural. In Finland, the electronics industry's R&D is 1.3 per cent of GDP. It is a technology-intensive business and the major contribution comes from one business, Nokia. ▶

Table 1: Countries arranged by Business R&D

	GDP % Growth 1992 to 2002	Total R&D % GDP 2001	Business R&D % GDP 2001	Business R&D % Business R&D 2001				Higher Education R&D % GDP 2001
				High-tech	Medium high-tech	Low-tech	Service	
Sweden	29	4.27	3.31	49.1	29.1	7.1	12.8	0.83
Finland	38	3.40	2.42	57.0	15.3	12.8	12.0	0.61
Japan	12	3.09	2.28	41.8	39.8	13.4	2.1	0.45
United States	37	2.82	2.10	39.4	19.4	6.1	34.4	0.40
Germany	14	2.49	1.76	30.1	53.8	7.3	7.8	0.40
Denmark	28	2.19	1.42	35.9	17.9	10.3	35.2	0.45
United Kingdom	32	1.90	1.28	48.3	24.6	7.4	16.6	0.41
Canada	41	1.94	1.12	53.4	6.9	7.0	29.0	0.59
Norway	38	1.62	0.97	21.4	15.8	17.2	48.0	0.42
Ireland	114	1.17	0.80	51.5	11.8	11.7	24.6	0.26
Australia	47	1.53	0.72	21.4	15.4	13.7	39.9	0.41
Italy	17	1.07	0.54	42.3	31.2	6.4	19.7	0.33

Source: OECD in Figures 2003: Selected data from Tables on pages 14, 70 & 72

By way of comparison, Merck, Intel and IBM each spend more on R&D than the sum of all Australian businesses.

The R&D figures are based on an OECD definition which excludes the exploration and development expenses of the mineral and petroleum industries. Yet this expenditure on exploration and development is the exact equivalent of manufacturing R&D. Exploration and development requires graduates and post-graduates as a professional group, and frequently operates at the leading edge of technology, using exotic sensors, satellites and computers—all perfect for the ‘high tech’ world. A mineral or petroleum discovery comes as much from someone’s head in terms of conceptual thinking as any invention. After all, a deposit only gains value by its discovery and subsequent development to the point where it can be exploited.

So depending on what year is selected and the accounting method chosen, another one billion dollars could be added to Australia’s R&D account, giving it a 0.2 per cent of GDP boost.

Australia’s R & D performance has to be understood by looking at our industrial structure compared with other countries.

Table 1, taken from the OECD’s Figures Report for 2003, shows countries ordered by business R&D expenditure. It also shows growth in GDP and higher education expenditure on R&D.

A number of observations can be made from this table:

- Australia’s higher education R&D is not out of line with most of the major developed countries. So universities are not disadvantaged in Australia.
- There is little to demonstrate a connection between the levels of higher education and industrial R&D. Increased high-tech R&D levels are not matched by increased higher education R&D levels. There should be a time lag

of some five to 15 years for feed-through from higher education to business.

- Australia’s industrial structure is very different from that of high-tech Europe and America. In the Pacific, we are very different from Japan. This is reflected in the R & D spending pattern.

A comparison with our performance in the 1980s shows that along with other low-tech countries, we have lifted our industrial R&D expenditure significantly. Perhaps this represents no more than the general industrial shift to the use of more advanced technology. Variations in the performance of European countries reflect their different

---

***Studies in the 1980s showed that universities contributed 4 per cent and research organizations ... 2 per cent of innovations. The remainder was made up from industry with 80 per cent ...***

---

industrial development histories. This would be mirrored by regional variations within the United States.

#### **R&D IS NOT INNOVATION**

One reason for the interminable discussion about university and commercial R&D is the belief—not discouraged by research institutes and universities—that they are the source of innovations. In a very important way they are (see below) but they are not the direct source of innovation. Studies of European and United States innovation in the 1980s (confirmed by United King-

dom data in 2001) showed that universities contributed 4 per cent and research organizations accounted for 2 per cent of innovations. The remainder was made up from industry with 80 per cent and the balance from its customers, competitors and inventors. Within companies, the commercial staff was twice as successful as the technical staff in choosing winners but still had a success rate of only 55 per cent. (The worst hit rate from a limited assessment came from the CEOs).

Of course, innovation does not have to be technical or science-based. Service industries thrive on innovation, supplying new products to customers. The banking, insurance and broking sectors have pioneered new products. It is even arguable that News Corporation is Australia’s greatest technical success, using everything from satellites to the most advanced printing presses. Macquarie Bank has grown on its ability to pioneer new financial offerings that facilitate resource allocation. All this, however, is excluded from the debate.

#### **POLITICIANS AND TECHNOLOGISTS**

At present, our politicians are focused on biotechnology. It is difficult to identify the probable cause of this love affair, but it may be the business equivalent of kissing babies!

Nonetheless, universities that accept government funds are told to strive to commercialize their research, matched to the needs of the country. A report of the Business Council of Australia recently suggested a target of 10 per cent of university revenue from this activity. A sobering comparison is to look at the CSIRO. Revenue from royalties and licensing has just reached 1.5 per cent of total income of near one billion dollars. This is after 70 years of practice!

At the present time, we have concerns about global warming, depleting energy resources, renewable

energy, viral plagues, genetic manipulation and finally destruction by rogue asteroids. All this is amplified by pressure groups, be they environmentalists, NGOs or those seeking funds for their own investigations. So we find that scientific breakthroughs are being replaced by impending 'disasters'. The confounding problem is the politicization of these issues and partisan science.

This has led universities and research institutions to chase funds to investigate these issues. By entering areas of partisan science, they risk reputations and may do long-term damage to their institutions.

The greater danger is that precipitate action, taken against these supposed approaching disasters, costs the economy billions of dollars and achieves little.

If we are to see a repeat of governments attempting to pick business winners, then we are in trouble. There is a long and well-documented history of failure in this from many countries and by many governments. George Pompidou is supposed to have counselled Valéry Giscard d'Estaing that the three great dangers for politicians were wine, women and technologists.

### **WHY ASK UNIVERSITIES TO PRODUCE THE IMPOSSIBLE?**

How the universities influence economic performance is clearly difficult to track if the important factors are 'being there' and understanding markets—not parts of general university experience. It is the skills and training of graduates that constitute the great contribution that universities make to the economy. It is those trained to understand, interpret and explain who will carry that background in their work (whether in commerce, law, arts, engineering or science) to the issues and problems of their business. They are the likely innovators.

The importance of knowledge-seeking research and the unpredictable consequences of such work is

another, but equally important, aspect. A local illustration of this is to be found in the long-running research of Professor Donald Metcalf at the Walter and Eliza Hall Institute in Melbourne. This led to the discovery of Colony Stimulating Factors (CSFs). This discovery was the key to the success of the US corporation, Amgen, which has grown from a million dollar start-up of the 1980s to a ten billion dollar giant.

Universities are not driven and ordered institutions. They reflect their origins as associations of scholars, and those who choose to be academics would not necessarily fit easily into more ordered institutions nor take the entrepreneurial risks of

---

***There is no compelling evidence that our obsession with research and development is really the critical determinant for the economic well-being of the country***

---

starting a company and leaving their university. Moreover, the research conducted in universities, particularly in science, is determined by goals set by international competition and relevance. So if research is to be directed at 'commercial needs', those receiving the direction may not readily accept it. The more seriously the science and the scientist are limited and constrained in their chosen fields, the greater the consequent loss of the real excitement of science and the loss of talent from the country. An interesting aside to this problem is that applied science

problems can be quite as intractable as the problems of pure science, but whereas the pure scientist may have freedom of choice to avoid these, the applied scientist often does not. Intractable problems do not lead to academic promotion.

The most sensible research directions for Australian tertiary institutions must be those where excellence is affordable. Thus it would make little sense to support programmes that require instruments costing tens to hundreds of millions of dollars unless the country and its scientists possess or create some extraordinary advantages. This has been the case in astronomy, where instrumentation is expensive, but where Australia has excellent astronomers and access to the skies of the Southern Hemisphere. But no advantage lasts forever, and orbiting satellite telescopes will finally deprive us of this advantage. Meanwhile, the astronomers have achieved such eminence in their field that access to the new observatories should be assured.

### **CONCLUSION**

There is no compelling evidence that our obsession with research and development is really the critical determinant for the economic well-being of the country. In fact, it is arguable that marketing and selling are more important, and that the interaction with customers and markets sets the direction for innovation.

We are following a path with our universities that will lead to disappointment. Inappropriate tasks are being put upon them and in their willingness to obtain funds they readily agree that they are capable of delivery.

Instead we should allow them to do what they do best: teach and research.

*Tom Quirk is a member of the Board of the IPA. He has helped set up and manage biotechnology companies and before that worked as an academic physicist.*

**IPA**

# Discrimination Divas

JANET ALBRECHTSEN

**N**OT SO long ago, feminists the world over reviled Miss Universe contests and the like. Driven by two parts ideology and, perhaps, one part envy, they bemoaned how beautiful women in high heels would strip down to their bikinis or glide around in evening gowns. It was, they said, evidence that women were still playing roles assigned to them by a sexist society. That some women might choose to do so swayed few feminists. Back then, nothing was too frivolous for feminism's anti-choice ideology.

What a relief, then, that the Miss Universe contest came and went recently without the usual feminist angst-fest. Not even a home-grown winner from Newcastle, the stunning Jennifer Hawkins, could lure our feminist anti-fashionistas out. These days, feminists are even strapping on their own soul-destroying instruments of torture, high heels. So has feminism matured?

The best that can be said is that feminists in our midst are now more discerning in choosing their targets of disdain. And the enduring favourite for discrimination divas is the workplace. That women are not in the workplace in equal numbers to men, that they do not earn the same as men, that they have not risen to the top in equal numbers can mean only one thing: women are still victims of a sexist society.

The orthodox view says that the feminist revolution has stalled. The statistics at the starting gate are promising enough. Women are pouring out of universities in greater numbers than men. But down the track, the picture is apparently bleak. After all, these highly educated women were the ones who were meant to have taken on the world.

But where are they? Very few are judges in our courtrooms, partners in law firms or silks at the bar. Very few are in our boardrooms or running our big companies.

In support of this thesis, we are presented with a range of raw numbers. For example, recently, newspapers ran headlines such as 'Women still poorer in economy boom', 'Women's pay falls further behind', 'Women's wage inequality grows'.

---

***The best that can be said is that feminists in our midst are now more discerning in choosing their targets of disdain. And the enduring favourite for discrimination divas is the workplace***

---

Behind these headlines was the story that the wage gap between men and women had grown by a further \$80 a week. According to the Australian Bureau of Statistics, average weekly earnings for men are \$894 and \$582 for women.

The message is clear enough. Women are victims of pay discrimination. Sex Discrimination Commissioner Pru Goward told one newspaper that equality will only move from an idea to reality when the pay gap closes. In Britain, the Equal Opportunity Commission is

using savvy marketing to get the message across, handing out beer coasters that say 'What's a nice girl like you doing in a pay gap like this'.

But raw numbers rarely support the sort of simple story that discrimination divas would have us believe. Look at the law. As women embark on a legal career, pay packets are more or less equal. A wage gap begins to appear when you compare women and men aged 30–34. In 2001, women in that age bracket earned 81 per cent of their male peers. Over time, with each decade, that wage gap increases, so that by her fifties, a female lawyer is earning 72 per cent of her male colleagues.

So is the pay gap a case of genuine discrimination or is it dogma? The mere fact that one group of people earns less than another is not, of itself, evidence of discrimination.

A finding of discrimination depends on a great deal of detail that numbers like these simply do not tell us. Dr Anne Daly, associate professor of economics at the University of Canberra, says that they don't tell us anything about how differently men and women work, the sorts of areas they work in, whether they work in high-fee grossing areas, or what level of commitment in terms of hours they put in.

All of these variables matter when you compare earnings of men and women at this later career point. But we never hear about them when feminists peddle their tale of discrimination woe.

So let's add some detail. Sociologist Catherine Hakim is now well-known for her research into women's preferences. Her research reveals that only 20 per cent of women treat their jobs as the primary focus of their lives.

**REVIEW**

By contrast, 60 per cent of men describe themselves as work-centred. Thus for every woman who regards work as the centrepiece of their lives, there are three men. So men and women are not competing in equal numbers. Yet some feminists illogically believe that equality for women means a 50/50 per cent ratio in the workplace—at all levels.

A few months ago, the *Australian Financial Review* magazine, *Boss*, added some more detail. It pointed to statistics that show how, overall, women work fewer hours than men. It concluded that ‘as long as that remains true, it means that women’s chances of reaching parity in the corner office will remain remote’.

Let me suggest that choice is the detail that old-style feminists are reluctant to include in their big picture of discrimination. Many professional women are choosing to work less or not at all. The *New York Times* called it the opt-out revolution. Some will say that these are all rich, have-it-all, women; women lucky enough to make choices. But that is precisely the point. These are the women who perhaps should have taken on the world, climbed the ladder, made partner, taken silk. But they didn’t. These are the women who can afford to employ full-time nannies or pay for five-day-a-week child-care if they wish. But they haven’t.

And the trend to work part-time goes beyond professional women. As of May 2004, of 1,026,000 women in the work-force, married or partnered with children under the age of 15, 622,000 work part-time and 404,000 work full-time. By contrast, for men in that same category, almost 1.5 million work full-time and 93,000 work part-time. Some will say that this is evidence of a stalled revolution, of women being excluded from full-time work.

The alternative view is that the boom in part-time work is a blessing for women. In the Labour Force Survey for May 2004, women working part-time were asked if they wanted

to work more hours. An overwhelming majority of women—by a factor of 4 to 1—said ‘No thanks’. That may explain why the proportion of women aged 15–64 working full-time has changed very little since the mid-60s.

Old-style feminists will dress up numbers in simplistic terms as bad news, as evidence of discrimination. But for every negative slant, there is a positive one. It is not just a case of the glass being half full. Sometimes the other angle, for example the one about women’s choices, is a more truthful one. Unfortunately, that

---

**Let’s not forget how  
old-style feminists  
deride those who make  
different choices.  
Feminists like to label  
those who stay at  
home with children as  
‘conservative’, and it is  
not meant as a  
compliment**

---

doesn’t get much of a run in the media because those doing the writing tend to be the ones who also try to sell us discrimination dogma.

The details behind the raw numbers suggest that women’s preferences for part-time work, or just less work or different work, with its inevitable consequences for promotion and pay packets, is a voluntary act, not the result of patriarchal oppression.

And if we are to talk frankly about discrimination, let’s not forget how old-style feminists deride those who make different choices. Feminists like to label those who stay at home with children as ‘conservative’, and it is not meant as a compliment.

A few years ago, when the International Social Science Survey of 15,000 Australians revealed that two-thirds of the general population believe it’s best for young children if their mothers care for them full-time, Adele Horin used the ‘c’ word three times when reporting the ISSS results in a news item in the *Sydney Morning Herald*.

Personally, I don’t mind the conservative moniker at all. But I can tell you that the women I know who choose to stay at home are hardly conservative. God forbid, many of them wouldn’t vote for John Howard in a pink fit. But the sisterhood’s condescension for those who make different choices runs deep.

Along the same lines, old-style feminists tell tired old stories about a collective ‘duty to gender’. Upon her appointment as Victoria’s first female Chief Justice, Marilyn Warren announced that when the big job offer comes, ‘there is a duty to accept. A duty to gender’.

Well, only if you believe that being a member of a group and a proponent of an agenda is more important than being true to your own preferences, having a duty to one’s self. It strikes me that this has always been feminism’s failure.

If there is a duty to one’s sex, surely it is to allow women to choose. It is a large and offensive presumption that the ‘duty to gender’ is a duty to put work at the centre of one’s life.

Most women get on and do what they want, oblivious to this rigid agenda of working hero stereotypes and discrimination dogma. Constrained neither by the 1950s’ picket fence nor the 1970s’ feminist shackles, many young women now enjoy genuine choice when it comes to having and raising children. That is feminism’s success. But you won’t hear it from the discrimination divas.

*Janet Albrechtsen has a doctorate in law from the University of Sydney and has practised commercial law.*

*She writes a weekly column for The Australian. This piece is from a talk given at an IPA Melbourne Dialogue.*

IPA

# Participatory Democracy: Cracks in the Façade

GARY JOHNS

**W**HY DOES the Trade Minister regularly consult with the head of the Australian Conservation Foundation? Is there some insight that ACF has on the intricacies of the trade agenda that others do not? Is it just to keep a lobby quiescent? Or is it the final acceptance by the Coalition government of the consensus method—tripartism, now multipartism—for which it so admonished Labor?

There are environmental treaties to which Australia is a signatory—and the Minister is best to be well informed on such matters—but should this involve a formal and regular consultation with an environment advocate? Are other views best consulted in such things? Does the formal and ongoing relationship create an opportunity for the values promoted by ACF, or any like organization, to affect the trade agenda, perhaps to the detriment of the welfare of others? These are matters that Ministers must grapple with, but forming permanent policy committees with NGOs begs the question as to the credentials which some bring to the table.

The mechanisms of participatory democracy, in particular the consensus method, confuse the distinction between representation and public recognition as criteria for selection, and between expertise and values in the process of policy formulation.

## WHAT HAS CONSENSUS TO DO WITH POLICY?

Consensus may work when there is a strong policy in place. For example, if a government decides that it wants

to make the car manufacturing industry more competitive, it does so by imposing the discipline of the market through lowering tariffs. It then uses the consensus of unions and manufacturers to manage the costs and difficulties of the structural adjustment. The norm for many years was not making the adjustment, and the unions and manufacturers used the consensus method to lobby government to impose tariffs and send the bill to the consumer.

---

*The consensus rationale for engagement with the community is of no assistance unless it is driven for good policy reasons*

---

The consensus rationale for engagement with the community is thus of no assistance unless it is driven for good policy reasons.

The way in which policy communities are formed can make a big difference to policy formulation. In the absence of a sure direction, sitting everyone around the table becomes political management, not policy formulation.

The consensus method becomes even less likely to produce good policy when the participants represent values rather than constituents. This occurs in the newer lobbies, the NGOs. For example, the welfare lobby claims to give a voice to the

poor and disadvantaged, the environment lobby to the environment, the human rights lobby to refugees and others, the indigenous lobby to Aborigines and so on.

In reality, the welfare lobby exaggerates the extent of poverty, misrepresents its causes and boosts an egalitarian ideology, none of which help the poor. The environmental lobby exaggerates some harms to the environment, such as greenhouse gases, at the expense of scientific solutions to harm, such as the dependence on chemical sprays and water that GM crops are designed to overcome. The human rights lobby, in the case of refugees, seeks to impose a legal method that weakens the rights of citizens in preference to the rights of non-citizens. The indigenous lobby seeks the collectivization of Aboriginal life that is antithetical to the welfare of Aborigines. Each of these groups is not representative, rather they are a policy community. They approach government with a suite of pre-determined solutions to the things they decide are problems.

Why, then, does so much debate revolve around these voices? The answer lies in the appeal of participatory democracy. A democracy of active citizens is held to be superior to a democracy of politically apathetic citizens. On close reflection, it may not be so. A consensus of activists is a process-oriented policy, it sets a premium on a saleable outcome. It does not ensure a least-cost or public interest outcome. It lends itself to interventionist outcomes because it promises to further involve the participants. Participants begin

to own the policy and want to implement it, monitor it and meet again, in endless iterations. The consensus method is very different to the inquiry method, for example, which allows for voice, but then allows for reflection and analysis, and an opportunity to study the situation without the filter of the groups of policy apparatchiks.

While advocacy democracy values know-how and expertise in the citizenry, it devalues those same characteristics among policy makers.<sup>1</sup>

Participation by policy groups with a set of values, each gaining formal access to the policy apparatus is increasingly becoming the norm. It is driving up the price of governing and the likelihood of sub-optimal solutions. It is also increasing the tendency for government intervention where none is warranted.

## TWO VOTES TO THE LEFT?

Advocacy democracy deepens and extends access to political decisions, but it lacks representative democracy's 'one person, one vote'. In Australia, there is an equality in access to the vote, but when it comes to participation through other more

direct forms, such as joining NGOs, the workers are left for dead.

In fact, participatory democracy gives two votes to the 'progressives'. The environment lobby could consist of those who believe in *sustained* development based on technological innovation as the best means to preserve the environment. It does not. Instead, it consists of the *sustainable* development lobby that assumes limits to physical resources, and prefers abstinence to innovation. The welfare lobby believes in fairness, but only an egalitarian version. It believes that equality is a more important objective than the living standards of the poor. To pursue its primary objective it is prepared to use public funds to support policies that deny jobs to the poor. The human rights lobby prefers to use 'international norms' to achieve ends that they are unable to achieve by a combination of a national majority tempered by the equitable application of the national law. The indigenous policy community is dominated by those who believe in a collectivist idealization of a long-gone Aboriginal culture, which undermines matters such as private property, contract, obligations to seek work

and to attend school. The agenda has condemned generations of Aboriginal children to live in a drug-induced stupor because they cannot gain the skills to live in the modern world.

The figure (below), Social Status Inequality in Participation<sup>2</sup> indicates that while as great a proportion of people of low education as middle and high education voted in the EU 1989 election, an inequality gap emerged when it came to other forms of participation, such as campaign activity, joining a citizen group (NGO), signing a petition or participating in a demonstration. Australian data assembled in 2003<sup>3</sup> are not available yet, but may well show the same pattern of inequality in participation, placing in doubt the claims of NGOs to represent civil society.

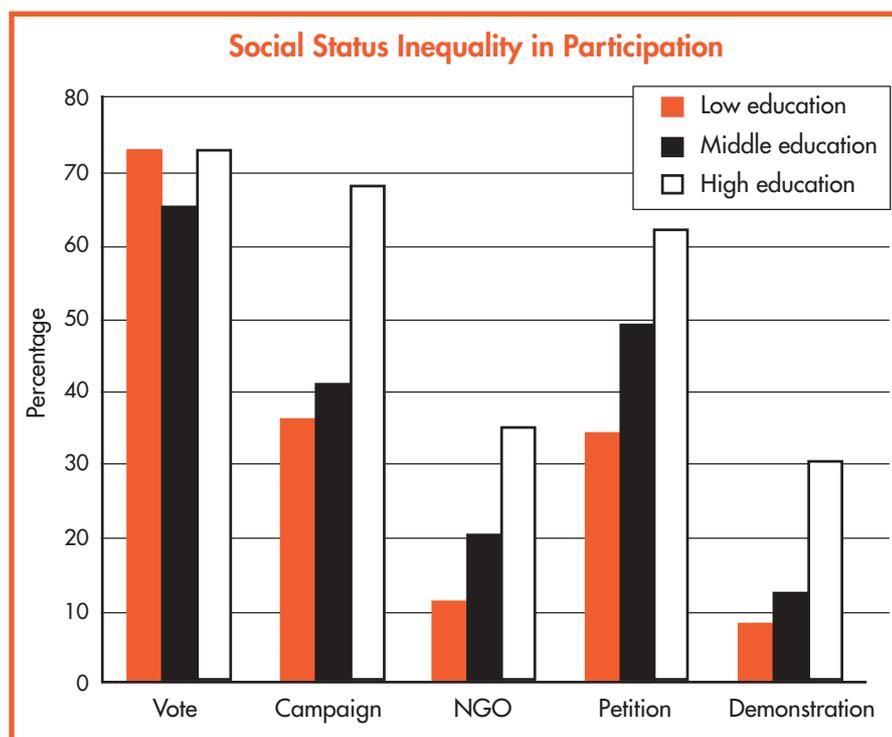
Participatory democracy and its techniques have produced a democratic process which makes governing and policy-making more open, but less effective for the disinterested public. It creates a policy class, which is no more representative than in the former, cruder, representative model. Policy makers, including Trade Ministers, need to be aware of pitfalls in the participatory model. To regard NGOs as 'policy communities with attitude', and not as voices of the electorate, is a good place to start.

## NOTES

- 1 Dalton, R., Scarrow, S. and B. Cain, 2004. 'Advanced Democracies and the New Politics.' *Journal of Democracy*, 15(1): 136.
- 2 Figure produced from data in, Dalton *et al.*, 2004, 135.
- 3 The Australian Survey of Social Attitudes, 2003 has embargoed until 1 March 2005, the public release of variables that explore the political participation of Australians, including involvement in NGOs. See The Australian Social Science Data Archive at <http://assda.anu.edu.au/analysis.html>

Dr Gary Johns is a Senior Fellow with the Institute of Public Affairs and the Head of the Institute's NGO Project.

I P A



# Triumph of the Swill

TED LAPKIN

**S**INCE *Fahrenheit 9/11* made its cinema debut, a diverse range of critics has ripped strips off this work of crude celluloid agitprop. From recovering Trotskyist Christopher Hitchens to dyed-in-the-wool conservative Andrew Bolt, pundits have pointed out the plethora of distortions and prevarications that pervade Michael Moore's film.

But, of all the dissimulations that those critics have documented, the most obnoxious was Moore's use and abuse of bereaved mother Lila Lipscomb. Ms Lipscomb is a working-class mother from the blue-collar town of Flint Michigan, whose eldest son was killed in Iraq. The death of her son served as the catalyst for her transformation from supporter of the war into anti-war activist.

Yet, opposition to the war is one thing, and active support for the Iraqi insurgents who are fighting American troops is something else. In a posting from 14 April 2004 on Michael Moore's 'official Website,' the film-maker ventures quite clearly into cheerleading territory:

The Iraqis who have risen up against the occupation are not 'insurgents' or 'terrorists' or 'The enemy'. They are the REVOLUTION, the Minutemen, and their numbers will grow—and they will win.

One is forced to wonder whether Lila Lipscomb would have given Michael Moore the time of day if she had known that the film-maker would hail as heroes the very people who had killed her son.

But, there are no such second thoughts about Michael Moore on the movie review programmes of our

two public broadcasters. In fact, both the ABC's 'At the Movies' and the SBS' 'Movie Show' gave *Fahrenheit 9/11* rave reviews. Nary can be heard a discouraging word about Michael Moore or the film on either of these publicly funded programmes. Both gave it the freest of four-star rides. Moore's numerous factual transgressions are summarily dismissed as 'some rather cheap shots early on'. What is portrayed as the occasional minor lapse is not allowed to interfere with the rousing vote of endorsement that both shows afford to Michael Moore and

---

***Nary can be heard a discouraging word about Michael Moore or the film on either of these publicly funded programmes***

---

his film. The result is an exercise in fawning, uncritical assessment that appears to be motivated by an ideological affinity for Moore's point of view. Your tax dollars at work.

Nowhere to be seen on the Websites of either movie review programme, as an addendum, was any reference to the fact, which admittedly came to light after the reviews had been published, that the film-maker was accused of gross journalistic malfeasance by an American newspaper. It turns out that Moore had been looking for a newspaper headline that would support his contention that George

Bush stole the Presidential election of 2000. He found precisely such a headline, 'Latest Florida recount shows Gore won election' in the pages of a small daily paper in Bloomington, Illinois.

Well, not exactly. That headline originally appeared on the letters-to-the-editor section of the paper above a partisan anti-Bush missive from one of the newspaper's readers. But a letter-to-the-editor did not contain sufficient gravitas for Moore's tendentious purposes. So he superimposed that headline onto the front page of the Bloomington *Pantagraph*.

As one might imagine, the *Pantagraph's* editors were less than pleased with Michael Moore's sleight of hand. The 30 July 2004 edition of the paper declared 'Pantagraph to Moore: Headline use "misleading".' The lead editorial declared 'If he [Moore] wants to "edit" the *Pantagraph*, he should apply for a copy-editing job.' The paper also sent a legal letter to Michael Moore demanding an apology and compensation of \$1.

It is true that both 'At the Movies' and the 'Movie Show' reviewed *Fahrenheit 9/11* before the story of Moore's cut-and-paste job became public. But, one would think that such a serious case of journalistic malpractice would warrant some sort of addendum on their Websites, at the very least.

The critical faculties of reviewer Margaret Pomerantz, in particular, appear to be on permanent vacation where 9/11 is concerned. She ingenuously swallows the Michael Moore vision of the world, hook, line and sinker, declaring that the movie demolishes George Bush as a 'hedonistic buffoon'.

She then proceeds to parrot some of the many factual inaccuracies that pervade the film, such as Moore's contention that the war in Afghanistan was really about the building of a pipeline to benefit Bush's partners in crime at those evil oil companies. Pomerantz declares 'within a couple of months that pipeline deal is signed, and its sort of like "hang on a tick! Who's running this world?"'

This is a fine piece of conspiracy theorizing. The only problem is that it bears little resemblance to reality. Not only was the deal not signed, it never had anything to do with George Bush. The pipeline plan was promoted by the Clinton Administration, and the negotiations with the Taliban over a pipeline deal permanently collapsed in 1998.

Both Pomerantz and her fellow reviewer, David Stratton, blathered on about inherent inequity caused by the predominantly blue-collar composition of the United States armed forces. 'The have-nots in America are merely fodder for corporate greed', declared Pomerantz, while Stratton relates how 'scary' it was to see Marine recruiters doing their job.

This is nothing more than typical left-wing *avant-gardism* in the guise of a movie review. The subtext here is that the common people are too stupid to realize that they are being bamboozled by those evil capitalists. Only members of the enlightened Leftist elite can have any chance of piercing the veil of cultural hegemony foisted upon society by the pernicious practitioners of free market economics.

Pomerantz and Stratton have no respect for the autonomy and free will exercised by those who elect to enlist in the United States military. From the exalted vantage point of the ABC, American soldiers, sailors, airmen and Marines are either poor saps, or the poor who join 'because they can't afford college in the United States'. They utterly dismiss the many who enlist because they

love the military and simply want to be soldiers.

While the review by Jamie Leonarder for the SBS 'Movie Show' is more abbreviated in length, it demonstrates the same fawning attitude towards Michael Moore and his movie. A mere three paragraphs long, it is replete with the same pejorative references to the 'Bush Dynasty' that abound in the review from its sister network, the ABC.

Leonarder praises Moore for uncovering the 'many unacknowledged questions of the Bush presidency'. By contrast, 'At the Movies' Stratton gives himself a bit more credit, congratulating Moore

---

***Pomerantz and  
Stratton have no  
respect for the  
autonomy and free  
will exercised by  
those who elect to  
enlist in the United  
States military***

---

because 'he marshals the facts, all of which we already knew'.

Yet, none of the reviewers from either network, each of whom gave *9/11* at least a four-star rating, in any way addresses the *non sequitur* that lies at the heart of the movie. Throughout it, Moore argues, in essence, that the Bush Administration is a wholly-owned subsidiary of the Saudi government. In one segment, Moore poses his thesis in particularly stark terms: 'Is it rude to suggest that when the Bush family wakes up in the morning they might be thinking about what's best for the Saudis instead of what's best for you?'

Yet, if Washington is really dancing to the tune played by the pup-

pet-meisters from Riyadh, why has so much US foreign policy been diametrically opposed to Saudi wishes? American support for Israel is anathema to the House of Saud, yet George Bush has been one of the best friends the Jewish state ever had in the White House. Moreover, the American invasion of Afghanistan and the liberation of Iraq went forward despite the vehement opposition of Saudi Arabia.

Michael Moore doesn't even attempt to explain the stark contradictions between his theses and real events on the ground. Like a bee in perennial search of nectar, he flits from one wild-eyed allegation to the next, leaving nothing in his wake but a few crumbs of pollen that almost uniformly fail to bear substantial fruit.

Pomerantz concludes her written review of *9/11* with the observation that 'you can't fail to be affected by its big picture portrait of a grand and smug betrayal'. Quite frankly, I'm far more affected by the betrayal of my tax dollars that have been used to subsidize such a travesty of critical judgement.

Writing in a similarly laudatory vein, Jamie Leonarder opines that, 'in its totality, *9/11* transcends its flaws to deliver one of the most insightful documentaries ever made'. Yet, the most insightful thing about *9/11* is the facility with which a clever film maker can prevaricate.

If this film makes Michael Moore worthy of inclusion in an artistic pantheon, the most appropriate is that inhabited by Leni Riefenstahl, whose *Triumph of the Will* was also initially acclaimed as a cinematic *tour de force*. One can only hope that, over time, viewers of *Fahrenheit 9/11* will consign Moore and his flick to the same category of infamy that befell both Riefenstahl and her work.

*Ted Lapkin is the associate editor of The Review, a monthly journal of analysis and opinion published by the Australia/Israel & Jewish Affairs Council.*

**I P A**

# The 'R' Files

ALAN MORAN

## Funding the Consumerist NGOs

'Regulatory capture' is a notion that has long shaped a good deal of thinking about the interaction of government agencies and businesses. Analysts pointed to seemingly over-sympathetic decisions of regulators, for example in favouring incumbent firms over new entrants. Whether or not this accurately describes yesterday's regulatory bodies, their contemporaries' affinities are closer to anti-business groups.

Australia's regulatory agencies, the most important of which is the ACCC, are highly energetic in pursuing businesses which they consider to have acted improperly. Indeed, other public bodies have criticized the ACCC for doing so to excess. These criticisms have been explicit in the case of the Australian Competition Tribunal, which overturned ACCC pricing and regulatory control decisions on pipelines, and the Productivity Commission, in its Gas Access Report; they were implicit in the case of Energy Minister Macfarlane, who overturned the ACCC's aspirations to regulate the Moomba to Sydney pipeline.

The efforts of regulatory agencies have, in recent years, been massively augmented by a considerable expansion in their budgets and staffing levels. In addition, the regulatory thrust has been fortified by the phenomenal growth of public funding for anti-business and anti-market non-government organizations. The Consumers Federation of Australia has 94 of these groups as members. Both the Commonwealth and the Victorian Governments have funding arrangements for these bodies and afford them privileged access to the policy development process.

This funding to groups with a highly militant anti-business perspec-



tive provides oxygen to organizations which have no representational credentials, being elites rather like those who used to claim they were the 'vanguard of the proletariat'. These anti-business groups propagate ideologically soiled views that purport to demonstrate the malevolence of the industries' enterprises. They are splenetically anti-privatization.

Funding is also provided to business lobby groups ever ready to recruit government muscle as an alternative to negotiating with their suppliers.

In addition to providing funding to these two types of groups, governments have, in some cases, also outsourced the decisions on specific funding allocations to representatives of the same or affiliated groups.

### FEDERAL FUNDING

Telecommunications and energy are two prominent areas where specific funding arrangements are in place.

For telecommunications, the grant recipients are determined by the Commonwealth Minister. The sums involved have been pared back in recent years and totalled \$700,000 for 2004-05. Much of this funding is allocated for sitting fees on advisory bodies.

Aside from consumerist bodies, the main one being the Consumers' Telecommunications Network, funding on

a more limited basis is also provided to other vocal anti-business zealots, including the Communications Law Centre. That said, telecommunications funding is mainly directed at niche groups such as those representing people with disabilities rather than in attacking Telstra as the main supplier.

This is in marked contrast with some other government funding. In this respect, the Advocacy Panel of the national electricity market is far more selective in its allocations. Appointed to represent State and Commonwealth governments, it offers over \$1 million per annum to provide patronage for radical groups. Funded from a levy on the electricity supply industry, its latest report approved disbursements of:

- \$42,000 for the Total Environment Centre, Sydney, for projects covering the electricity code and restructuring of the energy market.
- \$104,000 to the South Australian Centre for Economic Studies, for advising on the appropriate market risk premium for equity investment, when setting prices.
- \$68,000 to three groups for reviewing additional electricity charges.
- \$137,000 for two projects by the Energy Users Association of Australia to examine issues under review by the NSW and Queensland Governments.
- \$34,000 for a report by Allen Consulting on behalf of several consumerist bodies into the Future of Consumer Advocacy.

No review of the quality of the material produced from these grants has been published. It is safe to say, however, that not one of the 70 grants given to date have added one iota of knowledge that would allow better decisions on market management to be made. What has been created is a body

of publicity which places pressure on politicians to regulate the industry, thereby adding costs.

The shameful abuse of these funds is well known to the electricity industry itself but, following a pattern observed all too frequently, it is tolerated under the supposition that wiser heads in government will recognize the poor quality of the NGOs' output. As is illustrated below, this is not always the case.

In any case, opening the door to this form of funding creates constant pressures for its expansion, often using the funding itself to promote this. One such example even outraged the hapless Chairman of the Advocacy Panel. He felt obliged to provide a lengthy and scathing rebuttal of the findings of one report, by Allen Consulting, that his freeloading clients commissioned. That report recommended that the consumerists decide for themselves which of them obtains how much funding from the industry levy. The Advocacy Panel's Chairman called the report illogical and said it was 'unprofessional and unsophisticated ... alarmist in alleging market failure' and it offered no support for its claims.

Yet, so powerful are the consumerist bodies that, in August this year, the Ministerial Council on Energy made the astounding finding that the Allen Consulting report 'provides a useful starting point for considering the options for a new advocacy structure'.

## STATE GOVERNMENT FUNDING

The Victorian Government has provided funding to the 'independent' Consumer Utilities Advocacy Centre (CUAC). Focusing on energy, this is a company guaranteed by the government itself.

CUAC seeks to redress what it sees as an imbalance between monopoly supplier interests and individual users. Yet governments have not before needed to fund users in order to understand how to manage them. The funding is also said to be needed because consumers are fragmented and often ill-informed. Yet imagine the in-

calculable damage that would follow from taxpayer-funded consumer advocacy panels for cars, bread or clothing.

Most CUAC funding is assigned to its own research. In addition, grants of around \$250,000 per annum are distributed to anti-business agitator bodies (most of which are represented on its Board or 'Reference Group'). In the main, grants have gone to inveterate opponents of the free market, including anti-privatization groups at Swinburne and Monash Universities, and hardline consumerist organizations such as the Consumer Law Centre and the Energy Action Group.

## THE NGOS REINFORCE THEIR INFLUENCE

Consumerist organizations lobbied hard to have the Australian Consumers Association's Louise Sylvan appointed as Deputy Head of the ACCC. Previously they had—for favours rendered to the Hawke Government—had Allan Asher appointed to this position. A former Chairman of the ACA, Asher was the architect of the move to radicalize what was previously a genteel organization. Having this position filled by one of their own was subsequently claimed by the consumerists as 'traditional'.

With Louise Sylvan's appointment, we have seen a predictable, renewed push for consumer advocacy. The ACCC has revitalized the Consumer Consultative Committee which she convenes. This has already commissioned the ubiquitous Consumer Law Centre Victoria to undertake two projects dealing with various aspects of the national electricity market. The ACCC, which is typically secretive in the nature of its expenditure allocations, does not identify the funding for this body and its consultants.

Both Canberra and State Governments also channel funding to NGOs through government departments. With the Coalition in office, the Commonwealth's largesse has been declining. ALP Governments, in power in all the States, however, have vote-assisting constituencies to reward, succour and re-energize across the

breadth of issues: industrial relations, the environment and consumerist agitation. Funding is provided directly by governments to supporters such as the Total Environment Centre (NSW) and Environment Victoria.

Unfortunately, by establishing these forms of pressure groups, governments are apparently acknowledging their inability to fulfil their prime functions of defending the weak through an unbiased public service. This might have merit if the funding levels were forms of outsourcing of policy analysis. The partisan nature of the NGOs and the quality of their advice, however, shows that they cannot be relied on. The absence of corresponding reductions in staffing of mainline agencies demonstrates that governments, too, regard such outsourcing as unwise.

## SOME WELCOME ANTIDOTES

Though the trend to funding of NGOs is creating these additional regulatory pressures, there are some welcome antidotes. The more important of these include the greater rigour of regulatory bulwarks that are being developed. The flagship among these is the Commonwealth's Office of Regulation Review which has robust procedures that involve vetting new regulations and public 'shaming' of those agencies and departments that undertake less than adequate appraisal of the regulations themselves.

The Victorian Government has also recently beefed up its own regulatory scrutiny. It has established a high level Efficiency Commission with, ostensibly, broad-ranging powers to vet new regulatory proposals and a brief to review existing regulatory measures that might impede efficient operations in the economy. If, in practice, this were to have the effect that the Government announcement foreshadowed of it, it would constitute a powerful antidote to the NGO funding and other regulatory slippages that have prevailed in the State.

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

**I P A**

# Choosing and Reforming Schools

GEOFFREY PARTINGTON

**B**EFORE the late 1970s, the proportion of Australian children enrolled in government and non-government schools varied very little from decade to decade. Most Catholic families sent their children to Catholic schools, even though it was only in 1963 that these first received government grants, from the Menzies Coalition Government. A few wealthy Protestant families sent their children to independent schools but, unlike Catholics, Protestant families were mostly happy with government schools. These were then based on what the American historian Robert Bellah called a 'civil religion': Christian morality without theology.

The 1963 grants for non-government schools had little immediate effect on enrolments. In 1977, 2,356,190 (78.9 per cent) of Australian school students were in government schools, 501,857 in Catholic schools, 51,613 in Anglican schools, and 77,013 in other non-government schools, making 630,483 non-government school students in all. This distribution was little different from that earlier in the century. From the late 1970s onwards, the percentage of students in government schools fell year by year. By 2003, government schools retained only 66 per cent of all school students. Between 1993 and 2003 the total number of students in government schools throughout Australia increased by only 1.2 per cent, whereas those in non-government schools rose by 22.3 per cent. In several States in recent years, numbers in government schools actually fell.

## POSSIBLE REASONS FOR CHANGING ENROLMENTS

Some proffered explanations for this significant drop in government school enrolments have little foundation. First, some parents choose schools for what critics term 'snobbish' motives. There is some circularity here, however, since there is little evidence for increased snobbery in Australia other than the increased patronage of non-government schools the snobbery is supposed to explain.

Second, advocates of State schools often claim that non-government schools are likely to prosper in periods of economic expansion, because the fat cats are getting fatter, but during periods of comparative hardship some argued that parents were more concerned than ever about their children's employment prospects and were therefore more willing to pay school fees. Since 1979, the rate of expansion of non-government schools has usually been only slightly greater during prosperous periods.

Third, there have been some significant changes in religious belief in Australia during the last 30 years. There have been notable increases in adherents to Islam, and to a lesser extent to Hinduism and Buddhism. Among the mainstream Christian churches of Australia, however, a decline in church congregations has accompanied increasing attendances in schools loosely or more tightly connected to the churches. The Anglican and Uniting churches are most prominent in combining religious decline with expansion in schools

nominally adherent to them, but the Catholic Church is not far behind. Several evangelical and fundamentalist churches have increased both their congregations and their school rolls, but 'New Christian' schools remain relatively small in total enrolments.

The overwhelming majority of parents who have transferred their children out of government schools into non-government schools did not do so out of religious fervour. The movement against government schools would be far greater if it were easier to open new non-government schools of a non-religious character. By and large, non-profit independent schools support the exclusion from grants of entrepreneurial schools that would compete with them rather than with State schools.

Fourth, overall, there has been and remains very little difference in student-teacher ratios and class sizes between government and non-government sectors. In 2003, there were 154,872 full-time-equivalent teachers in government schools and 74,704 in non-government schools. In primary schools, this worked out at a student-teacher ratio of 16.6 in government schools and a slightly inferior 17.1 in non-government schools. In secondary schools, the result was the other way around: 12.5 in government schools and 12.1 in non-government schools. Catholic and New Christian schools have, on average, slightly worse student-teacher ratios than government and other non-government schools. All Australian school systems enjoy some of the most favourable class sizes in the world.

Although the overall difference in student–teacher ratios is negligible, the gap in class sizes is increased because of greater non-contact time for teachers in non-government schools and their larger number of Principals, Deputy Principals and senior teachers who do little teaching. Public perceptions about class sizes are often very different from reality, because non-government schools play up their advantages and positive features, whereas, as part of the politics of resentment, government schools exaggerate their difficulties and shortcomings.

Fifth, most non-government schools have much wider powers to select or expel students, and select and dismiss teachers and other staff, than do government schools. The gap between the systems in respect of employment contracts has not, however, widened much in recent years and may even have narrowed. It has become more difficult for a non-government school to dismiss even teachers who openly flout basic principles of conduct and tenets of belief it was founded to defend and which parents support.

School-based grant schemes give schools a powerful incentive to present themselves to governments as more ‘needy’ than they are. The larger the number of financial categories, the greater the encouragement to some non-government schools to allocate staffing and capital expenditure in ways that maximize grants and subsidies. Governments naturally find it easier to deal with a few large groups of schools, usually but not always of the same religious denomination, rather than with a profusion of individual schools. Some schools welcomed what seemed to be the relief from burdensome accounting chores provided by bureaucracies skilled at interpreting or influencing central government thinking, but they also lost some of their former flexibility. The comparative independence of non-government schools remains an important attraction for many parents, but it is no greater than before the rolls began their dramatic expansion.

## **REAL CAUSES FOR PARENTAL REJECTION OF GOVERNMENT SCHOOLS**

The lack of movement against government schools between 1963 and 1979 suggests that changes in funding are not in themselves a clincher in family decisions about school choice. Better funding of non-government schools obviously makes them more available to a larger number of families than they would otherwise be, but the relative burden on family incomes resulting from the cost of school fees and related expenses incurred in attending non-government schools has changed very little. Usually, something given away

---

***Between 1993 and 2003 the total number of students in government schools throughout Australia increased by only 1.2 per cent, whereas those in non-government schools rose by 22.3 per cent***

---

free has to be seriously flawed if people reject it in favour of an apparent equivalent that is very expensive.

A growing gap between educational standards in the two systems has clearly been the main reason for changes in parental choice of schools. On comparative educational standards, teacher unions breathe contradiction. On the one hand they assert that, once family and other external influences are taken into account, non-government schools do not provide a better education than government schools. On the other hand, they claim that attendance at independent schools confers unfair advantages, ir-

respective of family circumstances. Ever since the reworking of their evidence by James S. Coleman and his American research team, no serious scholar has maintained that schools make little or no difference to educational achievement, once family background is factored in. It does seem to be true, however, that in Australia before the 1960s, government schools overall performed at least as well as their non-government rivals, all socio-cultural factors being considered. At that time, there was greater educational transparency, especially in the literacy and numeracy testing carried out by the State education departments and in matriculation and other externally conducted examinations. From the 1970s onwards, educationists ensured a severe reduction in relevant information about educational standards in Australia, although there has been some reversal over the last decade, mainly because of initiatives of the Howard Coalition Government, together with both ALP and Liberal initiatives in several States.

Many parents are acutely aware of the large increase in the percentage of university places in prestigious faculties, such as medicine and law, secured by non-government schools. Although statistically significant, the overall change in the proportion of university places secured by government and non-government students is not so marked, since entrance standards have declined and numbers admitted greatly increased. In fact, many universities have vigorously publicized their affirmative action policies, whereby the weaker the academic performance of a school, the lower the entrance marks required by its students.

A second major consideration for many families deserting government schools is classroom disorder. It is in the hope of a safe and tranquil atmosphere for their children in work and play that families are most willing to pay fees. This is one of many issues on which teacher unions blow hot and cold. Often they deny that there has been any escalation of violence in government schools, but they also com-

plain of greater strain and stress than in the past. Early retirements and breakdowns among teachers are far more frequent than half a century ago—that is, at a time of teacher shortages and large classes.

During the 1980s, the radical Left captured teacher education and the curriculum committees of nearly every State. One key aim, substantially achieved, was to undermine traditional patriotic loyalties and traditional morality. Patriotism was undermined by portrayals of post-1788 Australia as unjust, racist and genocidal at home, and engaged abroad in wars on behalf of foreign imperialism. Mining and economic development were lampooned as degradation of the environment. Knowledge of modern Australia's roots in Western civilization was reduced and distorted. Traditional families were denounced as an illegitimate tool of social control: a conspiracy by men to suppress women, by the rich to subjugate the poor, and the white to exploit the black.

A relatively small number of moral saboteurs could exert immense influence, because large numbers of people began to regard moral values as merely personal and relative. As the former 'civil religion' faded, the values of the government schools were reduced to the lowest common factors of tolerance, consideration of others and non-violence. Although these are important virtues and form essential conditions for the rule of law, they can only be secured in the schools through properly enforced rules of conduct, and through what may broadly be termed the moral curriculum.

One ought not to exaggerate the differences between the systems: in most Australian States the same institutions train both government and non-government teachers and propagate current Political Correctness on a large range of issues with some success. In general, however, parental interest and pressure is keener in non-government fee-paying schools, and this helps to curtail, although not totally to stifle, radical antinomianism in them.

## **TOP-DOWN OR BOTTOM-UP REFORM?**

Within pluralist and open societies there are inevitably far-reaching contests about educational priorities, since educational values are inherently contestable. It is on the basis of this essential contestability that the fundamental case for choice in education, especially parental or family choice, is founded. Well-informed and highly experienced persons rationally and defensibly adopt different, indeed incompatible, priorities in education. In this, education resembles politics.

---

### ***A growing gap between educational standards in the two systems has clearly been the main reason for changes in parental choice of schools***

---

Many Australians are deeply dissatisfied with the current situation in our government schools. One possible solution is to try to create a uniform system markedly better than the present one by top-down legislation or regulations. This may not be impossible, and should be part of an overall policy, but it is very difficult to accomplish. The first reason is because diversities and incompatibilities of belief make moral vacuity an almost inevitable consequence of attempted uniformity. The second is that many government schoolteachers will sabotage attempted reforms with impunity. Just imagine the grimacing and adverse body language of many government schoolteachers as the flag of Australia is raised at school assembly. Curriculum committees will remain under the control of the very people whose influence has been so malignant in the past. Difficult as it would be, indeed an explora-

tion of new ground, we should aim at bottom-up reform that makes possible a diverse school system that reflects the diversity of the Australian people. This would be a multiculturalism that liberals could take to their hearts. How much better it would be if the parents and teachers of each school could determine whether or not they wished to fly and salute the Australian flag.

Voucher systems have the potential to expand educational choice without much increase in the costs of schooling. Some versions may be related to family income and others not. In the best schemes, the value of vouchers is likely to be higher for children with physical or other learning handicaps, and for rural and isolated children, because of the economies of scale that work in favour of urban centres. Critical to the success of voucher schemes is that they should be based on the needs of families, not of schools. Several experiments are likely to be needed before the best solution is found, but it is hard to think that any voucher system could combine high cost and poor outcomes to the extent we have at present.

Under any system, there seems bound to be wider choice for families in cities than in the countryside, and some groups will not be large enough to finance their own schools. However, many thousands of Australian families should have wider effective choice than at present and this expansion of choice would enhance the quality of education as a whole. Many government schoolteachers would, with suitable financial arrangements, be able to lease premises to open new schools. Some schools would collapse, as do some restaurants, shops and other enterprises, but that is part of the price of improvement.

*Geoffrey Partington's books include The Australian Nation: Its British and Irish Roots, The Idea of an Historical Education, Teacher Education in England and Wales, and Teacher Education in New Zealand.*

*His Website is: <http://www.geoffpartington.net>*

*References supporting the claims made in this article may be obtained from the IPA upon application.*

**IP A**

**REVIEW**

# Good, Safe, Banned

The HV McKay Lecture for 2004

## Professor Richard T Roush

'Ignorance ain't what you don't know, it's what you do know that ain't correct.'  
[Will Rogers, late American humorist]

**P**ERHAPS more than most people, I have long been concerned with reducing pesticide use. I decided to become an entomologist 30 years ago when I happened upon a copy of Rachel Carson's *Silent Spring* in my local community library, and consumed it in two days. In my earliest classes in entomology a few months later, I learned that cotton was the most important crop for insecticide use, accounting for about 50 per cent of world-wide applications in agriculture. I began working on cotton in 1975, and have remained actively involved with the crop ever since.

When I first learned in the mid-1980s that scientists were trying to express genes from the bacterium *Bacillus thuringiensis* (Bt) in plants, especially cotton, I thought that this was a bad idea, probably like most entomologists at the time. We were especially concerned that this would lead to the rapid evolution of resistance to Bt, which many of us saw as having great potential to reduce the use of chemical insecticides. However, scientists are trained to confront their opinions with new facts, and as I will discuss later in this short article, the facts converted me to become a supporter of the genetically modified (GM) crops that are currently registered around the world. In retrospect, the decision should have been simple: the evidence that these crops can contribute to sustainable agriculture is overwhelming. GM crops and sustainable agriculture have already demonstrated that they can be the best of friends. I'll first

discuss this history and then describe advances in GM crops that show potential to improve the sustainability and reduce the environmental impacts of agriculture. The whole history of GM crops illustrates the innovation and imagination that characterized the life of the man we honour with the H.V. McKay lecture.

### WHAT HAVE GM CROPS DONE FOR US ALREADY?

GM crops that are resistant to herbicides, viruses and insecticides are now commercialized in 16 countries that include half the world's population,<sup>1</sup> but first in China with virus-resistant tobacco by 1992. The overall impact on pesticide use of just the GM crops currently available has been enormous. Reductions in pesticide use from just 8 GM crops in the US have been calculated at more than 21 million kg in the year 2001 alone. GM crops also increased yields by about

1 billion kg, saved more than \$1 billion in production costs, and reduced the use of tillage in agriculture.<sup>2</sup> Virus-resistant papaya cultivars have saved the papaya industry on the 'Big Island' of Hawaii.

China has benefited more from agricultural biotech than any other country in the world, solely due to reduced insecticide use in Bt cotton. For at least several years until 1997, there were at least 10,000 insecticide poisonings and about 400–1000 deaths per year in Chinese cotton-growing areas. In 1998, insect resistant Bt cotton was introduced into Hebei Province and, by 2000, most of the crop was insect-resistant. The use of insecticides on Bt cotton has been reduced by more than 80 per cent, greatly improving the health of these farm workers. For conventional cotton, 22 per cent of cotton farm workers reported headaches, nausea, skin pain or digestive problems. For ▶



Not only do GM crops in Australia produce a healthier environment for rivers and streams by reducing the use of chemicals, they also have the potential to address major issues such as nitrogen fixation to help soil acidity.

those growing all Bt cotton, this was reduced to 4.7 per cent. Bt cotton is now grown by at least five million of China's 12 million cotton growers and has probably saved at least 200 lives per year. In addition to the improved health of workers, there are economic benefits. The cost of producing cotton was reduced by 30 per cent, the number of applications of insecticide reduced from 20 per season to seven, and the quantity of insecticide from 61 to 12 kilograms per hectare, with a reduction in costs of 80 per cent. Some 97 per cent of the financial benefits of Bt cotton go directly to Chinese cotton farmers, and only 3 per cent to seed companies (Monsanto and an independent Chinese company)<sup>2,3</sup>.

Because almost half of the insecticide used in agriculture is applied to cotton, with roughly half of that used against caterpillars, Bt cotton alone has the potential to wipe out 10–25 per cent of the world's agricultural insecticide use, and probably an even greater proportion of the risks of the insecticide use. It seems ironic in retrospect that Monsanto, with an eye on profits (as all companies must do), has probably done more in this one development to reduce pesticide use than all of the rest of us in pest management, including devotees of organic farming.



For at least several years until 1997, there were more than 10,000 insecticide poisonings and about 400–1000 deaths per year in Chinese cotton growing areas. Reduction in their use, through GM, will save thousands of lives worldwide.

Further, there is no risk to the consumer. A key point about many genetically engineered crops is that the foods they produce are not genetically engineered. In the case of cotton, the foodstuff is cottonseed oil, and like most oils and sugars, no detectable protein or DNA remains after processing. That is, sugars and oils produced from insect (or herbicide) resistant crops are the same as from standard crops.

---

***Bt cotton is now grown by at least five million of China's 12 million cotton growers and has probably saved at least 200 lives per year***

---

In a public letter, I initially opposed the registration of Bt corn in the US. What changed my mind about Bt corn was strong evidence that Bt corn was safer for humans and livestock than conventional corn. Fusarium ear rot is the most common ear rot disease in corn, and is encouraged by insect damage to corn kernels, which provides sites for the fungi to grow.<sup>4</sup> Fusarium produces mycotoxins, particularly the fumonisins, which can be fatal to horses and pigs, and are human carcinogens. Field studies have demonstrated that hybrids containing Bt genes experience significantly lower incidence and severity of fumonisin concentrations than their non-Bt counterparts.<sup>5</sup> Throat and other cancers due to fumonisin in insect-susceptible corn are at epidemic levels in southern Africa.

Environmental and agronomic concerns about Bt included increased resistance in insects and effects on non-target species. What about the threats of resistance to Bt? Bt has been used in sprays for more than 40

years, but due to its poor persistence, still accounts for less than 1 per cent of the total insecticide market. Bt sprays were never at threat from the Bt crops already registered because the sprays are ineffective and almost unused against insect pests of cotton and corn, which feed extensively inside plant tissues where they can't eat the sprays. When produced inside the plant, the persistence of Bt is much greater, and even pests that bore into the plant (and which might not eat a spray) can be controlled.<sup>4</sup> Further, resistance-management strategies for Bt cotton and corn have been implemented around the world and are being improved with two gene cultivars.<sup>4,6</sup> Contrary to the predictions of critics, there is no resistance to Bt crops, even after 7 years of their intensive use.

Impacts on non-target species have been intensively investigated and published since 1994, but in spite of the publicity generated by a small laboratory study on Monarch butterflies (and the lack of publicity to several more extensive papers published in 2001 in the *Proceedings of the US National Academy of Sciences* in 2001), the effects of Bt crops on non-target species are clearly and consistently much less than in conventional agriculture.<sup>4</sup>

The benefits from Bt cotton alone are enormous. Where grown in the USA, Bt cotton reduces insecticide use by 70–90 per cent. In Australia, the reductions have been about 50 per cent over the last 3 years,<sup>4</sup> but based on trials over the last two years, this should further improve toward 90 per cent with the introduction of 'two-gene' cultivars expected in 2005.

Peter Raven and David Pimentel, both prominent ecologists in the US, have written that bird populations in the US have increased due to Bt corn. Rachel Carson would surely have been pleased.

The more controversial class of genetically engineered crops, however, are those crops resistant to herbicides. Roundup-resistant soy alone accounts for some 60 per cent of all GM crops

planted by area. Much of the public has apparently been convinced that there are alternatives to herbicides that can be used in broad-scale agriculture. The hard facts are that there aren't any with less environmental impact. The environmental costs of the prime alternative to herbicides—cultivation—are clearly much higher than herbicides. Not only does reduction in tillage reduce soil loss through erosion by wind and water, it increases soil organic matter and reduces loss of soil carbon to the air as CO<sub>2</sub>, thereby potentially reducing atmospheric warming.

A major concern of environmental activists, that transgenic herbicide-tolerant crops will lead to increased herbicide use, is inconsistent with grower practice to use the least amount of herbicide that they can without losing yields and contrary to the facts in eight years of use. Even now, Australian growers don't use the full labelled rates of most herbicides just to save costs, so the mere fact that a crop can tolerate a high level of herbicide use has provided no incentive to growers to actually use that much herbicide.

#### **WHAT CAN GM CROPS DO FOR US NEXT?**

Africa is likely to be the greatest beneficiary of GM crops in the future. Viruses, weeds, drought, and insects take as much as 50 per cent of crop yields in Africa now, and crops that can address each of these problems already exist. Although there are problems with food distribution in Africa, the costs of improving the transportation system in Africa are enormous. Further, it is a key to the self-esteem and economic welfare of individual African farmers to be self-sufficient.

Australian farming contributes enormously to our economy and the maintenance of rural infrastructure, but is under threat from a wide range of forces, including salinity, climate change (which will promote a climate that is at least more variable and probably drier), and soil acidity. In

the long term, GM crops still have potential to address major issues such as nitrogen fixation, which can help soil acidity, worsened by the addition of the fertilizers agriculture needs to retain its productivity.

---

***Some 70 per cent of British cheese is made using enzymes produced from genetically modified bacteria, with no uproar or labelling required***

---

We don't have to look that far into the future, however, for traits that are useful to Australia. GM salt-tolerant canola and drought-tolerant wheat are already in trials in the US and Mexico,<sup>8</sup> and entirely independent means of obtaining salt and drought tolerance have been developed in India and South Africa, all by government or university researchers. One of the more important near-term applications in Australia would be for virus-resistant pasture crops such as

clovers. Although rejected for political grounds in the southern states, it has been independently estimated that the decision to reject GM canola has cost Western Australian growers alone about \$170 million per year.<sup>7</sup>

#### **FOOD SAFETY**

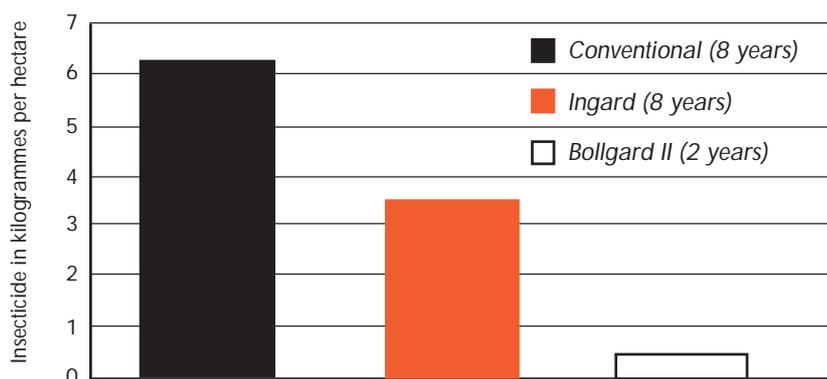
The principal food safety concerns for GM plants are potential toxicity and allergenicity of the newly introduced proteins, changes in nutrient composition of the plants, and the safety of antibiotic resistance marker-encoded proteins included in the transgenes. Some people are also concerned with the potential that DNA can be passed from GM feeds to livestock or meat. A wide range of studies, however, have shown that consumption of milk, meat and eggs produced from animals fed GM crops should be considered as safe as traditional practices.<sup>9</sup> In particular, recognizable fragments of DNA are broken down in digestion and not taken up in animals.<sup>10</sup> If this were not true, all animals would have been overcome by a large amount of plant DNA over evolution. Instead, mechanisms have evolved to make sure that that doesn't happen.

In contrast to concerns about toxicity and allergens from GM, there is clear evidence for health benefits from Bt corn, due to reductions in fumonisins, as discussed above. ▶



*Throat and other cancers due to fumonisin in insect susceptible corn are at epidemic levels in southern Africa. Hybrids containing Bt genes experience significantly lower incidence and severity of fumonisin concentrations than their non-Bt counterparts*

### Reduced Pesticide Input in Australian Cotton



The reduction in insecticide when using genetically modified in cotton is dramatic. The best results are with second generation [Bollgard II] GM cotton which has been used for the last two years.

foods have not been rushed to market and are much more extensively scrutinized than many potentially risky conventional foods that are on the market and not receiving attention.

The public has every right to reject genetic modification of plants, but it also has the right to be well-informed about its choices. For the benefit of Australia's environment and the sustainability of our agriculture, we need to set aside myths and prejudices and make rational choices for the future of Australia and the world.

### NOTES

- <http://www.isaaa.org/>
- <http://www.ncfap.org/whatwedo/40casestudies.php>, see also [www.ers.usda.gov/epubs/pdf/aer786/](http://www.ers.usda.gov/epubs/pdf/aer786/) and [www.ers.usda.gov/publications/aer810/](http://www.ers.usda.gov/publications/aer810/) Anti-GM activists like to quote Chuck Benbrook to the contrary, a consultant who works with NGOs concerned with alternative agriculture, but Benbrook's claims have been repeatedly rebutted by experts, including in Universities and the USDA.
- Huang, *et al.* 2002. *Science* **295**, 674-677.
- Shelton, *et al.* 2002. *Annual Rev Entomology* **47**, 845-881.
- Munkvold, *et al.* 1999. *Plant Dis.* **83**, 130-138.
- Zhao, *et al.* 2003. *Nature Biotechnology* **21**: 1493-97.
- <http://www.no-till.com.au/publications/pressrelease.html>
- Pellegrineschi *et al.* 2004. *Genome* **47**, 493-500; Zhang, *et al.* 2001. *Proceedings National Academy Sciences USA* **98**:12832-12836.
- [www.fass.org/Factsheet2.htm](http://www.fass.org/Factsheet2.htm), [www.afa.com.au](http://www.afa.com.au) click on 'Agbio-tech Resources' and then 'animal feed', and <http://www.ncga.com/news/notd/2003/october/100903.htm>.
- Einspanier *et al.* 2001. *Eur Food Res Technol* **212**, 129-134
- <http://europa.eu.int/comm/research/quality-of-life/gmo/index.html>

Richard Roush is Director, Integrated Pest Management, at the University of California, Davis. This is an edited version of his HV McKay Lecture, delivered in Melbourne on 24 August 2004.

IP A

### FEARS ABOUT MARKET ACCESS FOR TRANSGENIC CROPS

Consumers did not initially reject GM crops, even in Europe. Before the activist campaign against GM crops picked up steam in the UK for example, the supermarket chain Sainsbury's sold tomato paste from GM crops, and answered one of the most consistent of consumer interests—more quantity for the same price. Europe imports some 35 million tonnes of soybeans, most of which are GM. Some 70 per cent of British cheese is made using enzymes produced from genetically modified bacteria, with no uproar or labelling required.

Mark Twain once advised, 'Get the facts first. You can distort them later.' Unfortunately, it's probably rare in modern times that Will Rogers' comment at the start of this article has applied so aptly to the attitude to GM crops. Never mind policy makers in developing countries, Westerners with excellent access to reputable sources of information continue to believe in their ignorance the wildest tales about GM crops. Due to fears about market access, Africa has been reluctant to adopt technologies that have already saved lives in China and could save even more lives in Africa, just for fumonisins alone. So-called civil

society organizations have also deliberately exploited the misconceptions and prejudices that people have about science and multinational corporations. Some have been answered in this article. Multinational corporations are neither in control of GM nor the main beneficiaries of it. Food and environmental safety of GM crops have been studied for years, and even European scientists have concluded that they are as safe as conventional crops.<sup>11</sup> Although people love to hate corporations, and Monsanto is often depicted as a multinational giant, in fact it is smaller than Qantas Airlines.

### CONCLUSIONS

Activist groups often complain that consumers never asked for genetically engineered crops and stand to gain little from them. Consumers, however, have consistently demanded a reduction in the health and environmental risks of agriculture. GM crops have answered that demand. GM crops have already reduced the costs of food production. More importantly, the risks of pesticide exposure are far greater to farm workers that to the general public, and we should be mindful of their needs.

There are potential risks attached to genetically modified crops, but many of those raised in the popular press have achieved the status of urban myths. Genetically modified

# Blackboys Tell An Interesting Story

DAVID WARD

**I**N NATIONAL Parks, Reserves, and on private property in south-western Australia, grasstrees are under termite attack, rotting, breaking off, and toppling over, due to vast accumulations of thatch.

Had grasstrees been covered by heavy thatch when Europeans first arrived, there would have been little reason to call them 'blackboys', since the black stems would have been largely hidden. Only rarely would they have produced a flower stalk, usually weak and twisted, quite unlike a spear. More likely popular names with British settlers would have been 'greybeards', or 'haystack trees'. Early sketches and paintings consistently show them, quite clearly, as recently burnt, with black stems, little thatch, and a prominent flower stalk, like a spear.

As a rule of thumb, a grasstree thatch fire lasts as long in minutes as it has been unburnt in years. A three-year-old thatch will flare for only a few minutes, doing little damage to the green crown. A thirty-year-old thatch will burn for half an hour or more, reaching an incandescent thousand degrees Celsius.

Such fierce thatch fires often kill the grasstree immediately, because the protective mantle of old leaf bases is rotted away. Where dead eucalypt leaves, or casuarina needles have formed a 'birds nest' in the green top, the rot is exacerbated, the green top is reduced in size and vigour, and the eventual fire may completely burn the green top. If the grasstree survives the imme-

diately fire effect, it is forced to live on starch reserves until a new top can grow. Complete replacement of the top can take a year, and the plant may die in the meantime if its starch is exhausted.

If grasstrees are burnt every few years, when the thatch is small, they flower and seed profusely, the protective mantle remains intact, the green top remains largely unburnt, nutrients in the thatch are recycled

---

***Recent fierce,  
destructive wildfires  
in long unburnt  
bush make it plain  
that indefinite fire  
exclusion is a foolish,  
unachievable idea***

---

as ash, and a host of small plants, such as sundews, germinate around the base. The needles become obviously greener, longer, and thicker. These things are well known to people who work in the bush, but seemingly unknown to urban environmentalists and some botanists.

There is a serious conservation problem with these friendly old icons of the bush. Although still plentiful, the possibility of mass collapses and local extinctions cannot be ruled out. Grasstrees are like the Miner's Canary—they are warning

us that something is amiss in our bushland.

The reason for grasstree decline is, actually, concealed beneath the charcoal on their stems. If this is carefully cleaned off, annual growth rings and old fire marks are revealed. These show that, before European settlement, and for some decades after, even up to the First World War, south-western Australian dry forest and woodlands were burnt regularly, at two to four year intervals. This frequent burning was due to a combination of lightning fires trickling over vast areas for months, deliberate Noongar burning, and European settlers mimicking Noongar burning. It kept the bush green and healthy.

Over the past few decades, due to a combination of poor scientific advice and misinformed, urban-based opposition to prescribed burning, fire intervals on public land have stretched out to decades. The grasstrees, and the vegetation in general, are clearly suffering. Recent fierce, destructive wildfires in long unburnt bush make it plain that indefinite fire exclusion is a foolish, unachievable idea. Such fires have killed thousands of native animals and leave a blackened moonscape.

The grasstree research has spanned the last decade and, from the outset, has come under attack from Greens and from some biologists opposed to prescribed burning and in favour of blanket fire exclusion. Initially, it was suggested that the stem marks were not caused by fire at all, but by drought, parrot attack, ▶

insects, fungi, stress, etc. I wondered when someone would suggest that little green men, armed with ray guns, had been zapping the stems.

It is hard to see how drought, for example, would occur every two to four years before European arrival, at suddenly increased intervals after two severe measles epidemics among Noongars, be rare during the two world wars, then occur only every few decades recently. If it did, then the climate gurus have some serious repositioning to do. These imaginative suggestions subsided when an intensive three-year research project by a team at Curtin University showed, beyond reasonable doubt, that the marks are caused by fire.

In a remarkably co-ordinated fashion, the Green attack then switched to saying that although grasstrees may have burnt frequently, the rest of the bush did not. Noongar people lit only the grasstrees, without igniting the rest of the bush, for 'cultural reasons'. It is true that Noongar people hold the *balga*, as they call it, in some reverence, and there were traditions and ceremonies associated with it. Yet Noongar Elders, at three separate meetings, confirmed that the general fire frequency was two to four years in the dry woodlands and forests. When I showed an old *balga* stem, with three-year fire marks, to a woman Elder, she said 'Why are you telling us what we already know?' This was backed up by descendants of early settler families, and the journals and letters of early explorers or officials. Besides, grasstrees are so inflammable that it is nearly impossible to light one in dry weather without starting a running fire.

Another line of attack is the hackneyed old debating trick of inventing some preposterous proposition, then claiming it as your opponent's point of view. How could every square metre of the jarrah forest burn every three or four years? That is not, of course, what hap-

pened. Within the jarrah forest (and other types) are thousands of fire refuges, such as rock outcrops, swamps, moist shady creek banks, etc. The frequent burning surrounded, but did not enter, these refuges. In fact, it protected them. Blanket fire exclusion leads to fiercer fires, which do burn out the refuges. This piece of fire behaviour seems beyond the understanding of many Greens. They start shouting when attempts are made to explain it to them.

In John Forrest National Park, near Perth, a three-year study of grasstree fire-marks showed pre-European fire frequency of three to four years on the gravelly ridges, two to three years on the mid-slope, and

---

***In a remarkably co-ordinated fashion, the Green attack then switched to saying that although grasstrees may have burnt frequently, the rest of the bush did not***

---

every two years on the clayey valley bottoms and scarp face. It is rather difficult to see how this can be explained by 'cultural' ignitions.

A more sensible explanation is that gravelly ridges carry jarrah forest, which produces enough leaf litter to carry a fire every three to four years. Marri trees, which grow on the mid-slopes, produce rather more aerated litter, which will carry a fire every two to three years. Wandoo trees grow on the clayey bottoms and scarp face, and produce little litter. But, within living memory, the clay areas carried extensive kangaroo grass, which will carry a sum-

mer fire every two years, and thrives on such a fire regime. It declines if burnt in spring, or at longer intervals, because it smothers under its own thatch. There are only small remnant patches of kangaroo grass now. Under long-term fire exclusion, we are losing a beautiful native grass.

Grasstree research offers a way to short-circuit the endless task of investigating the life cycle of every plant, animal, fungus, and microbe. Greens do not like this, as it spoils their game of invoking the Precautionary Principle. They say that we should not burn until it can be shown that burning does not harm biodiversity. If asked to define biodiversity, they have some trouble. They don't realize that biodiversity is an immeasurable concept, not a precise scientific parameter. Are we supposed to wait until biologists have finished investigating the effects of fire on an unmeasurable concept? Meanwhile, the bush rots and devastating, unplanned fires occur.

Correctly interpreted, the Precautionary Principle says that we should not impose new-fangled, alien, muddle-headed fire-exclusion policies on vegetation that is, obviously, adapted to renewal by frequent, mild fire. We should restore and maintain something like traditional Aboriginal burning. With a mosaic of frequently burnt vegetation, unstoppable wildfires, like those in the eastern states two summers ago, cannot occur. Noongars know that. The *balga* is both Miner's Canary and Rosetta Stone. We must wait for our urban environmentalists, and eco-babbling biologists, to grow a little, intellectually speaking. Until that happens, more plants, animals, and even humans, will be incinerated.

*David Ward is a former Senior Research Scientist with the WA Department of Conservation & Land Management, and Visiting Fellow at Curtin University. He has thirty years' experience of fire research and fire-fighting.*

**I P A**

# There are Votes in the Murray

JENNIFER MAROHASY

**W**HAT exactly is the water problem in Australia? asked the Prime Minister John Howard. 'There is simply not enough,' replied Peter Garrett, then President of the Australian Conservation Foundation. After consulting water expert Professor Peter Cullen, Asa Wahlquist reported the solution in *The Australian* newspaper the very next day: 'Grow more wine and eat less rice.'

It is Cullen's contention that we can save water in the Murray-Darling Basin by growing higher value crops, in particular wine grapes. And there are those who insist that rice growing should be banned altogether.

While concerned greens may be keen to sip champagne for breakfast, rather than crunch rice bubbles—all in the name of doing the right thing by the environment—is this really a sustainable approach?

On 3 August, Greenpeace, the Australian Conservation Foundation (ACF) and the Wilderness Society launched their joint policy for the Federal election—describing it as the environmental issue that will drive voting at the election. They are saving the Murray River, ending logging of old-growth forests in Tasmania and 'tackling' climate change.

While there are substantial differences between political parties on the issues of climate change and Tasmania's forests, the Coalition, Labor Party and Greens are all committed to saving the Murray River. Remarkably, the only real policy difference is the amount of water to be saved, with the Greens arguing for six times the quantity of water (3,000 gegalitres) already commit-

ted by the Prime Minister (500 gegalitres).

The Murray River has been a focus of ACF campaigning for over 10 years. Why does it remain such a key national environmental issue? The belief that irrigation along the Murray River is unsustainable and has resulted in a degraded and degrading river system is the most powerful force not only for taking water off Murray River irrigators, but also for regulating farming across Australia.

For example, in the Northern Territory, Chief Minister Claire Martin recently reaffirmed that she will stand by her decision to ban the growing of cotton. In November last year, her government placed a moratorium on irrigation developments in the Daly River Catchment following intense lobbying from environmentalists who claimed that watering thirsty crops had 'devastated' the Murray River in distant South Eastern Australia. Another example is a new \$22 million CSIRO research effort focused on saving our water resources, in part, by increasing agricultural water-use efficiencies. Successful agriculture, however, is about much more than how much water a crop uses.

Centrally planned agriculture failed in Eastern Europe, yet it is being tried on Australian farmers in the name of 'saving water'. Farmers, rather than the environmentalists, might just be the best placed to decide whether they grow rice or wine grapes given available markets, together with an individual farm enterprise's land and financial capability and water allocation.

One of the most defining characteristics of water in the Australian landscape is flow variability. In

the poem 'My Country', Dorothea McKellar appropriately describes Australia as a land 'of drought and flooding rains'. Reflecting this variability, water allocation can be severely restricted in drought years like the present, even though water storage capacity in the Murray Darling Basin is approximately 25 per cent of annual average runoff. Paradoxically, rice growers easily cope with this by simply not planting a crop. In contrast, South Australian wine grape growers bleat loudly because their perennial crop needs water every year.

There are those who believe that, as inhabitants of the oldest, driest and most fragile continent on Earth, we should ban European-style agriculture altogether and presumably, along with much of the rest of the world, import our food.

Australia contributed approximately 14 per cent of the wheat traded globally last financial year—and this during a drought year. And yes, we currently even export rice to Asia. Rice production in the Murray-Darling Basin over the last 10 years was enough to feed almost 40 million people a meal each day, every day of the year. It is predicted that Asia's demand for food—including wheat, beef and milk—will grow by more than 20 per cent by 2010. These estimates are probably conservative.

So, just how can Australia, the driest inhabited continent on earth, feed so much of the world? Can there be any water left over for the environment?

According to the World Resource Institute, Australia has 51,000 litres of available water per capita per day. This is one of the highest levels in the world, after

Russia and Iceland, and well ahead of countries such as Indonesia (33,540), the United States (24,000), China (6,000) and the United Kingdom (only 3,000 litres per capita per day). Furthermore, according to the Federal Government's Australian Water Resources Assessment 2000, we divert only five per cent of the average annual national runoff—most of the rain falls across northern Australia. So, effectively, 95 per cent of the rain that falls is 'for the environment'.

Incredibly, nobody has an accurate fix on how much water is already allocated for environmental flows in the Murray–Darling Basin. Wetland working groups and forest management committees already control many hundreds of gegalitres of water, and this quantity will increase under the newly signed and much trumpeted National Water Initiative. This environmental water, however, doesn't appear on any general ledger. The focus is always on how much water *irrigators* extract. In wet years, there has been enough water for rice, wine and red gums. In dry years, there has been less water for red gums and none for rice in New South Wales. South Australian farmers, however, are assured of almost 100 per cent of their allocation, even during the recent very dry years. This is how the water allocation system works.

The environmental lobby recently suffered a setback when the Chair of the House of Representatives Standing Committee on Agriculture, Fisheries and Forestry explained in the Foreword to *Getting Water Right(s): The future of rural Australia*, 'The Committee is not swayed by the emotions of some commentators who portray the River Murray as dead or dying. Indeed, the steady flows in the River Murray today are in stark contrast to the trickle reported by Sturt in his journals more than a century and a half ago ... significant progress which has been achieved in other areas of river health, such

as controlling salinity, should be more widely acknowledged and recognized.'

Unable to successfully push the lie of declining water quality on all governments in the lead-up to the last two Council of Australian Government (COAG) meetings, Professor Cullen and other members of the Wentworth Group of Scientists (funded by the World Wide Fund for Nature), recently changed tack and are now telling us that climate change means there will now be much less water. In direct contradiction of these predictions, the

---

***Environmentalism is increasingly about the perception of what is morally right and wrong—rather than solving real environmental problems***

---

June 2004 issue of *Australasian Science* reported that, 'A meeting of almost 100 Australian climatologists has concluded that the world is getting wetter as it gets warmer'. There is really no coherent picture of regional climate change. Even the Intergovernmental Panel on Climate Change (IPCC) concedes this, and CSIRO Atmospheric Research acknowledges that this is particularly the case for rainfall.

Putting the facts of the matter aside, the environmental lobby is clearly intent on exploiting the concept of a dying Murray River—now so firmly a part of the national psyche—as a campaign platform for the upcoming election. *The Australian* newspaper will run the stories. This newspaper has made 'Saving the Murray' its official environmen-

tal issue since February 2001, presumably on the basis that it has general appeal to the readership.

All our political parties have agreed to save the Murray River, with the amount of water to be saved the only distinguishing issue. Environmentalism is increasingly about the perception of what is morally right and wrong—rather than solving real environmental problems. Hence the more righteous the political party, the larger the saving demanded. So we have 3,000 gegalitres (six Sydney Harbour equivalents) pledged by the Greens, 1,500 from Labor, and a puny one Sydney Harbour equivalent (500 gegalitres) from the Coalition.

Might the national dialogue on important water issues improve after the election? Could we ever have informed discussion about the global dilemma of how to best feed people while also protecting wild rivers, including those in northern Australia?

What if Labor wins the election? Prime Minister Mark Latham could ask Environment Minister Peter Garrett, 'What exactly is the water problem in Australia?' He is likely to again reply, 'There is simply not enough.' After consulting water expert Professor Peter Cullen, Asa Wahlquist could report the solution in *The Australian* newspaper the very next day: 'Let us start importing all our cheeses'.

The government may, or may not, change at the upcoming Federal election, but the media, the scientists and the politicians are likely to remain largely compliant. They all now feed off environmentalism at the expense of rational discussion, humanity and the environment. The size of the feast, however, is likely to be much greater under Labor.

*Dr Jennifer Marohasy is the Director of the IPA's Environmental Unit.*

**I P A**

**REVIEW**

# Who Can Insure Against the Climate?

R.M. CARTER

**I**NSURANCE companies have been much in the news lately, and mostly not for the quality of their management. They have taken to issuing alarmist warnings about global warming and climate change. Although from some perspectives these are indeed natural risks—and therefore of potential concern to insurance practitioners—it will surprise many that insurers actually believe that climate processes take place on a time scale which is relevant to their planning horizon.

Led by large companies such as Insurance Australia Group (IAG) and Swiss Re, insurers have been running public seminars worldwide to parade the belief that recent sharp rises in claim payouts have been caused by an increasing frequency and severity of natural 'climate' events such as storms.

Efforts to convince the Australian public and politicians of the extent of the problem peaked in late June, when IAG joined the World Wide Fund for Nature (WWFN) in creating the Australian Climate Group and sponsoring a widely publicized marketing brochure on the perils of climate change. Tony Coleman, IAG's chief risk officer, went so far as to assert that it is a public responsibility to offer solutions to problems triggered by climate change.

About now, readers should be detecting the whiff of rat. A special interest political lobby group, the WWFN, has joined forces with an industry that has manifestly failed to manage its risks/claims balance skilfully. And, to boot, the recommendations for action from this combined lobby group turn out to be under-

pinned by science advice from government agencies which, themselves, have a major conflict of interest in the matter of climate change research.

Let us consider some of the key planks of the alarmist case for climate change.

**Plank one.** *The 0.6° C increase in global surface temperature measured over the 20th Century indicates global warming is occurring, with a rate of change which accelerated in the 1990s.*

First, the 0.6° C increase does not occur along a single trend line, but is rather a fitted average. Temperature indeed increased during the first part of the 20th century, then declined equally strongly between about 1940 to 1970, to finally increase again thereafter. This curve does not match the smoothly rising curve of increasing atmospheric carbon dioxide which is alleged to have caused the temperature increase.

Second, since about 1970, independent measures of atmospheric temperature have been available from weather balloons and satellites. These measures agree with each other, and disagree with the ground-based thermometer record, in showing very little temperature increase over the last three decades. This result contradicts virtually all the computer models, which predict that greenhouse gas warming should be accentuated in the atmosphere compared with the surface record.

Third, and last, the widely published graphs of an alleged dramatic increase in temperature in the late 20th century, used by the Intergovernmental Panel on Climate Change (IPCC) and based on papers by

Michael Mann and his co-authors, has recently been shown to be based on flawed statistical analysis. The claims by these authors—that the late 20th Century saw the highest rate of temperature increase and the highest peak in temperature of the previous 1,000 years—lie in tatters.

**Plank two.** *Some computer scenarios indicate a temperature rise of between 1° and 6° C over the next 100 years, driven mainly by an assumed doubling of atmospheric carbon dioxide.*

First, it is important to understand that the effects of increasing atmospheric carbon dioxide content are uncertain, and may be as much as an order of magnitude less than is assumed by the computer models. The strength of various feedback effects is also uncertain.

But the most important point is that computer models of the state of climate in 100 years' time are viewed by their creators as *scenarios*. That is to say, they are statements of what 'might' happen, though in general without any attendant probability estimate. Only scenarios which seem 'reasonable' to their creators are ever reported publicly. The path to this reasonableness is littered with literally thousands of discarded computer runs which produce answers deemed to lie outside likely reality; for example, that carbon dioxide might *increase* and then, due to negative feedbacks, temperature *decrease*.

This notwithstanding, the general public, and apparently also scientific advisors to insurance companies, often treat these scenarios as firm *predictions*. Great and unnecessary alarm is thereby generated. As pointed out

by the IPCC, the truth is rather that 'in climate research and modelling we should recognize that we are dealing with a coupled non-linear chaotic system, and therefore that long-term prediction of future climate states is not possible'.

In Australian terms, one might conclude that alarmist grass castles built upon computer modelling are destined to be consumed in the inevitable drought and bushfires which follow.

**Plank three.** *Climate change is here and now. Warming is human-caused, and we should act to prevent it.*

Of course 'climate change is here and now'. It always has been, always will be, and is overwhelmingly natural in origin.

The question as to whether a human-caused signal can be detected within Earth's varying climate is deeply controversial. Though few scientists doubt that a significant human impact occurs at a local level, for example around cities or areas cleared for intensive agriculture, any cumulative human signal is so far undetectable at a global level and, if present, is buried deeply in the noise of natural variation.

Considerable self-assurance is needed to argue that humans should seek to manage climate change. To argue for specific modifications in the absence of a measurable human signal, and in the face of vigorous scientific disagreement about the major causes of climate change, amounts to overweening hubris.

**Plank four.** *Global warming is responsible for more intense and/or more frequent extreme weather events, and caused an increase in the severity of the 2002 drought in Australia.*

Human-induced global climate change has not yet been demonstrated as a reality, as opposed to a computer-generated alarmist fear. To attribute regional weather events, including the current Australian drought, to global warming is therefore simply fanciful.

Droughts, floods, hailstorms and cyclones are natural weather events

which human populations have always managed reactively. No empirical relationship has yet been observed between modest temperature changes of a degree or so and the frequency or intensity of such events.

For instance, a recent study in southern North America found 'no trends related to timing or duration of the hurricane season and geographic position of storms in the Caribbean Sea, Gulf of Mexico and tropical sector of the western North Atlantic Ocean' and also 'no significant trend in these variables and generally no association with them and the local ocean, hemispheric, and global temperatures'.

And as for computer models which predict such changes, they simply do

---

### ***The widely published graphs of an alleged dramatic increase in temperature in the late 20th century ... has recently been shown to be based on flawed statistical analysis***

---

not have the skill, and nor will they soon acquire it, to predict accurately the recurrence periods for natural events such as floods, cyclones and hailstorms. As several of the world's leading climate modellers observed in another recent paper, in *Nature*, 'we strongly agree that much more reliable regional climate simulations and analyses are needed', and that 'at present ... such simulations are more aspiration than reality'.

Of course, with expensive super-computer labs to fund into the future, they would say that, wouldn't they? But the bottom line remains that the opinion of all expert modellers is that regional climate predictions remain

beyond our current or likely near-future modelling capabilities.

It is clear that the barque *HMAS Alarmism*, constructed by the insurance industry from these and other timbers, is unseaworthy and doomed to founder, even when sailed across a welcoming pre-election sea of political correctness. Indeed, she is taking water so fast that I doubt that *Alarmism* will now survive even the next small wave. In making common cause with the WWF, the insurance industry is signalling that it sees being politically correct as more important than being scientifically correct. This is not a sound basis on which to plan the future of an important industry that, ultimately, stands or falls on the accuracy of its risk-assessment analyses.

In effect, global insurers appear to have been caught unawares by the occurrence of a perhaps unusual number of strong weather events which occurred in the late 20th Century. Probably even more important are the social changes which occurred over this same time span. For instance, a 2003 study from India showed that 'increasing damage due to tropical cyclones over Andhra Pradesh is attributable mainly to economic and demographic factors and not to any increase in frequency or intensity of cyclones'.

Trying to attribute individual weather events to climate change is a vain and transparent stratagem which aims to shift the blame for the insurance industry's own previous lack of careful research and planning. Governments and the public should firmly resist self-interested industry attempts to plunder their purses under the disguise of 'good corporate citizenship', 'sustainable development' or 'citizens against climate change'. And *HMAS Alarmism* should be allowed to sink quietly in peace.

*Professor R.M. Carter is head of the Marine Geophysical Laboratory (Node C) at the James Cook University, Townsville. He is a regular contributor to the IPA Review.*

IP A

REVIEW

# Education Agenda

KEVIN DONNELLY

## Funding: a no-brainer election issue

Should non-government schools receive taxpayers' money? Judged by the Australian Education Union's (AEU) 1998 curriculum policy, the answer is 'no'. The union argues: 'that the resources of Governments should be wholly devoted to the public systems which are open to all'.

The belief is that education should be a state monopoly and parents choosing the non-government system should be financially penalized.

Evidence of the AEU's continued antipathy to non-government schools is easy to find. The union has embarked on an extensive campaign, placing political signs on school property and enlisting teachers to fight in marginal seats, based on the (mistaken) premise that private schools are over-funded (see <http://aeu-vic.labor.net.au/campaigns/>).

The Australian Labor Party (ALP) is also a critic of non-government schools and, while acknowledging their right to receive some government funding, argues that many receive too much money and that priority must be given to government schools.

To quote Mark Latham, when interviewed on ABC radio in Perth: 'We'll be taking money off the over-funded schools like the Kings School and Trinity Grammar'.

That such attacks on non-government schools are erroneous, illogical and counter-productive is easy to prove. The reality is that Federal funding to government schools (especially when compared to State funding levels) has increased since the election of the Howard Government.

It is also true that every time a parent decides to send a child to a non-government school, more money is freed up for the government school sys-

tem. With government schools, the average student government recurrent funding (2001–2002) is just under \$9,000.

On average, students attending non-government schools receive approximately \$5,000 in government recurrent funding—a saving to government of \$4,000 for each student. Not only are parents who make the choice saving governments money; their taxes also fund the government school system.

Based on research carried out by the Productivity Commission, it is estimated that the financial sacrifice made by non-government school parents amounts to a \$4.2 billion annual saving to governments across Australia.

As demonstrated in 1962 in Goulburn, NSW, when the local Catholic authorities closed the system and 2,200 additional students suddenly knocked on the door of their overcrowded public schools, the government system would collapse if not for the presence of non-government schools.

It should also be acknowledged that non-government schools are funded on a needs basis and the amount each school receives depends on the school's socio-economic status. Thus, more advantaged schools receive substantially lower funding than those schools that are more disadvantaged.

Students attending Scotch College (Victoria) receive only \$1,713 and those at The Kings School (NSW) receive \$1,905. Less well-off non-government schools receive something in the order of \$5,500 per student. Obviously, such figures are well below the \$9,000 in funding given to government school students.

Notwithstanding the fact that non-government schools save Australian governments billions of dollars and, on the whole, perform better academically and promote values more in tune with

what parents expect, such schools have become a target of the Left in the forthcoming election.

Why is this so? One reason is because teacher unions define non-government schools as elitist and guilty of promoting a 'competitive and culturally-biased system of education'. Although the Berlin Wall may have collapsed, those running the AEU still believe in the class war and non-government schools are an easy target.

Second, as evidenced by the nature of the attack on so-called wealthy schools such as Geelong Grammar, ALP strategists believe that there are votes in fomenting the politics of envy and class division. By attacking the 'big end of town', they hope that many of the Howard battlers will return to the Labor fold.

What this overlooks is the fact that parents are voting with their feet (32 per cent of students now attend non-government schools, up from 22 per cent in 1980) and that the largest growth in enrolments is associated with low-fee-paying schools in marginal electorates.

Such are the failures of the government system, that aspirational voters are increasingly choosing the non-government alternative.

Finally, by focusing the debate on resources and levels of funding, the AEU and the ALP are able to ignore the more pressing question of standards and how well the system performs. As a result, under-performing government schools continue unchecked and failing teachers go unchallenged.

*Dr Kevin Donnelly, Chief of Staff to the Hon. Kevin Andrews MHR and a former Director of Education Strategies, is author of Why Our Schools are Failing, published by Duffy and Snellgrove and commissioned by The Menzies Research Centre.*

I P A

*Around the Tanks* is sourced from a selection of publications detailed in The Heritage Foundation's *The Insider*, a monthly compilation of publication abstracts, events and news from around the world's think-tanks. (Back issues of *The Insider* can be viewed at [www.heritage.org/insider](http://www.heritage.org/insider))

## GLOBALIZATION AND RELIGION

by Radley Balko

*AWorldConnected.org*

[aworldconnected.org/article.php/601.html](http://aworldconnected.org/article.php/601.html)

As trade and globalization reach into new corners of the world and touch new cultures, many people of faith worry about what effect this new commerce will have on religion and spirituality. Some practitioners of Western faiths worry that the pursuit of wealth across international borders will lead to a kind of society-wide pursuit of material gain in lieu of spiritual fulfilment. Activists and free trade opponents, meanwhile, fear that the overpowering influence of Western ideas and commercialization will dilute and ultimately corrupt non-western belief systems. This paper examines both arguments based on the history of free markets and theocracies.

## JOB LOSSES AND TRADE: A REALITY CHECK

by Brink Lindsey

Trade Briefing Paper No. 19, *The Cato Institute*

[freetrade.org/pubs/briefs/tbp-019.pdf](http://freetrade.org/pubs/briefs/tbp-019.pdf)

During this election year, the word 'outsourcing' will most likely be used as a political tool to harness fear over job losses in particular sectors. However, Cato's Center for Trade Policy Studies sets the record straight based on numbers from the Bureau of Labor and Statistics. While the United States lost 309.9 million jobs from 1993–2002, 327.7 million new jobs were created. At the same time, manufacturing has made tremendous gains in productivity. While critics would offer the critique that jobs are 'safer' under protectionist policymaking, this study provides a broad picture of the long-term

benefits of a labour policy responsive to the constantly changing environment of world trade.

## THE FATE OF BRITAIN'S NATIONAL INTEREST

by Kenneth Minogue

*The Bruges Group*

[brugesgroup.com](http://brugesgroup.com)

For over 1000 years, the rulers of Britain and of its component nations have pursued the national interest according to the circumstances of the time. Their record is mixed, but far from dishonourable. Thinking about Britain's national interest is the essence of what it means for Britain to be a free and independent actor on the historical stage. But recently, this vital question has become, for many people, something the British cannot seriously ask. The British are becoming dependent on the decisions of others—in particular, international and supranational bodies. Minogue examines this change in mindset.

## BRINGING CAPITALISM TO THE MASSES

by Hernando de Soto

*Cato Institute*

[www.cato.org](http://www.cato.org)

In this excerpt of his remarks delivered upon receiving the Milton Friedman Prize for Advancing Liberty, de Soto discusses the effort to promote capitalism in developing countries, where the greatest constituency for change, he states, is poor businessmen and entrepreneurs. The vast extralegal economies in countries such as Mexico and Egypt provide the potential to generate wealth, but will do so only when their strength is harnessed by capitalism. De Soto emphasizes the importance of property rights, 'the result of a grassroots contract,' which 'stick

even when sovereignty fragments.' When individuals are granted property rights, interest grows in the reliability of the courts to defend those rights, and as a result, in the reliability of the government that creates the courts as well.

## THE OFFICIAL HANDBOOK OF THE VAST RIGHT-WING CONSPIRACY

by Mark W. Smith

*Regnery Publishing, Inc.*

[regnery.com](http://regnery.com)

This book provides conservative talking points on virtually every issue, from taxes to the war on terror. It aims to arm conservatives with facts for their next cocktail party or college class. The book also includes a list of inspirational individuals, magazines and newspapers, conservative think tanks, Web sites and important books.

## INDEX OF LEADING ENVIRONMENTAL INDICATORS

by Steven F. Hayward

*Pacific Research Institute*

[pacificresearch.org/jump/enviro04/aw.html](http://pacificresearch.org/jump/enviro04/aw.html)

The ninth annual *Index of Leading Environmental Indicators*, released by the Pacific Research Institute and the American Enterprise Institute, shows that the environment continues to be an American policy success. Environmental quality is improving steadily and in some cases dramatically in key areas. Average vehicle emissions are dropping about 10 per cent per year, 94 per cent of the population is served by water systems that have reported no violations of any health-based standards, there has been a 55 per cent decline in toxic releases since 1988, even while total output of the industries covered by this measurement has increased 40 per cent, and despite most

popular assumptions, US air quality trends are found to be at least equal, if not slightly better, than in Europe.

## SCHOOL CHOICE: A 'SYSTEM OF SCHOOLS' FOR A MODERN WORLD

by Lil Tuttle

*The Clare Boothe Luce Policy Institute*  
[cblpolicyinstitute.org](http://cblpolicyinstitute.org)

While educational special interests such as the NEA, American Federation of Teachers, and the PTA all try to prevent school choice, 60 per cent of Americans support full tuition vouchers according to a 1999 Gallup poll. 'Opportunity for a good education should not be contingent upon family wealth, private philanthropy, or coerced government largess in the face of abject public school failure,' Tuttle writes. This article summarizes the most critical aspects of the debate.

## ENVIRONMENT AND HEALTH: MYTHS AND REALITIES

by Kendra Okonski and Julian Morris, editors

International Policy Network  
[www.policynetwork.net/main/article.php?article\\_id=622](http://www.policynetwork.net/main/article.php?article_id=622)

In this book, ten expert scientific contributors analyse key environment and health issues being discussed by the World Health Organization. The book challenges the conventional wisdom that human health problems (cancer, disease and even death) are being caused and exacerbated by modern industrial society. The book offers an overview by scientific experts of the available scientific evidence concerning the impact of pesticides, dioxin, nitrates, radiation, endocrine disruptors, global warming and the precautionary principle on human health. The contributors show that many environment and health risks have been exaggerated, to the detriment of scientific research and public policy. Environmental scare stories in the media have been

unbalanced and thus are psychologically and economically detrimental to the average person. When scare stories are used to influence government regulations, the result is frequently economic harm, a lack of prioritization with few or no benefits for people.

## WAR AGAINST THE MACHINES: WHY ARE PROTECTIONISTS ENDANGERING AMERICAN JOBS?

by Ted Balaker

*The Reason Public Policy Institute*  
[reason.com/hod/tb031904.shtml](http://reason.com/hod/tb031904.shtml)

Contrary to current political rhetoric, the worst enemy of the low-skilled American worker is the machine. For example, the printing press put thousands of scribes out of jobs and soon automated checkout lines may destroy thousands of jobs for cashiers. However, this is only half the story. While 70,000 computer programmers have lost their jobs since 1999, 115,000 new computer engineering jobs have been created. Instead of praising a wide new market of job choice, protectionists seek to exploit the sympathies of workers that are in the transition period between jobs for political gain.

## WWW.TERROR.NET: HOW MODERN TERRORISM USES THE INTERNET

Special Report No. 116, United States Institute of Peace

[usip.org/pubs/specialreports/sr116.html](http://usip.org/pubs/specialreports/sr116.html)

Policy experts have been very focused on how terrorists can attack the Internet. However, this overlooks the danger of how terrorists can use the Internet as a tool to spread their ideology. Terrorists use the Internet for psychological warfare, publicity, propaganda, fundraising, recruitment, networking, planning, and co-ordination. The challenge offered by this study is how to meet that threat without sacrificing the very liberties that make our society worth defending.

## SOUTH AFRICA'S WAR AGAINST MALARIA: LESSONS FOR THE DEVELOPING WORLD

by Richard Tren and Roger Bate

*Policy Analysis No. 513, Cato Institute*  
[cato.org/pubs/pas/pa513.pdf](http://cato.org/pubs/pas/pa513.pdf)

Malaria has cost the developing world countless lives and economic stagnation. When South Africa agreed to end DDT usage in 1996, cases rose from well under 10,000 to a peak of over 60,000 cases in 2000, subsiding once again after its reintroduction. Tren and Bate believe the case against DDT is simply a political one. While DDT has been given a carcinogenic rate less than coffee in humans by the Cancer Institute, the environmental lobby still screams for its ban in the developing world. While it may be harmful to smaller organisms and certain forms of catfish according to laboratory studies cited in the paper, South Africa clearly represents the utility of DDT in eliminating mass human suffering.

## GLOBALIZATION'S EFFECTS ON THE ENVIRONMENT—BOON OR BANE?

by Jo Kwong

Lindenwood University

[lindenwood.edu/studentlife/isee/isee1.html](http://lindenwood.edu/studentlife/isee/isee1.html)

In recent years, globalization has become a remarkably polarizing issue. In particular, discussions about globalization and its environmental impacts generate ferocious debate. Is globalization a solution to serious economic and social problems of the world? Or is it a profit-motivated process that leads to oppression and exploitation of the world's less fortunate? This paper examines alternative perspectives about globalization and the environment. It offers an explanation for the conflicting visions that are frequently expressed and suggests elements of institutional framework that can align the benefits of globalization with the objective of enhanced environmental protection.

IP A



# The Capacity to Manage Index

## Report 5: The Australian Petrochemical Industry

The IPA Work Reform Unit launched the Capacity to Manage studies in 2002 and this current study (Petrochemical Industry) is the fifth in the series. After detailed assessments of 237 enterprise agreements, there is evidence that, at long last, in at least one industry sector, the Australian enterprise agreement approach has delivered results that are benign in terms of their effects on managers' capacity to manage their businesses.

### WHAT DOES THE CAPACITY TO MANAGE INDEX STUDY?

The Index looks at the individual, formal, industrial agreements that businesses enter into, known as enterprise agreements. These are registered with industrial relations commissions and are publicly available on the Internet. The Index does not look at pay issues. It looks at how each clause in an agreement affects the capacity of managers to manage their businesses in comparison to management rights under awards. For example, if a clause removes the control of rostering from managers, the clause is rated as -1.

Generally, the public perception of industrial relations involves debate over 'workers rights'. But the key to understanding Australia's industrial relations regulation systems is that the rights take two forms: remuneration and who controls operations. Remuneration is a cost issue. Operational control, however, directly affects the performance of firms and hence the

national and international competitiveness of the Australian economy. Management performance issues are never considered or assessed in the regulation systems processes because it is always assumed that managers can manage. That assumption is challenged by the results of the combined Capacity to Manage studies.

### SYSTEMIC, INDUSTRIAL RELATIONS REGULATION FAILURE

The theory of the enterprise agreement system is that workers and management work together for the mutual benefit of workers and the firm. Higher pay for workers is achieved with higher performance for the firm. But between theory and practice something is going seriously wrong.

Based on the foregoing results, it is becoming apparent that the current industrial relations frameworks systematically reduce the capacity of Australian managers to manage their businesses.

This conclusion is tempered by the understanding that formal agreements only reflect one aspect of managerial performance. Direct relationships on the ground are perhaps more important than formal agreements. But it is legitimate to ask why managers would agree to reduce their formal capacity to manage if this did not reflect the informal worker-manager relationships. Perhaps one reason is that middle, and even senior managers, do not normally own the businesses—

they are simply employees, like the workers. Consequently, these managers' motivations may not be directed to business performance, but rather to career and self-advancement.

The implications of reduced capacity to manage can only be guessed at, but it is safe to assume that the effects on economic performance, on firms' profitability and on worksite safety must be negative. If managers do not have clear authority to manage, what happens to decision-making and accountability?

### PETROCHEMICAL INDUSTRY

The petrochemical industry has long suffered from structural decline. Old infrastructure, poor profitability, reluctance to reinvest, a small domestic market and the rise of highly efficient, modern competitive processing facilities in Asia have placed many of the domestic businesses at risk. The more recent, dramatic increases in global oil prices have, however, assisted greater profitability.

Nevertheless, in this less secure environment of the last decade or so, it appears that most companies have negotiated enterprise agreements which at least do not *decrease* their capacity to manage. Perhaps one motivational factor is that petrochemical management has always involved a high risk of catastrophic disaster, as witnessed at Esso's Longford plant in Victoria a few years ago. The Longford plant enterprise agreement, signed after the plant explosion, rates only a minus 2.

Full details of the Petrochemical assessments and all Capacity to Manage Index studies, including methodology, are available by subscription. Contact the IPA office on 03 9600 4744.

Avg Score	Industry	Best score	Worst score	EBA's assessed
-8.1	Food	+1	-20	51
-11.1	Construction	+4	-21	36
-8.7	Automotive	+3	-27	47
-5.6	Transport	+7	-16	53
-1.5	Petrochemical	+3	-12	50

## Capacity to Manage Index Overall Ratings, Petrochemical Industry

Company name	Union/Party	Year Applies	Rating
Agility Services	AWU	2003-2005	-1
Albright & Wilson	AWU	2002-2004	-4
Australian Vinyls Corporation	AWU	2002-2005	-2
BASF	AWU	2001-2004	-1
BHP	AWU	2003-2006	3
BOC Gases	TWU, AWU, AMWU	2003-2005	-4
BP Oil	AMWU, CEPU	2003-2006	-1
Caltex	AWU	2002-2004	-8
Caltex/Linfox	TWU	2003-2005	-1
Energy Developments	AWU	2002-2004	3
Esso	AMWU, CEPU, AWU	2003-2005	-7
Esso	Various	2003-2005	-2
Gasnet	AWU, TWU, APESMA	2003-2005	2
Henkel Adhesives	AWU	2003-2005	-2
Huntsman	Various	2001-2004	-2
Incitec Pivot	AWU	2003-2004	0
Linfox -Shell distribution	TWU	2002-2005	2
Mite Constructions	AWU	2004-2005	2
Mobil	AMWU, CEPU	2002-2004	0
Mobil	NUW	2002-2004	2
Mobil	NUW	2003-2004	2
National Starch & Chemical Company	LHMU, AMWU	2002-2004	-3
Nuplex Industries	AWU	2004-2005	-2
Nuplex Resins	AWU	2003-2005	-2
Orica	CFMEU	2002-2005	1
Orica Specialty Chemicals	AWU	2003-2005	-3
Origin Energy	NUW	2002-2004	0
Pacific Petroleum	No Union	2003-2004	1
Pental a Division of Symex	AMWU	2003-2005	-2
Pivot	Various	2002-2004	1
Plaspak Contaplas	NUW	2002-2005	0
Plaspak PET	No Union	2003-2004	1
Power Petroleum	TWU	2002-2004	1
Qenos	AWU	2003-2006	-3
Qenos	AWU, CFMEU	2001-2004	-2
Queensland Nitrates Management	AWU	2002-2004	2
Santos	AWU	2002-2004	-10
Shell	NUW	2002-2004	-6
Shell	TWU	2003-2005	-4
Shell	Various	2003-2006	-12
Shell	AFMEPKIU	2004-2006	-3
Shell	AWU	2003-2004	-4
Thiess Nacap	AWU	2003-2005	2
Ticor Chemical Company	AMWU, CEPU, AWU	2002-2004	-1
Transfield Services	AMWU, AWU	2004	-1
TXU	AWU, APESMA	2002-2005	-1
Upstream Petroleum	AWU	2002-2005	2
Wattyl Australia	LMHU	2003-2005	-2
Woodside	AIMPE	2001-2004	-4
Woodside	AWU	2002-2004	0
<b>Average rating</b>			<b>-1.5</b>

Note: Comments are made within the context that the IPA Capacity to Manage Index does not measure actual management performance.

# Epstein on Epstein

ANDREW MCINTYRE

Richard A. Epstein, the James Parker Hall Distinguished Service Professor of Law at the University of Chicago, recently visited Australia to address some IPA functions. Here he discusses some of his formative experiences and his classical liberal outlook for a better world.

**R**ICHARD Epstein is an unbridled optimist. He holds a firm belief that, through patience and the logical application of well constructed arguments, social conditions will improve.

But he is also a noted contrarian. In an interview several years ago, Epstein once remarked, 'My intellectual style has always been that of a contrarian. If there's a position everybody thinks is right and is happy with, then they're probably wrong. And the reason they are probably wrong is that they spend too much time on self-congratulation instead of attacking each other.'

To put it another blunter way, his attitude is, 'talk is cheap, so let's debate'. Although he attributes some of this attitude to his liberal law education when he studied at Oxford back in 1966, when challenged that this disposition had perhaps more to do with basic personality than coursework, he volunteered, 'I wish I knew where it came from. To some extent it came in part from my parents, both of whom had strong contrarian instincts. Both were tenacious in the way they thought about certain problems. In part, it was just spending my life in thinking about things. I recognized that people tend to go lax when there is no competition, so I decided that I was going to become the competition!'

But Epstein is not always a contrarian. Where he sees a set of manoeuvres, or set of arguments or doctrines, with which he is in logi-

cal agreement, he asks 'Why add anything?' It appears that there is a selection effect going on which leads him to choose those particular topics where things appear wrong.

Clearly, Epstein found a good deal wrong with cartels, on the one hand, and with limitless libertarianism on the other. In a book just jointly published by the IPA and NZ Roundtable, *Free Markets Under Siege*, to coincide with his Australian visit, Epstein made some very simple institutional observations. When he looked at the so-called reforms of the

---

***If there's a position  
everybody thinks is  
right and is happy  
with, then they're  
probably wrong***

---

1930s and the New Deal period in the US, he discovered that virtually every constitutional argument in favour of legislative discretion was an argument which allowed somebody to maintain or perpetuate some kind of cartel. He explained: 'When you square that against Economics 101 on the relative effects of competition and monopoly, it becomes almost amazing that someone in the political arena could be completely indifferent between the two systems, when the social theory on their re-

source effects is so clearly in favour of competition unless there is some independent justification for a monopoly, as with intellectual property and certain network industries'.

Epstein believes that he has been very lucky, because in addition to that insight, he was also able to figure out what was wrong with his libertarian theories. 'Historically, there are no pure libertarians in the common law or in the Roman law. I realized that the exceptions made to libertarian principles on contract and property had an underlying pattern. And I found it. It became clear to me that the whole doctrine of "privilege" was very well constructed. The basic proposition was that you can use coercion to override common law rights to the extent that it provides benefits to all the individuals who are subject to the coercive power of the state.'

Epstein is known internationally for his logical rigour. A very fast and precise speaker, he seems to develop arguments that create seamless and completely watertight cases, in all circumstances. The notion of abstraction is anathema to him. He is understandably quite scathing about the post-modernists. 'The French modernists, the people who start talking about language, Dada, Foucault and all the rest of that tradition, I regard as next to useless for the business of making and interpreting laws and agreements. Language is too powerful a tool for one to assume that every time you make a proposition, you are really inviting someone to write a poem about it.'

**REVIEW**

Lawyers do exactly the opposite thing. Through constant trial and error, we identify ambiguities that matter and then try to eliminate them so we know where we stand. To celebrate the ambiguity rather than try to eliminate it is exactly the opposite of the legal impulse. A commitment to a high level of abstraction doesn't quite carry the day.'

In his *Free Markets Under Siege*, Epstein talks about easy cases and hard cases, and suggests that we solve the easy ones first. He cites agricultural policy as a clear example of an easy case about which it is easy to make good decisions, that is, to see the social superiority of the competitive system. Although he acknowledges that huge variations in social and cultural patterns exist amongst nations, the suggestion that reform of the agricultural sector in the Europe, especially France, and Japan might be difficult to bring about, brings out his infectious and overwhelming optimism and confidence in the future through logical argument about what is best. 'But that's true of every country. That's also true of the US. My argument about this is not about the historical difficulty in eliminating these practices, but the weakness of the intellectual case that has been used to keep it in place'.

Epstein saw, both in the US and in England, an increased willingness to crack down on agricultural subsidies, and it was one reason to have another go and write *Free Markets...* 'These kinds of protection are wholly illegitimate, but in France in particular, where you have a very monolithic state and no tradition of strong private rights, getting rid of these things is very difficult. And since the Common Market, the EU hasn't done an enormous amount to pry these markets open but has created, in part, fortress Europe, it is not at all clear that it is going to be a countervailing influence. So, in the end, trade liberalization will come, even in the agricultural sector, but it's going to be a long and bumpy

road. And to figure out how you solve these transitions questions, you need to know more than the general theory. But if you don't get the basic theories right, you will never be moving your transitions in the right direction.'

Elsewhere, Epstein has written extensively on discrimination law and its perverse consequences. He claims that these laws create a dispersal effect, benefiting the well off, and hurting the poor. These arguments are very pertinent today in Australia for Aborigines, the long-term unemployed and other target groups. He explains: 'You have two issues here: one is affirmative action and the other is the minimum wage.

---

***You can't protect people by pretending that they are more productive than they really are. Because, without protective restraints they would have worked at lower wages to begin with***

---

They work the same way. If you have a preferential programme, employers will, paradoxically, often be reluctant to hire targeted people because it becomes difficult to get rid of them because it would be seen as a form of discrimination. There is no point giving protection to someone in a job, if he doesn't get the job in the first place.'

The minimum wage is a slightly different issue but has exactly the same outcome. 'By requiring people with low productive skills, for whatever reason, to take a higher wage base invites employers to respond by

reducing the number of people they will employ, or by making other features of the work less attractive than they should be'. Epstein is emphatic: 'You can't protect people by pretending that they are more productive than they really are. Because, without protective restraints they would have worked at lower wages to begin with, and as productivity increased with their skills, the value of their labour would increase and it would then be bid up by somebody else if the original employer refused to make wage adjustments.'

His endorsement of the old theory of *laissez-faire* demonstrates his view that optimism and patience are virtuous qualities. 'In an ordinary life, it takes a bit of time to accumulate human capital. If you don't have patience, because you don't have confidence in the system, you'll try to get the quick fix and you'll only set the very people you are trying to help back another step.'

Epstein lives in America and remembers race relations before 1954. He admits that there are still problems today at the higher level of political discussion, but in terms of day-to-day interactions, the transformations have been 'so total and so complete that anybody that was alive then and alive now would have to remark with some degree of amazement just how far progress has come.'

Although he appears to be an unbridled optimist with a watertight explanation for every situation, it is nevertheless true that reform and progress are happening all around us. We must learn to work at them, make wise decisions and be patient. As for Epstein, he is clearly ahead of the field and is right so often about so much that he tends to dazzle people with his logical solutions. This was certainly the impression he made on several Australian audiences.

*Andrew McIntyre is Public Relations Manager at the Institute of Public Affairs.*

**I P A**

**PROTECTING YOUR RIGHTS?**

I am deeply ambivalent about the dozens of civil liberties organizations that purport to protect the rights of citizens. Most of those rights are, on the one hand, unexceptional. Nearly everyone supports the rights of people to be free from arbitrary arrest; if arrested, to be entitled to a fair trial upon known charges; in all cases to be treated with the dignity that merely being a person should entail.

But, on the other hand, viewed in the context of the broad sweep of human history, those rights are indeed quite exceptional. Most extensively organized large-scale social orders in which humans have lived have respected such rights little, or not at all. So the existence of bodies seeking to preserve them, perhaps even extend them, should be welcome.

Except that many of those bodies are afflicted by a tendency to overreach. Some descend into triviality. Some fail to acknowledge that some of their preferred rights are in conflict with each other. Some are very confused about from whom the abuse of rights most needs to be feared. Indeed some are actual arms of the body from which abuses should be feared, and whose purposes, disguised by wholesome names, are all too often designed to reduce rights.

**HUMAN RIGHTS AND EQUAL OPPORTUNITIES?**

Consider the Australian Human Rights and Equal Opportunities Commission (HREOC). As I write, the first 'What's New' item on its Website reports how HREOC welcomes the passage of amendments to the *Disability Discrimination Act*

1992. The Commission's praise of the amendments is fulsome, and quite devoid of any recognition that there are competing rights, some of which have been reduced to make way for the new ones.

Do you doubt this? Acting Disability Discrimination Commissioner Dr Sev Ozdowski is quoted:

These amendments, and the Standards to follow, are an important part of the movement towards equal opportunity in education for people with disabilities in Australia ... As an essential part of the same goal, they provide greater certainty for education providers *about what they have to do*. [emphasis added]

Australian society appears to have decided that rights of access to various opportunities by those suffering from disabilities are important enough to override other rights. But it would be refreshing if Australia's premier rights-enforcement body were at least to acknowledge the concomitant loss of others' rights—such as those of education providers who will now have to know 'what they have to do'.

Perhaps it is merely a manifestation of personal paranoia on my part that those words trouble me. It is clear that HREOC, despite its creation by Australian Government statute, and its responsibilities to administer—and adjudicate complaints against individuals under—several important pieces of legislation, is as much a political advocacy body as any NGO. When, in 2002, the United Nations Special Rapporteur on Racism's report was rejected by the Australian Government, Dr Will-

iam Jonas, the Race Discrimination Commissioner for HREOC, said:

The government must stop obfuscating and shooting the messenger. Australia's international reputation is better served by acknowledging that, like every country of the world, we do have problems with racism and by recommitting to genuine efforts to address the issues.

That both the 'messenger' and the body to which the message was delivered (the UN Commission on Human Rights) may have deserved to be figuratively shot is not considered. Indeed, the Government of Australia, and the people of Aus-



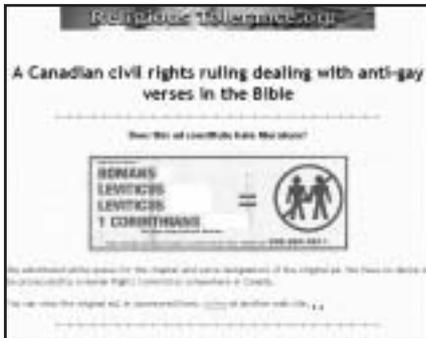
tralia, are guilty of racism regardless of what they think since, according to the HREOC, its consultations on matters of racism have revealed that 'denial of racism [is] one of the most prevalent forms of racism in Australia'.

[www.hreoc.gov.au/media\\_releases/2002/15\\_02.html](http://www.hreoc.gov.au/media_releases/2002/15_02.html)

**HUMAN RIGHTS ELSEWHERE**

The most worrisome aspect of human rights movements in the Western world over recent years has been the creation of the right not to be insulted. That right is highly selec-



*This screenshot edited for clarity*

tive, of course. You are legally entitled to call me a right-wing moron or a libertarian air-head. Or even to argue that my atheism shall consign me to eternal exile from the Kingdom of Heaven.

For the moment, anyway. But in the Canadian province of Saskatchewan, one cannot make the argument that a homosexual is consigned to eternal exile from the Kingdom of Heaven, despite words to that effect in 1 Corinthians 6:9. A person took out an advertisement in a newspaper, offering bumper stickers for sale. The stickers, which were pictured, equated four biblical references with a prohibition on homosexual activity. The advertiser was found to have breached the Human rights Code. As was the newspaper which published the advertisement.

This interpretation of the Biblical verses (for example, Leviticus 18:22: 'Do not lie with a man as one lies with a woman; that is detestable') was held 'as exposing homosexuals to hatred or ridicule'.

[www.aloha.net/~mikesch/bible-ruled-hate-speech.htm](http://www.aloha.net/~mikesch/bible-ruled-hate-speech.htm)

[www.religioustolerance.org/bibl\\_hate3.htm](http://www.religioustolerance.org/bibl_hate3.htm)

It is striking that whereas once the free speech of non-believers was

restricted in order to protect Christians from hurt feelings, the free speech of some believers is restricted in order to protect others from hurt feelings.

It's worth noting the list of personal characteristics in the Saskatchewan code around which one must tip-toe with exquisite politeness:

No person shall publish or display ... any notice, sign, symbol, emblem, article, statement or other representation ... which exposes, or tends to expose, to hatred, ridicules, belittles or otherwise affronts the dignity of any person, any class of persons or a group of persons; because of his or their race, creed, religion, colour, sex, sexual orientation, family status, marital status, disability, age, nationality, ancestry, place of origin or receipt of public assistance.



I can recall some current-affairs shows in recent years potentially getting into trouble over that final protected group.

## HUMAN RIGHTS EVERYWHERE

The United Nations is, of course, an organizational nightmare. There is a multitude of bodies charged

with administering, promoting and adjudicating on different bits and pieces of human rights treaties, agreements and proposals. The main one is the Office of the United Nations High Commissioner for Human Rights:

[www.ohchr.org](http://www.ohchr.org)

Some of its pages have links to its 'official site' at another Web address. That other address, though, contains nothing other than a redirection to take you back to the original site. Kafka would have been proud.

## BACK HOME

The Australian Civil Liberties NGO scene is murky. The organization with the most official sounding title, the Australian Civil Liberties Union, has several documents that may be of use to people worried about aspects of civil liberties, but also has a penchant for blaming the problems of the world on Jews. If you must, go to:

[www.angelfire.com/folk/aclu/](http://www.angelfire.com/folk/aclu/)

For a better sampling of what local civil liberties outfits stand for, visit the respective sites of the NSW Council for Civil Liberties, Liberty Victoria, and the Queensland Council for Civil Liberties:

[www.nswccl.org.au](http://www.nswccl.org.au)

[libertyvictoria.org.au](http://libertyvictoria.org.au)

[www.qccl.org.au](http://www.qccl.org.au)

## FEEDBACK

I would welcome advice from readers on any other sites of interest to *IPA Review* readers. E-mail me on [scdawson@hifi-writer.com](mailto:scdawson@hifi-writer.com).

# What's A Job?

KEN PHILLIPS

## **NAIRU Bound**

From the late 1950s until recent times, economists held to a theory called NAIRU, the non-accelerating inflation rate of unemployment. The theory was that there is a fixed level of unemployment below which an economy could not go without causing wage-induced inflation. This, in turn, meant that macroeconomic planners needed to use their power over the setting of interest rates and other instruments to ensure that the pace of economic growth avoided reaching a level that would push the unemployment rate below NAIRU and result in wage-push inflation. The acceptance of NAIRU theory led to governments giving their central banks inflationary and unemployment goals, and sometimes targets. Indeed, Australia did so until the late 1990s.

It's an unfortunate idea because it implies that there must always be a pool of unemployed people if inflation is to be kept in check. If this is correct, it would appear to assign a certain percentage of the population to unemployment—albeit for the public interest.

Through most of the later half of the twentieth century, the evidence seemed to support NAIRU. But from the late 1990s and into 2004, the evidence began to change. Excluding Germany and France, most OECD countries appear to be achieving low inflation with unemployment rates below the perceived NAIRU. The question is why?

NAIRU derives from traditional theories of labour economics, where labour is seen to be in a constant battle with capital over who shares the spoils of the firm. When unemployment is high, the fear of unemployment causes the employed to restrain their demands for higher wages and so wage-

induced inflation will be capped. When unemployment is low, the employed will have greater bargaining power and so can extract higher wages from the capitalists. It's a macro view that fits macro-models used by macro-economists.

But to understand wage-induced inflation it's necessary to dig into microeconomics to understand behavioural patterns in the firm.

Every firm has a theoretical potential to pay endlessly high incomes to its staff and dividends to its shareholders. But the prices a firm can charge for its goods and services are dictated by markets, not by their costs. The market will pay only a certain amount for goods and services, thus restrain-

---

***We may yet see the day when unemployment will be restricted to the sick and those in job transition***

---

ing the potential income of the firm and thus limiting the available money a firm can pay either in wages or dividends. Further, every firm competes in different market segments and so the pool of money available to each firm for distribution will vary endlessly across an economy. Pretty obvious stuff really!

What happens with wage-induced inflation is that market signals at the individual level of the firm are prevented from penetrating inside the firm. The dynamics and politics of labour relations ignore market signals and push the price of labour beyond the firm's market signals. The firm's

response is to push its prices up, hoping that it won't lose market share. When this distortion of market signals occurs systemically across all firms in an economy, they can ignore those signals, and push up prices while retaining some market share balance.

Inflation escalates and macroeconomic managers are forced to suppress economic activity and to push up unemployment, thus scaring labour into curtailing their demands. NAIRU applies, but it's a pretty crude way of running an economy!

What appears to have changed is that labour has become more aware of, and responsive to, the external market signals experienced by firms. This is happening for a number of reasons relating to both cultural and structural issues. The alleged 'deregulation' of labour markets underway in many economies is, in fact, a shift to a different type of labour regulation—one that is more in sync with the regulation applied to free markets. It's most obviously witnessed in the shift to enterprise or individualized employment contract settings and in the movement away from employment contracts to commercial contracts in the engagement of people to do work. These come in many shapes and forms.

NAIRU has most relevance where labour processes ensure that market signals stop at the door of the firm. Where labour regulation facilitates internal response to market signals, NAIRU diminishes in relevance.

If the current trend can be understood and encouraged, we may yet see the day when unemployment will be restricted to the sick and those in job transition.

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

**I P A**

**REVIEW**

Compiled by IPA staff, columnists and consultants ...

## ANIMAL FARM I

A new animal welfare law in the UK offers slugs and snails the same protection as cats and dogs. The legislation gives courts the power to impose fines of up to \$A50,000 and 12 months in jail on people found guilty of mistreating insects, worms, caterpillars, slugs and snails, if scientific evidence proves they have suffered pain and distress. The law also bans anyone under the age of 16 from owning a pet, and goldfish will no longer be allowed to be given as prizes at fairgrounds.

## DICKENSIAN LABOUR LAWS

Former Australian Workers Union state secretary and now Victorian Upper House member Bob Smith claims that farmers are using children as 'slave labour'. Mr Smith said many children on farms were 'terribly oppressed' by the tasks required of them, including handling animals 'which at a moment's notice could kill them'. He said this in defence of new Victorian child employment laws that require relatives to have permits to employ children. For all us exploited children of farms past, all that can be said is, Mr Smith, where were you when we needed you?

## SCIENCE FICTION

The new blockbuster, *The Day After Tomorrow*, created worries for the producers. On their Website, the filmmakers admit that 'at some point during the filming we looked around at all the lights, generators and trucks and we realised the very process of making this picture is contributing to the problem of global warming!' Fortunately for the studio's profits, this thought only occurred to them after they had

started filming. But they have made it up to planet Earth. They are sponsoring 'a mix of energy conservation and tree planting' to 'offset the greenhouse gases released during the making of the film'.

## BAD TASTE

Clove cigarettes are soon to be banned in the US. To protect children, the Senate has introduced a Family Smoking Prevention and Tobacco Control Act that will turn the sweet, fragrant Indonesian clove cigarettes into contraband, presumably making them even cooler for young people. Part of the bill states that 'a cigarette or any of its component parts ... shall not contain, as a constituent (including a smoke constituent) or additive, an artificial or natural flavour (other than tobacco or menthol) or an herb or spice, including strawberry, grape, orange, clove, cinnamon, pineapple, vanilla, coconut, liquorice, cocoa, chocolate, cherry, or coffee, that is a characterizing flavour of the tobacco product or tobacco smoke.'

## ANIMAL FARM 2

PETA, People for the Ethical Treatment of Animals, is running an anti-sheep farming campaign. A part of the problem, as they see it, is that there are so many sheep in Australia, that giving 'individual attention to their needs' is impossible. On shearing, and quoting an 'eyewitness' who was clearly not Tom Roberts, '[T]he shearing shed must be one of the worst places in the world for cruelty to animals ...' Explaining that without human interference, sheep grow just enough wool to protect themselves from temperature extremes, they forget that the modern sheep has been bred over thousands of years for 'continuous

fleece growth'. Wouldn't it be cruel, after thousands of years of breeding, to stop cutting it?

## POLITICAMENTE CORRETTO

A driver in Rome who told a parking attendant 'You are nobody!' has felt the full weight of Italy's legal system. A tiff over a parking space led to Giulio C. being fined 300 euros (\$370) plus 500 euros legal costs when a court in the northeast city of Trieste convicted him of damaging the dignity of the parking attendant. The court reasoned that the phrase 'you are nobody' 'means precisely "you are a nonentity" and to state that a person is a nonentity is offensive because it is damaging to the dignity of a person'.

## IRON CURTAIN

Just one month after the UN and EU launched a furious campaign against Israel's security fence, culminating in the International Court of Justice ruling that the fence is illegal, the EU announced that it is planning to build a separation fence of its own, and has invited Israel to participate in the construction, according to WorldNetDaily.com. To separate recently added EU members Poland and Hungary from their new neighbours Russia, Belarus and Ukraine, the EU said the fence is necessary to 'prevent the free movement of migrants seeking to enter EU territory'. As an Israeli government spokesman says, 'It's incredible the EU has no problem building a fence just to keep illegal immigrants out, but when the Jewish State builds a security fence as a last resort for the purpose of keeping terrorists out and saving Israeli lives, we are blasted by them and the UN'.

IPA

# Letter from London

JOHN NURICK

## Walking Backwards Towards the Election

Often, after years in power, a government runs out of ideas and is reduced to walking backwards in front of the opposition in the hope of staying ahead. After seven years, New Labour has reached that stage, although it is still spewing a diversionary cloud of policy announcements, green and white papers, and draft bills.

Unfortunately, seven years in opposition hasn't been long enough for the Conservatives to regain their sense of direction, so there's nothing much for the government to walk backwards in front of. All it can do is to steal as many policies as it can and try to poison the others. Among the signs of desperation:

- Gordon Brown (who for seven years has been Keating to Blair's Hawke and is determined to follow him as PM) has been talking about the importance of being British, of national identity, of tradition, even of patriotism. Never mind that this government has done more than any other to devalue these things.
- Tony Blair has denounced the 1960s as the root of modern society's ills, calling (though not in as many words) for a return to deference and family values.
- Gordon Brown has announced huge savings that will supposedly come from public service job cuts and 'efficiency gains'. Only undeferential, unpatriotic people drew attention to the fact that the number of jobs to be cut is a fraction of the number of additional public service positions that this government has created and continues to create. Or that the



hoped-for efficiency gains are predicated on bigger and better government computer systems—an area in which the British public sector has an almost unbroken record of botches.

- After seven years creating quangos left, right and centre, the government has decided that there are far too many of them and is abolishing and amalgamating them left, right and centre. Some are being abolished within a year of being created.
- The latest National Health Service reforms will produce what is in effect an 'internal market' very similar to the one that the last Conservative government was setting up when Labour came to power. The names will be different but the principle is the same: money follows patients.
- In education, the government is implacably against letting schools select students on ability. However it's all in favour of letting schools select students on aptitude. Not even education ministers can explain the difference.
- Government departments have been made to publish a series of 'five year plans' (Stalin and Mao, anyone?)

- David Blunkett, the blind populist Home Secretary, continues trying to outdo the Conservatives with hard-line law and order. As well as ID cards, he wants to lower the burden of proof in terrorist cases to make it easier to convict people when the actual evidence is weak. His latest idea is to give the police power to arrest anyone on the spot for even the most minor offence. He and the minister supervising the lottery also want to confiscate the jackpot won by a convicted rapist. Forget the law, let's just have the order.

Meanwhile, the Conservatives are getting nowhere. The government steals half their policies (not always the best ones) and rubbishes the rest (some deserve it). Their leader Michael Howard is more competent than his predecessors, but he comes across in turn as an unprincipled populist or an over-subtle lawyer—neither of which wins the party much support.

Finally, there are rumours of a snap election this autumn. The latest straw in the wind is that Cherie Blair has signed up for a US lecture tour. As wife of the PM, she commands a vastly larger fee than she would in her own right as a human rights lawyer married to an ex-prime minister. So here's a prediction: election this autumn (Labour is a shoo-in); Cherie earns a little nest-egg; Tony retires in the spring as things in the Middle East get even worse; and Gordon Brown is left holding the baby. Who knows: it may even come true!

*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

REVIEW

# Book Reviews

## Life As Hazard

Patrick Morgan reviews

### *Culture of Fear: Risk-Taking and the Morality of Low Expectation*

by Frank Furedi

(Cassell, London, 1997, 184 pages, \$35)

At the end of the peaceful nineteenth century, Nietzsche reacted by exalting the *via periculoso*, living dangerously. At the end of the traumatic twentieth century, we observe a retreat to a life of quiescence. Examples of the world seemingly out of control proliferate: AIDS, pollution, African genocide, global warming, embryo destruction, sexual abuse, Mad Cow disease, Gulf War syndrome, urban violence, cancers, terrorism ... the list is so long it sometimes seems that every form of human activity nowadays brings with it dreadful risks, that life itself is toxic.

Insecurity haunts many minds. People withdraw into condominiums where electronic gates keep others from entering, neighbourhoods without neighbours. AIDS causes fear of intimacy. Every intimate transaction may contaminate us—true love comes and goes, but herpes is forever. Precautionary measures are taken when embarking on any new enterprise. Trust is replaced by ‘stranger danger’. Worse than stranger danger is the claim that most crimes are committed by someone close to you. Some parents in the US buy teddy bears with hidden cameras to catch violent babysitters.

These are primarily worries in our minds; reality isn’t half as bad. As a result of a failure of nerve, whole communities can be so consumed by

anxieties that a kind of hypochondriac society comes into being, where fear is the dominant emotion, and risk avoidance the dominant mode of action. We struggle to upgrade our status from victim to survivor, from being ‘at risk’ to being ‘in recovery’.

The writer Peter Kocan directed my attention to Frank Furedi’s book *Culture of Fear* (1997) as a seminal work analysing this new ‘avoidance of risk’ syndrome. Furedi, a UK sociologist and former revolutionary Marxist, begins with the paradox that we have actually never been safer, healthier and wealthier, but never so worried about ourselves and

---

***Furedi begins with the paradox that we have actually never been safer, healthier and wealthier, but never so worried about ourselves and the future***

---

the future. Today’s worries stem not from ignorance, as in the past, but from the explosion of knowledge, as in the field of reproductive technologies. Our worries are, as Furedi shows, free-floating, and unfocused. We feel vaguely and chronically in a state of anxiety, and cast around for dire forecasts, such as global warming, to attach our worries to.

We are experiencing today an epidemic not of diseases but of anxiety about them. Furedi points out that ‘more and more social problems have become medicalized—that is,

recast as medical problems over which people have little or no control’. Abused people are told that this will be a determining factor for the rest of their lives from which they may never fully recover. Bad behaviour is now converted into some identifiable medical syndrome, like attention deficit disorder:

Uncertainty about issues, an inability to make decisions or the disappointments associated with setbacks in life are now routinely diagnosed as symptoms of some kind of anxiety disorder. Such a diagnosis helps make sense of the difficulty that people have in coping. The generic condition of ‘can’t cope’ becomes naturalized. From this perspective, the attempt to assume a degree of control of one’s life becomes a pathetic gesture, for we need help and not independence.

These conditions are then treated by a legion of therapists, carers, counsellors and welfare workers, about whom Furedi comments: ‘Although such experts always claim to “empower” their clients, their every action has the effect of reinforcing people’s lack of confidence in themselves.’

Fortunately, the world isn’t as hazardous as it looks. Lobby groups, NGOs and the media run scare campaigns in which they grossly exaggerate the possibility of coming catastrophes unless we align ourselves to their preferred position. Those who constantly watch TV believe violence is much more common than it actually is. We have seen a bombing or a kidnapping every night in Iraq for months now, but we are rarely given the more optimistic overall picture.

Furedi reveals that scare campaigns on matters such as toxic shock syndrome and low sperm counts were

widely believed, but later studies countering these extreme claims were barely mentioned. Mobile telephone use was linked to cancer and low sperm counts—a double whammy—in the absence of evidence for either claim. The flesh-eating Ebola virus deaths in Zaire shocked the world, but many more people died of sleeping sickness and malaria in Zaire during the same period, which went unreported.

Social workers make exaggerated claims about abuse, such as that one in four women have been raped. This is done by expanding definitions of what constitutes sexual abuse (flirting equals sexual harassment) or by trawling for victims. Thus the absence of abuse in a particular place will be seen as evidence that the abuse is hidden and secretive, so more resources will be thrown in to ramp up the numbers. As Furedi comments: 'The possibility that the low rate of detection corresponds to the actual incidence of child abuse is simply not entertained'.

A vicious circle of false perceptions can set in—we retreat to our homes and experience much of life through watching TV, which falsely reinforces the view that there's a big, bad world out there which we best avoid. This is a closed-circuit life, where everything has got out of proportion. There is little way left of evaluating reality, or even getting in contact with it.

We have been faced by a barrage of propaganda campaigns in Australia, the latest being on same sex marriages. In each case, an attempt is made to stampede us into taking up positions against our better judgement. If we object, we are accused of 'moral panic' or 'backlash'. The concept of 'moral panic' was devised in the 1970s by the left-wing UK sociologist Stanley Cohen, and, though now discredited, is still widely used by progressives as a term of abuse. They put up an unlikely notion (such that it's OK to create and destroy embryos at will or that Australians have recently committed genocide)

and when we object, we are accused of 'moral panic'.

Furedi takes the view that both Right and Left are prone to panics on topics that they abhor, but go quiet when they agree: 'one person's panic is another one's rational reaction'. A crucial case in England was the Cleveland babies episode in 1987, where social workers removed over a hundred children from their parents, claiming on flimsy evidence they had been sexually abused. The public protested vigorously against the social workers' actions, and an enquiry found their diagnoses wrong and returned almost all of the chil-

---

***Having low expectations and taking constant insurance against risks not only diminishes community life, but involves high transactions costs***

---

dren. As Furedi comments, the social workers said they were the victims of a 'moral panic', but the children were plainly the real victims in this episode.

Having low expectations and taking constant insurance against risks not only diminishes community life, but involves high transactions costs. Terrorism is an example—enormous sums of unproductive money now have to be spent on making buildings, travel and public figures safe. Rights-based liberalism adds to the problem—when you venture outside your well-fortified home and slip while shopping at Coles, you get the urge to sue. Obsession with precautionary measures ends up in a position of self-loathing—humanity itself is seen as the all-polluting villain.

In life, accidents do happen, things go wrong, sicknesses occur, every day has its up and downs, so it's pointless to try to insulate ourselves beforehand against all ills. We can't litigate to ensure happiness. Some suffering and loss is inevitable, and it's best to come to terms with these experiences rather than to evade them at all costs. This is not to say that the world is a 'vale of tears' to which we should be resigned, but that we aren't fully in control of things. As Professor Ken Minogue has pointed out:

The technological spirit challenges this position. Instead of the acceptance preached by religion, it preaches resistance, defiance, problem solving. Its message is: Let us guarantee the security of all people: food, medical help, shelter, consolation by counselling, compensatory payments whenever disaster strikes—all of these things will save people from bad luck, even the bad luck of having a bad character.

Furedi provides a convincing analysis of the fearful, risk-avoiding syndrome, which he sees as pessimistic, cynical and misanthropic. As a convert to classical liberalism, he objects to the coercive moralism of both the traditional Right and the trendy Left, both of which exhibit puritanical strains. But he himself believes that death and suffering have 'no intrinsic meaning'. As a result, he is against restraint and an excess of precautionary measures, and in favour of experiment, such as open-ended reproductive technology research. We can agree with him that we should hold our nerve and go ahead and face modernity with equanimity. But once we are immersed in it, perhaps we should exercise discrimination and not simply, as he seems to prefer, go along with every new enterprise.

*Patrick Morgan is a Victorian writer who publishes on political and cultural issues.*

**I P A**

## Trade and Rage

David Robertson reviews

### *In Defense of Globalization*

by Jagdish Bhagwati

(Oxford University Press, 2004,  
320 pages; \$62.95)

This eminently readable book is a synthesis of Professor Bhagwati's views on globalization as expressed in his articles and speeches over the past few years. As the doyen of trade economists, these opinions presented in one volume are a valuable addition to the ever-growing library on globalization. Most of his views are predictable for anyone who has followed Professor Bhagwati's distinguished career. In particular, the reader's attention will be drawn to the contradictions he identifies in many familiar anti-globalization arguments.

International economic interdependence (integration) has dominated economic development for the past 50 years, as it did during 'La Belle Epoch' before 1914. Only in the 1990s was the term 'globalization' fabricated, and its adoption has allowed all the world's malcontents to unite against this single 'cause'. By focusing their attacks on globalization, left-wing activists, nationalists, anarchists, environmental groups, communitarians, animal liberationists, church charities, etc., do not need to discuss their differences.

In the early stages of this volume, Bhagwati acknowledges that NGOs have captured the media-sensitive and sympathetic subjects of social justice and human rights as their territory. It is a simple step from there to establish that since poverty and social injustices still exist under 'capitalism', an alternative system of direct controls, regulations and planning must be tried. History is irrelevant to NGOs! However, Bhagwati explains how increasing prosperity from more efficient and

more technologically advanced production and distribution could be used by NGOs to increase their chances of achieving their goals.

The economic analysis in the early chapters makes telling points against the anti-globalization lobbies. The long history of trade liberalization established that net economic benefits are generated by trade. So the policy question relates to distributing these gains within the community. NGOs continue to argue that interdependence among nations restricts their ability to provide social welfare programmes to their citizens. Any social welfare shortcomings, however, depend not on liberal trade policies but on domestic policy settings.

---

***By focusing their attacks on globalization, left-wing activists, nationalists, anarchists, environmental groups, communitarians, animal liberationists, church charities, etc., do not need to discuss their differences***

---

This kind of reasoning is evident in much of the criticism of globalization (that is, any residual 'bads' are enough to reject a policy). For example, cultural damage has little to do with economic globalization, and much more to do with advances in communications, travel and migration (in other words, enabling technology) that expand consumer choice (films, Internet, TV, books, etc.). Any 'loss' of indigenous culture,

however, is surely compensated by access to other cultures, as marketing opportunities for all cultures expand.

As his argument progresses, Bhagwati modifies his views on NGOs. In the early chapters, he argues that although environmental problems may be global, they are not necessarily the consequences of globalization. Later, he accepts the Kyoto Protocol without demur, even though the schedules for OECD countries to reduce their CO<sub>2</sub> emissions will achieve little if developing countries are free to expand their output. The CO<sub>2</sub> reductions in the Kyoto Protocol were designed to suit EU interests, with no allowance for net energy exporters, such as Australia. Moreover, the effects of increased CO<sub>2</sub> emissions on climate are uncertain; after all, climate warming could increase agricultural productivity in some regions. The IPCC modelling of climate change has been seriously criticized because of its dubious assumptions (see Castles and Henderson, among others).

NGOs' opposition to genetically modified crops is treated gently, too. Bhagwati argues that Europeans' fear of GMOs persuaded their governments and the EU Commission to introduce a moratorium on GM crops. It has also generated support within Europe for adoption of 'the precautionary principle', which would give blanket protection to EU farmers, and could be extended to almost any import (GM or not). On this, Bhagwati comments, '...[this is] an open-ended approach to safety regulation, denying science the decisive role it ought to have' (page 152). Similarly, he criticizes 'eco-labelling' as another form of anti-GM protection.

Multinational corporations' activities are analysed (chapter 12) to show that the alleged exploitation of workers and resources, and the corruption of governments in developing countries, are less widespread than NGOs claim and that, on balance, they contribute to economic development. The benefits from this

private investment are often greater than benefits from aid flows, which bring onerous terms for capital repayment and interest charges. By establishing standards for corporate responsibility (CSR), Bhagwati believes these benefits should be enhanced. However, he makes no mention of the hectoring 'blame and shame' campaigns by some NGOs that infringe shareholders' rights. And although he mentions favourably the UN's Global Compact (2001), which sets out standards for corporate behaviour, there is no suggestion that a similar concordance should be proposed to set standards for NGOs' statutes and reporting.

The Bretton Woods' twins (World Bank and IMF) have been under the lash from Bhagwati for some years for deregulating short-term capital flows too quickly, for failing to predict incipient problems and for reacting inappropriately and slowly. He blames the IMF for the severity of the Asian financial crisis (1997) because Fund staff had encouraged de-regulation of short-term capital flows, but did not give any warning when short-term debt accumulated. That financial disruption was painful, but it became a crisis because Asian governments had inadequate financial regulations and no prudential requirements for their financial institutions. They were also committed to fixed exchange rates against the US dollar. When the IMF assistance package was offered, it was immediately criticized and quickly amended. However, it was the Fund board that approved the package. As with other international institutions, World Bank and IMF policies are determined by their articles of association (agreements) and by their governing councils, drawn from member governments.

As one would expect, given the author's knowledge, the WTO is a recurring topic in this volume. The WTO has been a major target for NGOs seeking to influence trade liberalization as a key component of globalization, and to sacrifice trade to

other gods. Bhagwati analyses the evils of trade sanctions, trade remedies (safeguards, antidumping, etc.), agricultural protection, dispute-settlement procedures and protection of intellectual property as impediments to growth in developing countries. Like the Bretton Woods' institutions, the WTO is also facing demands for reforms.

In the final section, Bhagwati seems complaisant about NGOs and sees their attitude to globalization as benign, despite his earlier scepticism. He is optimistic that NGOs would

---

***Bhagwati's comprehensive survey of economic globalization leads to an unlikely proposal—accommodate dissenting voices in order to promote globalization***

---

be willing to compromise to draw up new policies, new institutions and 'appropriate governance' to promote 'the human face' of globalization; '... none of these difficulties is beyond resolution by compromise and good sense'. Since most NGOs make open-ended demands and have developed a life of their own, this is not a convincing line of argument.

Bhagwati concludes that globalization is 'a force for advancing several social agendas', that he believes 'will yield better results if it is managed' (page 221). To achieve what he calls 'appropriate governance', based on new policies and institutions, he wants to incorporate NGOs into the negotiations, and to use them to monitor international co-operation. This ignores recent experience with

NGOs, and conflicts with his own views in earlier chapters. Demanding changes to the constitutions and governance of international institutions is fraught with difficulties. Arguments over the WTO and the Bretton Woods' institutions have shown that any amendments to a founding agreement or changes to the governing bodies are difficult to negotiate.

One proposal to elicit more support for economic globalization from developing countries and NGOs would be to provide outside financial assistance to facilitate economic adjustments to external shocks, such as tariff reductions or falling export prices. Bhagwati suggests that World Bank and IMF resources should provide such finance (page 223). This was proposed also in the Declaration on Greater Coherence in Global Economic Policy-Making in the Uruguay Round Final Act. International institutions guard their territory fiercely, however, so no progress was made towards institutional policy co-ordination.

After reading this volume, one is left wondering whether globalization is in retreat. Bhagwati's comprehensive survey leads him to seek to accommodate dissenting voices. This can only offer opportunities to the anti-globalization lobbies. Already international political tensions, as well as NGOs' activities, are weakening the forces of global integration. As terrorism raises security concerns, and increases communication and transport costs, international co-operation may be weakening. Ultimately, globalization depends on domestic economic policies and governments' commitments to policies that support the market economy: property rights, the rule of law and free competition. This makes some of the concessions offered in this volume worrying.

*David Robertson is a former Professor of International Trade at the University of Melbourne and former Commissioner with the Productivity Commission, Canberra.*

**I P A**